

DANONE

08



Sustainability Report



DANONE



Social and Environmental Technical Report

Interview with Franck Riboud



DANONE

What is your analysis of the year 2008?

Long before the year 2008 had ended, everyone, and especially financial markets, were already looking anxiously towards 2009. However, I think that 2008 is an interesting year to analyse, because it allows us to draw some important lessons to consider as we seek to envisage the near term future, especially for Danone.

The first lesson is that we are yet again on track to meeting our targets: organic growth in turnover (+8.4%), higher margins (over 53 basis points), and growth in net earnings per share (+15% on a comparable basis). We have indeed experienced a first half of record growth but what is most interesting for me in terms of learnings, is the second half of the year. Even though the global crisis was apparent everywhere since the summer of 2008, our broad indicators remained in the green during the second half and the last quarter was marked by solid growth (6%), achieved in a largely toxic economic universe. This is not to say that Danone is immune to the crisis, but it demonstrates a real robustness, built over the years on the foundations of our biggest assets: strength in our brands, consistency and coherence of our strategy, and of our businesses, and our effective management of geographical balances. It also demonstrates the vigilant responsiveness and unflinching mobilisation of our teams. This is undoubtedly the most valuable quality to have in the present context.

The integration of Numico seems to have contributed greatly to the quality of these results.

Indeed, that is precisely the second lesson of 2008, in the form of validation: acquiring the Infant Nutrition and Medical Nutrition divisions for Danone was the right strategic choice. The results are there to see in terms of growth, margins, synergies (in this area, we will go far beyond the anticipated cost synergies of 45 million in 2008 and 15 million in 2009). The synergies are above all reflected in terms of integration and motivation of the teams who have played the game well on both sides. It is a success that we are especially proud of. It is proof not only that our two new global business lines are categories for the future, but also that, far from damaging these growing businesses, we have in fact further energised them through their integration. Integration, while always a risky affair, proved in our case, to be particularly effective and fluid.

What do you take away from the year 2008 as regards the Danone's social plan?

2008 was a pivotal year in the build up of what we have long called Danone's "dual economic and social project". On the one hand we have identified 6 priority themes to focus on through to the year 2011 that integrate business performance and the creation of social or environmental value. For example, one such priority area is "Danone For All" which aims to develop products and business models that will enable us to provide quality nutrition solutions to population groups with low purchasing power in a growing number of country around the world. On the other hand, in 2008, we decided to integrate social goals in the remuneration of the 1500 directors and key managers of Danone, with 30% of the variable remuneration related to social and environmental performance.



How has the integration of Numico affected this plan?

Danone has become the second largest global player in the nutrition of babies and very young children, an age group where Danone's mission to bring health through nutrition makes absolute sense. In January 2008, immediately after the acquisition, we engaged in dialogue with the organisations working on these issues. This dialogue facilitated a convergence on the interpretation and application of the World Health Organization Code concerning the marketing of breast milk substitutes (published in 1981), and we are now determined to advance with concrete efforts. I am particularly convinced of the need to strengthen the support for promoting breastfeeding and subsequently to support young children having access to complementary balanced nutrition of a good quality.

In which areas has Danone made most progress in 2008?

Measuring the environmental footprint is an area where we made great progress in 2008. Danone has developed a measurement tool to measure the carbon emissions of our operations by taking into account the entire value chain from upstream agricultural activities right through to the packaging end-of-life. This tool was tested in 2007 and more widely rolled out in 2008 to the Waters and Dairy Products Divisions. All subsidiaries of the two divisions now have precise knowledge of their impact and ambitious targets for reduction have been set until 2011. In addition to this very proactive action to reduce our direct impacts, Danone has embarked on an innovative approach to offset the emissions remaining after reduction. In 2008, in partnership with the Ramsar Convention and the International Union for the Conservation of Nature, we created the Danone Fund for Nature, whose purpose is to support the restoration of ecosystems combining carbon sequestration, maintenance of biodiversity and preservation of water resources. Initial achievements in 2009 include the restoration of mangroves, which play an important role in either slowing or accelerating climate change. This innovative approach that emphasises reduction and compensation will enable us to move towards achieving carbon neutrality for our brands.

Bottled water, in which you're one of the two world leaders, is a category that is now facing criticism in developed countries, both on its price and its environmental impact ...

There are many myths in this debate. Firstly, it must be clarified that mineral water is not an "ecological aberration": it is the opposite. In the true sense of the term, there is no product that can claim to be more natural. There is nothing to filter, nothing to hide, nothing to add, or disguise. It emerges from the depths of the earth, free from any pollutants and receives no special treatment and no chemical treatment. It is even better than organic product. Which gives us yet another reality: the producers of mineral water are the best allies of the environment in the regions where they operate. For one simple reason: no other player has such an interest in protecting its environment. In saying this, the idea is not to ignore the issue of the environmental impact of the transport and packaging of mineral water. But again, we must recall some facts. For example, a total of 2/3 of shipments of Danone Eaux France (Volvic, Evian, Badoit) are actually arranged by rail or barge. How many other activities can today claim to be so virtuous even in terms of transportation? As for the bottle, it is 100% recyclable (a quality beyond the reach of the majority of packaging items), it has become lighter each year and since the last few months has finally been given the right to be composed of 25% recycled material. One last thing, Evian, the first mineral water in the world, will from 2011 also be our first product to achieve neutrality in terms of carbon emissions.



What do you say to those who think that the choice of bottled water is not necessarily rational when you can choose to consume tap water?

There are several things. Firstly, whereas developed countries are very fortunate to have access to safe drinking water on an almost universal basis, this is far from being the case in all other regions of the world. In several countries the Danone natural water is often the only way to have access to safe drinking water at an affordable price. And then, we are not really speaking about the same thing. Bottled water, whether it is mineral or spring water, it is the rational choice for those who do not want to make any compromises with the only “food” that is essential for life: water. Mineral water represents a constant quality, an always pleasant taste that can always be selected and its transparent composition is clearly visible through the packaging. This is the choice we must make for the more fragile, with whom, one can not take any risks: the elderly, the sick, or babies. But make no mistake, our issue here is not to slam tap water, but to make people realise a simple truth: when you are standing before the shelves of a supermarket, on the patio of a café, or in front of a vending machine, mineral water is not competing with tap water but rather with other drinks, usually sweetened, always less natural, more expensive and having an environmental impact far heavier than that of bottled water. For example, in a country like the United Kingdom where consumers are moving away from mineral water, it is to go overwhelmingly towards sweetened beverages. We must first restore appreciation for the taste of drinking water.

Where are we on the initiative launched by Danone with Muhammad Yunus in Bangladesh?

2008 was a year of learning, tempered with the strong impact of the rising price of milk on the local market. This increased the degree of difficulty of the challenge of marketing a yogurt brand at accessible prices to the very poor rural area of Bogra. Local teams have managed to find ways to maintain the nutritional impact and the price level. We have also started selling to Dhakka, the capital of Bangladesh and we plan to start building a second plant in 2009.

What are the possibilities of replicating this model in other regions of the world?

We have already learned much from the experience of Bangladesh. The production in micro-factories is a model that can be used in many emerging countries and we are beginning to develop a marketing expertise that is markedly different from that of other countries where the Group has had a long presence.

Through the SICAV danone.communities of which Danone holds 20%, we have begun to expand our fields of experience in investing in water projects in Cambodia and in dairy products in Senegal. These investments in “social business” are not significant in financial terms but they serve as essential laboratories for us to develop new approaches and new skills as part of the “Danone For All” initiative. And they are also, rightly so, an extraordinary lever of motivation and pride.



Is Danone's policy in social matters at risk of being called into question by the global economic crisis?

It is no secret that 2009 will be a year of uncertainty and complexity with increased currency volatility, rising unemployment in the West, lower resistance of consumption in emerging countries ... We do not enjoy greater visibility over the horizon than others over different contexts. We have no magic formula either. But it is useless to lament. In this context, everything is a question of attitude, courage and commitment. And developing the ability to drive on slippery surfaces. One must be more responsive, more attentive and take greater initiative. It is in this spirit that we entered 2009: with realism and with a stronger determination and intensity of focus in the steering. And with very clear priorities. The first being to seek maximum efficiency in all areas. In times of crisis, there is less room for careless imprecision. Then we will continue to improve our margins and our earnings per share (10% for comparable data) because this is how we are identifying our investment capabilities and future growth.

Regarding Danone's social plan, we consider it to be a competitive advantage and the best way to prepare for the future. The current crisis is not only financial and economic. Clearly it also affects lifestyle, production and consumption. The goals that we set for example to develop new products for emerging countries or to reduce the impact of our activities on the environment are an essential investment to invent solutions that will be necessary tomorrow.

Will you continue to innovate? Do the strict new regulations governing health claims pose an obstacle or a hazard?

We will obviously continue to innovate. Energising the market is our responsibility as leader, and somehow, I would say we do not quite know how to do things differently. R & D teams, in particular, remain focused on this objective. We will probably be just a little more focused and try to better prioritise our launches. On the issue of regulation regarding claims (which is being initiated in Europe), we believe, on the contrary, that it is going in the right direction. Obviously this will require adjustments in the early stages because it will be necessary for the various players to understand precisely what the regulatory authorities expect with regard to scientific dossiers and what the criteria for their decisions will be. There will probably be a lot of back and forth during the first few months. This mutual learning is inevitable for a new subject. But the rules will be eventually be clarified and this will allow companies seriously investing in real science and research to distinguish themselves through their specific claims. In this area, Danone with its 1200 researchers, its several clinical studies published in recent years clearly has a real edge.



You have just announced the creation of an endowment fund for the development of the Danone ecosystem. What is it about and where did this idea originate?

It is born of a simple fact... That of the increasing interdependence of businesses with their direct economic environment. This interdependence was very cruelly exposed with the global crisis and we have seen how some companies, however successful, could be brutally undermined by the difficulties of their economic and social environments. This should remind us that it is in the interests of an enterprise to take care of this environment, what might be termed, by analogy, as the "ecosystem". This is the idea which is at the origin of this fund.

We had already established in several places in the world various structures of local economic development but we believe without doubt that we must now systematise this approach to give it scale and sustainability. Funded by Danone, the fund will be financed by an initial endowment of 100 million euros complemented by an annual contribution of one percent of our net income. It will fund initiatives identified by our various subsidiaries in the jurisdictions where we operate: the development of skills among our local suppliers; creation of economic activities linked to our businesses (for example, food distribution micro-enterprises, etc.), and occupational integration programmes involving our plants ... This is not an emergency or recapitalisation fund, but rather, an initiative to proactively prevent crisis situations. Nor will this be a tool for financing any eventual competitive plans for our sites. It will also not be the solution to all our problems. Simply put, it is an initiative to strengthen the economic fabric to which we belong and with which we maintain a relationship of mutual co-dependence.

At Danone, we believe that is our role as an enterprise and it is a way for us to ensure our development in the long term.

Precisely what will Danone look like in 5 years?

We will first have to focus on the present and skillfully weather the stormy economic climate. At the same time, we must continue to stay the course and continue to develop in the medium term. I do not think the Danone of 2012 or 2015 will inevitably be very different from the Danone of 2008. But it will, hopefully, be more in tune with the great universal aspirations: more nature, more health, more attention paid to men and women. In any case it is this strong ambition that makes us want to get up every morning!

Franck Riboud

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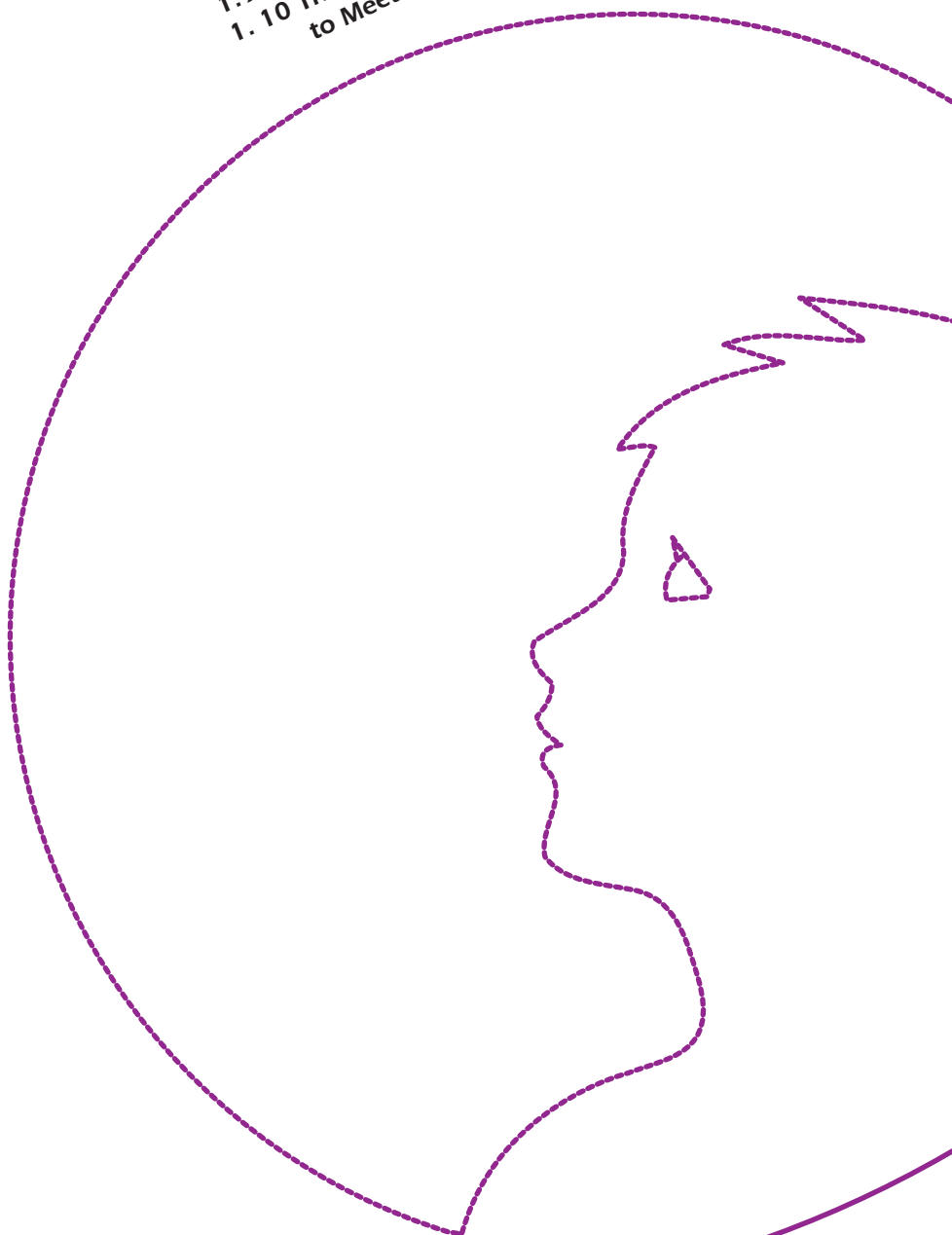
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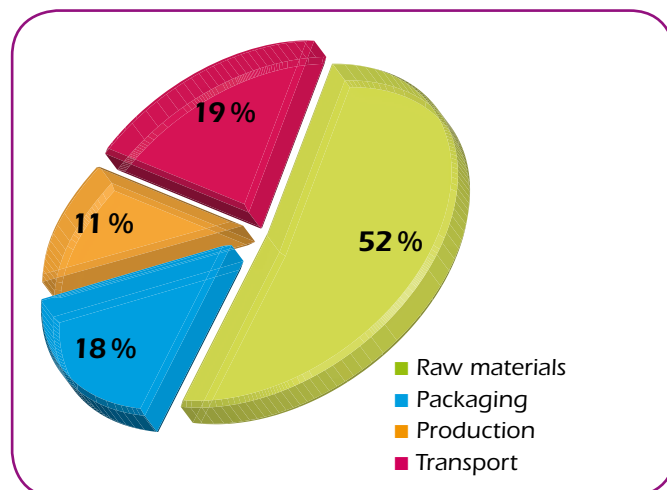
1. Social and Environmental Responsibility Within Groupe Danone in 2008

1.1 The Environment

From 1996 onwards, Danone has developed a comprehensive environmental policy. Since then, several important strides have been made:

- **From 2001** the reduction targets have been set for the entire Group over the period 2000 - 2010: 20% reduction in energy consumption, 30% reduction in water consumption and 10% weight reduction in product packaging ("Sensible plants" programme). Most of these objectives have been achieved in 2008, thanks to various measures taken by the subsidiaries of the Group (for details refer to the section on Environmental Performance Indicators);
- **In 2008**, the Group developed a tool for measuring the water and carbon footprint that has been implemented in all the subsidiaries of the Fresh Dairy Products and Water Divisions. This tool will be gradually implemented in 2009 in the Infant Nutrition and Medical Nutrition Divisions. To support its implementation, Danone has established a specific organisation set up for the long-term. A carbon expert, appointed in each subsidiary, is responsible for measuring CO₂ emissions and should prepare a suitable action plan for their reduction. Meanwhile, the effective reduction of the carbon footprint has been integrated into the calculation of bonuses for the Group's executives. This tool has received a PriceWaterhouseCoopers / Carbon Trust / Ademe triple certification.

The total carbon footprint of the Group, estimated at 16 million tonnes of CO₂ equivalent (scope 1, 2 and 3) is distributed as follows:



The direct environmental impact associated with the industrial activity of the Group amounted to 11% of the Group's total carbon emissions. Agricultural raw materials used by the Group represent 52% of these emissions. Product packaging and transport as a whole represent, respectively, 18% and 19% of emissions.

Groupe Danone has set itself the target of achieving carbon neutrality on five of its leading brands by 2011. To achieve this goal, it has adopted a two-pronged strategy:

1/ 30% reduction in direct emissions linked to energy consumption, transport and product packaging. Groupe Danone had set a target to reduce its energy consumption by 30% over the period 2000 - 2010. This objective was achieved in late 2007. It has now been extended in the context of the Nature plan (see below).

2/ offsetting the remaining emissions through the "Danone Fund for Nature" created under the Danone - IUCN - Ramsar partnership.

The mission of this Fund is to support projects that combine water resources management, the conservation of biodiversity, quality improvements in food resources emanating from wetlands and the strengthening of their natural capacity for storing large quantities of CO₂. Administered by the three partners, this Fund will rely scientifically and technically on Ramsar and the IUCN. The first pilot project will be implemented in 2009, followed by a larger scale roll-out, and tracked by reliable and recognised measurement methods.



Strategy

The Danone, IUCN, Ramsar Partnership: fighting global warming through the protection and restoration of wetlands

Danone, the Ramsar International Convention on Wetlands and the International Union for the Conservation of Nature (IUCN) have entered into an original and ambitious partnership aimed at combatting global warming.

With a view to offsetting its carbon emissions, Groupe Danone signed an agreement in October 2008 with the Ramsar Convention and the IUCN on the restoration of wetlands, which play an important role in the absorption of greenhouse gases generated by humans.

The purpose of this innovative programme is to maintain and capitalise on the essential role played by wetlands ecosystems, especially mangrove swamps, in carbon capture. Representing 6% of land area, wetlands fix 20% of the earth's carbon and produce 25% of the world's foods (fisheries, agriculture and hunting). These areas, vital to biodiversity and the survival of many populations, also enable the natural purification of freshwater and groundwater's recharge, and serve as effective barriers against coastal storms. Nearly half of these areas, however, have been destroyed over the past century.

The Evian Commitment

For Danone, the first initiatives undertaken under this programme were led by Evian. As the world's leading brand of mineral water, Evian has long experience of protecting water resources, particularly through the protection of the catchment zone that feeds its own spring. In addition, the brand has worked for many years to reduce its environmental impact in the broadest sense, in the areas of energy consumption, packaging and transportation. As a result of these crucial initiatives, between 2000 and 2011 Evian will have shrunk its carbon footprint by more than half.

Simultaneously, Evian intends to develop voluntary initiatives making it possible to absorb the remainder of its carbon footprint. Within this context, from 2009, Evian will support specific programmes aimed at storing carbon, by restoring wetlands with Ramsar and the IUCN.

This twin effort – to reduce emissions on its own and to restore areas that will fix large quantities of CO₂ – will enable Evian to become carbon neutral, from 2011 onwards.

The Marco Polo Project: from "all truck" to "all rail"

To optimise the transportation of its products and reduce CO₂ emissions, Danone is working in two directions:

- On the one hand, the Group manufactures in its factories its own plastic packaging from conditioned PET granules or orders them from subcontractors located close to its production sites. Thus, the transportation of empty bottles is avoided.
- On the other hand, it is developing projects that promote rail use. It is within this framework that the Marco Polo project was launched at the end of 2007. This project sponsors initiatives that favour the railway in Germany with the aim of moving from "all truck" to "all rail". Switching the supply flows of Evian and Volvic towards Germany has been made possible due to this operation. This has resulted in emissions being reduced by 43% during 2008 as compared to 2007 (transfer of 300,000 pallets) and in a 41% saving in diesel in one year (700,000 litres of diesel) which is equivalent to a trip of approximately 8,720,000 km.



Recycled PET: a lever for reducing packaging weight and decreasing CO₂ emissions

Since 2007, Danone has been recovering a portion of PET (polyethylene terephthalate) from its used bottles to be re-used in the manufacture of new bottles. The reuse of recycled PET in bottles was approved in early 2008 in France by the *Agence Française de Sécurité Sanitaire des Aliments* – AFSSA (French Food Safety Agency). This innovation enables the production of bottles with 25% recycled PET, Danone's aim being to achieve 50% of recycled PET in its water bottles in 2009.

1.1.1 Objectives: Nature Plan 2009 - 2011

Groupe Danone, following the achievement of the objectives it had set for the period 2000 - 2010 and faced with new environmental challenges has decided to initiate a new plan: Nature Plan 2009-2011.

The main objectives of this plan are as follows:

- reducing the ecological footprint of all activities related to the manufacture of Danone products,
- enabling all subsidiaries of the Group to achieve the same objectives by 2011 in terms of reducing carbon emissions, reducing water consumption and the preservation of biodiversity,
- offsetting what cannot be reduced by preserving the agricultural ecosystems associated with our products (agropastoralism) and wetlands,
- engaging brands vis-à-vis consumers in the reduction of the ecological footprint of products,
- reducing the CO₂ footprint by 30% (in kg CO₂/kg product) on all activities (industrial sites, packaging, transportation, product- and packaging end-of-lifecycle),
- achieving Carbon neutrality for 5 major brands of Groupe Danone, including Evian, by late 2011.

1.2 Internal Communities

The year 2008 was marked by the integration of Numico teams. The reconciliation of two different management styles and cultures is a challenge that is always accompanied by a risk. In this context, the process has been particularly effective and fluid. The results are self-evident in terms of growth and especially as regards the integration and motivation of the teams.

The year was also marked by the development of the new Danone social plan whose origin can be traced back over 30 years in the dual economic and social plans, constituting the veritable cultural DNA of the

Group. Six priorities have been defined for the period through to 2011, integrating the business performance and the creation of social and environmental value. It will crystallise particularly through the integration of social objectives into the remuneration of 1500 directors and key managers of Danone.

1.2.1 Integration of Extra-Financial Criteria in the Remuneration of General Managers of Subsidiaries

In 2008, with a view to instituting radical changes in behaviour and harmonising the social, societal and environmental ambitions of Groupe Danone with the day-to-day operation of the enterprise, the Group decided to change the system of bonuses distributed to managing directors and top management (1,000 people concerned). The system is now comprised of three tiers:

- an economic tier that integrates conventional economic criteria such as growth in turnover, profitability and free cash flow,
- a social, societal and environmental tier which includes criteria related to employee training, workplace safety, reduction in water consumption, measurement of the carbon footprint and, from 2009 onwards, the reduction of the carbon footprint,
- a tier related to business levers, to major transformations made by the subsidiaries in terms of innovation, management and organisation in the market or internally.

1.2.2 Training and Employability

In 2008, Danone continued its training policy that is based on threefold objectives: to develop professional and managerial skills and competencies, share and transfer good practices and help spread the culture of the Group.

- the "Danone Campus" programme and the international training programme offering "Learning by Danone" helped to train several thousands of



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managers around the world, including the 1637 in the Campuses, the Group's version of the Corporate University. In 2008, 11 Danone Campuses were organised across the world: 5 in Asia Pacific, 1 in America, 1 in Africa and 4 in Europe, the most recent being in December at Evian,

- creation of a skills college in France, which pools training opportunities for managers and supervisors. This college has trained more than 1,000 employees in management and professional effectiveness. In late 2008, it launched a sales University that will offer professional development sessions for salespersons to all Group companies in France,
- since the launch in April 2004 of the EVOLUANCE programme (intended for operators, supervisors and employees in France), 1044 employees have participated in various professional development courses. Among them 68% opted for the VAE (Validation of the Acquisition of Experience), a system that allows a national education diploma to be obtained on the basis of a professional experience dossier. Employees who attended these programmes range in ages from 24 to 59 years (44% of them are over the age of 45) with 36% of them being women. 770 of those employees have already obtained their diploma, representing a success rate of over 95%. Nearly half of the graduates have evolved professionally and 10% were involved in further training,
- in 2008, the number of training hours per employee is 25 hours per year, i.e. an increase of 25% compared to 2007. Thus the target of the EVOLUANCE programme, 24 hours of training per year per employee, has been achieved.

1.2.3 Diversity

In 2008, Danone and the UITA (IUFOWA-International Union of Food and Allied Workers' Associations) mutually agreed on the content of a global survey to be launched in June 2009 to analyse the manner in which the Group's subsidiaries have appropriately adapted the agreement on diversity taking into account their local context (cultural, economic and social situations, problems and special laws) and to collect best practices.

In 2008, two interesting partnerships have been entered into within the framework of the diversification of recruitment sources:

- one with the University of Villetaneuse, near the headquarters of Danone France, whose goal is to offer internships to students, provide courses and to enable them to gain knowledge about the business lines of Danone,

- the other under the framework of the Plan Espoir Banlieue (Suburban Hope Plan) proposed by the Ministry of Employment, which involves the company in a proactive initiative vis-à-vis youth from the areas coming under City policy. Within the context of this 3-year plan, Danone is committed to increasing the current rate of recruitment of these young people from these districts from 8% to 10%.

In 2008, the Group's French companies following the agreements they have signed and in line with the commitments undertaken by signing the Diversity Charter, made progress in the integration of persons with disabilities: 4.17% against 3.1% in 2007.

Danone Spain has adopted an original Diversity initiative by setting up a multidisciplinary working group to conduct a qualitative and quantitative diagnosis before drafting a charter signed by all members of the Management Committee. An agreement has been signed with trade unions and an equal opportunities committee has been established to monitor implementation

1.2.4 Safety and Health

Groupe Danone's voluntary policy on safety has made possible the reduction in the frequency rate of accidents with stoppage of work by 50% since 2004.

"Health at Danone Place" Programme

This programme was born primarily of a desire to make each employee an "actor" responsible for his/her own health on a daily basis. It is also the notion of creating for the Group's headquarters more than a collective, of solidifying its identity, in a manner akin to a classic subsidiary.

Specifically, Health is comprised of 15 activities conducted within a year by 40 Health Addicts (the name given to employees involved in the programme on a voluntary basis) on topics such as nutrition, sports, stress management, congeniality and friendliness. The programme organises: conferences on the topic of health, information and screening campaigns (cholesterol, diabetes, etc.), healthy days (with "speed dating dieticians"), courses in "eau-nologie" ("water-appreciation") on all the waters of the Danone world), a sports network (digestive walks, running, etc.), a stress Observatory, etc.

This participatory innovation is also an essential step to becoming true Health Ambassadors: ownership over health topics, empowerment to do good unto oneself and others, in order to, ultimately, better understand the businesses, the products and to naturally support the Health mission.

1.2.5 2009 Objectives

> Employability

- establishment of a Danone Leadership College that will train 15,000 team leaders in 3 years,
- continuation of ongoing efforts in terms of obtaining diplomas via the Validation of the Acquisition of Experience (VAE). In France, the objective is to train, qualify and graduate 1100 employees by 2009 year-end (in 2008 there were 1044 graduates) and a further 2000 employees by the year 2012,
- programme development at the corporate level oriented towards the non-manager population. Particular attention will be paid to employees who never undergo training. Within plants and factories excellence-focused initiatives will be developed including methods of: communication, problem solving, teamwork, etc,
- development of projects on the characteristics of the "Danone style" of leadership including the review of resource materials related to evaluation, identification of potential, support for promotions to the position of manager,
- launch of the "Health University" which aims to offer all employees the tools and training to better manage their own health and that of their families, and to acquire scientific knowledge through Danone products,
- launch of the "Danone Inside Pack".

> Diversity

- the objective of the First Danone Women Leadership LAB at Evian, that will assemble together 70 participants, is to focus on ways in which men and women will combine forces while working at Danone,
- Open Sourcing: defining priorities that go beyond the initiatives already undertaken by the shared departments of recruitment / training / career mobility in France, thereby helping to rebalance the local / expatriate human resources, region by region, and to identify new sourcing opportunities,
- establishment in a number of European countries inter-enterprise diversity networks, based on the "Diverseurop" network, similar to what has already been done in Spain,
- first global survey on the implementation of the diversity agreement launched in June 2009 (via trade unions and through the HRD). The goal is to

obtain an up-to-date picture, identify best practices to be enhanced and to report back at the next CIC to be held in October 2009,

- Launch of projects on "seniors" for all of the Group's French companies.

> Safety (for the period 2009-2011)

- extension of the WISE initiative to the Baby & Medical Division activities,
- integrating subcontractors on site in the process, by adding to the audit score a 13th specific element related to the safety policy in respect of subcontractors on site. Audit scores are presently based on 65 points,
- extending the initiative, currently focused essentially on plants and factories, to commercial and capillary distribution activities, with particular attention paid to road safety for drivers,
- achieving and maintaining a significant reduction in the Group frequency rate bringing it to the level of the best performers.

1.3 Health and Nutrition

1.3.1 The Challenges and Main Achievements in 2008

Danone's mission is "to bring health through nutrition to as many people as possible". This is reflected by the development of products adapted to different levels of purchasing power, which meet the nutritional needs of a growing number of countries. These products must be supported by a rigorous scientific approach that confirms their health benefits.

Moreover, Danone, as a public health actor, has set strict guidelines and rules with regard to marketing communication and advertising to ensure that they are relevant, reliable and easily understandable.



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Danone adapts its products in response to local challenges and to meet local nutritional needs so as to make them accessible to as many people as possible.

Thus, in extension of the project launched in Bangladesh with Muhammad Yunus, 2006 Nobel Peace Prize winner and founder of the Grameen Bank, in 2008, Danone expanded its product offering for the poor or low income population groups. Two new initiatives supported by the Danone Communities Fund have been instituted: a project in the water sector in Cambodia, and a project in the dairy products sector in Senegal (see inset).

Furthermore, **Danone Brazil** conducted a study in 2008, in collaboration with 12 Brazilian research institutions, on nutrient intakes of 4-6 year olds, involving 3000 children. This study showed inadequate nutritional intake in a majority of the children, especially with respect to calcium (57%), vitamin D (63%), fibre (90%) and vitamin E (25%).

This has led to Danone Brazil undertaking extensive reformulation of DANONINO, the dairy product for 3-6 year-olds, by enriching it with calcium (340 mg/100g, i.e. 50% of recommended daily intake), and vitamin E (1.5 mg, i.e. 15% of the recommended daily intake), retaining its vitamin D, iron and zinc content and discontinuing the enrichment in vitamin A, while preserving the organoleptic qualities of the product that is appreciated by children. DANONINO exists today in 15 different forms, offering nutritional content specifically adapted to the challenges of the country.

Nutrimad: A Unique Partnership Between an NGO and a Company to Fight Against Child Malnutrition in Madagascar

This is yet another example in Madagascar where 50% of children under the age of 5 suffer from acute malnutrition. To address this problem, several players (GRET-Research and Technological Exchange Group, IRD-Institute of Research for Development and Blédina) have joined forces in an innovative project: NUTRIMAD. Over a period of more than two years, they have developed products tailored to the nutritional needs of children (enriched baby cereal) and at 0.04 euro / bag, affordable for most families (85% of the population lives on an income of less than 2 euros per day). These products were marketed within the framework of pre-existing food services/ catering facilities, within which nutritional education has been developed.

Achievements of the Danone; communities Fund

Grameen Danone Foods, in association with Groupe Danone and Grameen Bank, is committed to improving the health of children in Bangladesh through a micronutrient fortified yogurt available at very affordable prices, and thus helping in the development of local populations by creating a sustainable economic activity.

After starting operations in February 2007, the project is still in the pilot phase and investment in a second plant is planned for 2010. With over 2 million units of yoghurt sold in 2008, mostly within a radius of 40 km around the plant in Bogra, representing a penetration rate estimated at 40% in villages in the area, the Grameen Danone project can have a real impact on the health of children living in the region. That's what is being measured by the study currently being undertaken by GAIN (Global Alliance for Improved Nutrition) with assistance from John Hopkins University. Since late 2008, when Grameen Danone Foods began its roll-out in the major cities of Bangladesh, it has expanded its range with two new flavoured products.

In December 2008, Danone.communities also invested in two new independent, socially oriented companies "1001 Fontaines" ("1001 Springs") in Cambodia, and "La Laiterie du Berger" (Shepherd Dairy) in Senegal.

"1001 Fontaines" allows remote villages of Cambodia to access safe drinking water, so as to prevent their inhabitants from drinking water directly from ponds (responsible for causing excessive infant mortality and diarrhoeal diseases). "1001 Fontaines" uses an innovative technology for treating water with ultraviolet powered by solar energy to purify the water from these ponds.

The Senegalese company "la Laiterie du Berger" (Shepherd Dairy) is a dairy processor who processes (value-adding) the fresh milk from Fulani herders (not imported milk which represents the bulk of consumption in Senegal, while a large proportion of the population of this country still relies on animal husbandry for a living). Quality products (pasteurised milk, variously flavoured curdled milk, yoghurt, fresh cream and juices) are sold at a competitive price on the Senegalese market.



01 Strategy

Health Benefitting Brands: A Rigorous Scientific Approach

For each health benefitting brand, Danone works with committees of independent experts. The Group carries out scientific studies on the active ingredients contained in products (pro-biotics, plant ingredients, etc.) and on the products throughout their development, to validate the desired health effect at every stage. Danone also carries out clinical trials to validate product efficacy in humans.

These studies, appropriately adapted to nutritional purposes, are conducted in accordance with protocols and standards of rigour equivalent to those applicable in the pharmaceutical context, and in compliance with GCP - "Good Clinical Practices" - an international standard of scientific quality and ethics for the design, conduct, enrollment-registration, documentation and archiving of tests pertaining to human beings. The difference compared with the pharmaceutical context: testing primarily involves healthy subjects. These studies are conducted with independent experts (medical professionals, researchers). All results (good or bad) are made public. The studies are both randomised and controlled, and conducted under double-blind conditions, which represent the "gold standard" for clinical studies. Several months of investigations per product are required and may involve nearly 1000 individuals for a single study.

The results are made public and are shared with the international scientific community via presentations at world-renowned scientific conferences and through publication in peer-review scientific journals.

In 2008, 52 clinical trials were launched by 4 divisions of Danone in twenty countries. These studies have helped to build / strengthen the scientific dossiers pertaining to product related claims. Also in 2008, as part of the implementation of the new European regulations concerning the use of nutritional and / or health claims on food products, Groupe Danone submitted seven dossiers to the European Food Safety Agency (EFSA).

1.3.2 Product Labelling in Conformity with the Recommendations of the Profession

By late 2008, across the EU countries, nearly 90% of eligible Groupe Danone products (fresh dairy products and beverages) included on their packaging nutritional information conforming to the Nutrition Labelling Scheme defined by CIAA (Confédération Européenne de l'Industrie Alimentaire / Confederation of the Food and Drink Industries of the EU), and adopted in Europe by many players in the food supply chain.

1.3.3 Responsible Marketing Communication

Recognising the role that advertising can play in the choice of food by children, Danone made a commitment in December 2007 under the EU Pledge to reduce its product advertising targeting this consumer segment in all EU countries.

For media (TV, radio, press, internet) and campaigns for which the target audience is mainly comprised of children from 3 to 12 years - and where no voluntary restraint programme recognised by national authorities (such as PAOS in Spain) exists - Groupe Danone has decided to limit its communication to products whose formulation and portions are adapted to the needs of children 3 to 12 years, in line with established public health priorities (based on the TheFoodProfiler criteria).

In 2008, as part of the Children's Food and Beverage Advertising Initiative, Groupe Danone extended to the U.S. its commitment to limit advertising to children on the basis of nutritional criteria recognised by local stakeholders.

Concurrently, Danone has also committed to refrain from the following: advertising in schools; using real or fictional characters from films, cartoons, television shows or books; distributing promotional items in schools; and posting advertising material/displays near schools.



Strategy

1.3.4 Danone: a Major Player in Infant nutrition, Increased Responsibilities

Danone: a Major Player in Infant nutrition, Increased Responsibilities

The International Code on Breast-milk Substitutes

In 1981, World Health Organisation adopted the International Code of Marketing of Breast-milk Substitutes to protect and promote breast-feeding. In subsequent years, the Code has been more precisely defined and reinforced by other laws and resolutions.

The Code applies to all foods that are represented as being suitable for use as a partial or total replacement of breast milk. According to the Code, babies should be exclusively breast-fed for the first 6 months, and thereafter, continue to be breast-fed while also receiving complementary foods up to the age of two years or more. The code stipulates that there should be no advertising or other form of promotion to the general public of breast milk substitutes, feeding bottles and teats, and that health professionals should not play a role in the promotion of breast-milk substitutes and that free samples should not be distributed to pregnant women, mothers of infants or their families. Similarly, labels should be designed to provide the information necessary for the appropriate use of the product, and not to discourage breast-feeding.

1.3.5 2009 Objectives

- at the beginning of 2009, updating of the Food, Nutrition and Health Charter with a strengthening of the commitments concerning the products, and the associated and institutional communications,
- continuing with the deployment of the Danone Way fundamentals, particularly among subsidiaries of the Medical and Infant Nutrition division on the basis of the new reference,
- strengthening the Danone mission to bring health through nutrition to as many people as possible through products adapted to the needs of the most disadvantaged consumer groups,
- Groupe Danone is committed to fulfilling these obligations on nutrition and health in the countries of the EU and in the USA from January 1, 2009 onwards. In EU countries, independent agencies have been appointed by the EU Pledge to verify compliance with these commitments, the results will be released during 2009.

1.4 The Supply Chain

1.4.1 The RESPECT programme

As mentioned in the section of this report on Human Rights, since 2005 the Group has instituted an initiative concerning the protection of fundamental social principles throughout its supply chain. This initiative hinges on the strong commitment of purchasing managers, who have the responsibility, with the assistance of the sustainable development and social responsibility teams, of ensuring that suppliers comply fully with the fundamental social principles.

After a pilot phase, Danone has, since 2006, deployed the RESPECT initiative among all purchasers at the Group's subsidiaries: the appropriate method and tools enable them to monitor their suppliers and take progressive measures in relation to seven criteria deriving from the conventions of the International Labour Organisation (ILO). This approach is being extended to the suppliers of the medical and infant divisions that originated from Numico, who previously had their own system for evaluating their suppliers.

The Respect initiative was consolidated in 2008 with more than 40 external audits conducted among suppliers as well as numerous internal audits.

Concurrently, Danone has been committed since 2007 to the sharing of audit results by joining the AIM-PROGRESS programme intended to lead to the establishment of common social responsibility criteria shared by large enterprises in the food industry. These criteria go beyond the basic social principles, considering that they are based on four pillars: social rights, health and safety at work, the environment, and business ethics. Finally, a system of self-evaluation of suppliers joining this common platform should also help in establishing a more precise mapping of suppliers at risk. By means of all these initiatives, Danone expects to extend the scope of RESPECT in 2009.

1.4.2 Agricultural Upstream Sector

The bulk of the Group's raw materials come from Agriculture. The Group purchases 0.8% of global milk supplies.

Since the mid-1990s, real partnerships have been built with milk producers. In 2008, the Group continued to deploy its Danone Quality Safety & Environment Programme (DQSE). These requirements apply equally to large and small milk producers. Indeed, for Danone these two types of milk supplies are complementary. Its goal is to help breeders make progress in the areas of quality, economic profitability and environmental impact. This direct relationship with producers promotes traceability and the quantitative and qualitative control of supply.

The Linus Project: an operation developed by Danone to reduce its CO₂ emissions related to the use of agricultural raw materials

Agriculture provides the bulk of raw materials used by Groupe Danone and represents 52% of its CO₂ emissions. The Group is conscious of having a role to play in promoting the growth and development of sustainable agriculture while reducing its carbon emissions.

Thus, Danone is developing the Linus Project in Normandy by working with the association Bleu Blanc Cœur (Blue White Heart) to help breeders change the feed for their cows by incorporating flax. This has a double benefit: in terms of the quality of milk which contains less fat and becomes richer in omega 3, and the environment, because the cultivation of flax calls for a low reliance on pesticides and irrigation. In addition, cows consuming flax emit on average 10% less methane. To date, the Linus project involves 30% of Danone's milk production in France, with the Jockey brand being the first to benefit from this programme. The project is also being tested in Spain and the United States.

1.5 Local Communities

1.5.1 Main Achievements and Successes in 2008

- the second edition of "Social Innovation Lab" brought together over 220 people. It enabled the sharing of good practices related to social programmes and helped to define the focal points of the new Danone strategy related to sustainable development: partnership with Nature, accessibility of Danone products to the poorest people, health through nutrition with particular emphasis on the health of employees, social projects benefiting civil society.
- the launch of the new social programmes initiative "Danone Supporting Life" which should lead to subsidiaries developing so-called "Triple Win" programmes and supporting the Groupe Danone mission. In 2008, 93 active social programmes were tallied across all the Group's subsidiaries and may be gradually included in the "Danone Supporting Life" initiative.

1.5.2 2009 Objectives

Within a particularly difficult context, the objective is to maintain the social ambitions of the Group within the framework of the strategic themes defined in 2008, namely:

- continuing with the deployment of the Danone Way fundamentals, particularly among subsidiaries of the Medical and Infant Nutrition division on the basis of the new reference,
- developing triple-benefit Danone Supporting Life programmes supporting the Danone mission based on effective partnerships (particularly with NGOs),
- deploying the eco-system programme in the event of validation by the General Meeting of shareholders in April 2009. This Eur 100 million programme consists of helping, in particular, the partner enterprises of Danone and all the initiatives related to the eco-system of the Group.



1.6 The Challenges

1.6.1 Social Challenges

The major challenge that equally affects both developed and emerging countries is employment. Businesses have a direct responsibility in the creation of employment and in the measures put in place to improve the job security of employees. In a context of globalisation and fierce competition, companies must regularly reorganise their industrial capacity, which is not conducive to guaranteeing employment. The quality of social dialogue, the measures put in place for training and skills development, thus become essential factors influencing the economic performance of enterprises and the employability of employees.

- within a context of change that is as much demographic as lifestyle-related, admission/acceptance and management of diversity, quality of life at work and corporate culture constitute major challenges in the recruitment and retention of employees. Management practices that are mindful of the development of human beings have a distinguishing characteristic,
- in emerging countries, enterprises must explain how they contribute to economic development, respect for human rights and improving social standards. This issue goes beyond the sphere of the enterprise. It concerns the economic and working conditions of suppliers, in particular, producers of agricultural raw materials, as also of all the partners with whom the enterprise works in a given territory. The economic contribution to local communities is a particularly sensitive issue for companies like Danone, who accelerate their international expansion by establishing themselves in new, notably emerging markets.

1.6.2 Product- and Consumer-Related Challenges

- the safety of foodstuffs and the quality of products marketed are among the major consumer expectations. They form part of the first corporate responsibility,
- in addition, consumers express a wide range of expectations, including quality, taste, ease (of purchase, storage, preparation), availability, price. In developed countries, their expectations are widely reported by consumer associations that have become essential partners of the enterprise. The major challenge is to continue to enhance consumer confidence in brands that make ongoing investments to ensure quality and product safety, are environmentally responsible and mindful about their social impact,

- nutrition is at the heart of public health issues. All scientific studies confirm the fact that a varied and balanced diet and regular physical activity are known protective factors against cardiovascular disease, osteoporosis, diabetes and obesity. Conversely, it is known that an inadequate diet combined with a sedentary lifestyle can contribute to the increase in the prevalence of these diseases. Similarly, more and more scientific data indicate that inadequate nutritional intake during the first years of life can affect health status later. In this context, consumers, as also public authorities, are becoming ever more interested in food composition with an increase in expectations related to such information, and resulting in increased requirements as regards the nutritional content of products, labelling and advertising. Finally, these same authorities expect the food industry to actively participate in consumer education efforts around the important effects of lifestyle choices on health,
- in emerging countries, these issues are more related to economic underdevelopment. Malnutrition and under-nutrition are still very prevalent. In these countries, companies are expected to offer accessible products that meet the specific nutritional needs of the local populations. The challenge is to develop products with the same nutritional and food safety qualities as the products intended for developed countries, while making them affordable for populations with low purchasing power.

1.6.3 Environmental Challenges

In the next twenty years, the world's population will have increased by over 40%. Global food needs and the pressure on natural resources will also increase. This trend is already resulting in multiple effects: soil pollution, pollution of rivers and groundwater, emission of greenhouse gases, increasing production of waste and depletion of biodiversity-rich environments

- The dilemma encountered by food industry companies is how to respond to the needs of an ever-increasing number of consumers, while at the same time, limiting their impact on the environment. They also face stakeholders' expectations focused primarily on reducing the impacts of industrial activity and the precise measurement of this reduction (ISO certification, measurement of carbon footprint, reduction of water and energy consumption, contribution to waste elimination, etc.). Control of the impact related to packaging requires both the reduction of materials at source, recycling, reuse and / or the provision of biodegradable packaging.



Strategy

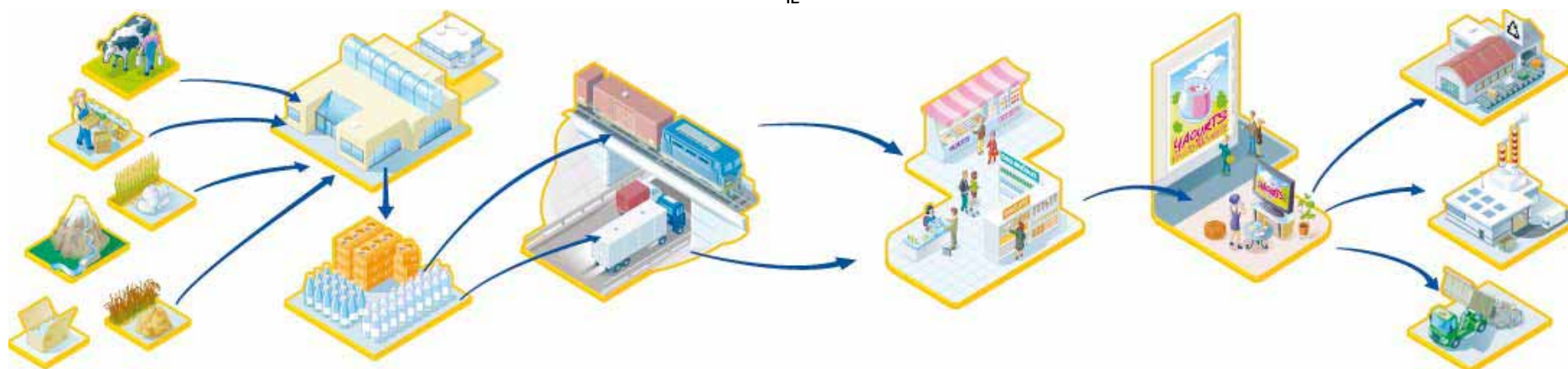
- an average increase in temperature of 2.5°C could cost as much as 3% of world GDP. The various scenarios of the Stern report published a year ago warns against the serious economic, social and environmental consequences of global warming,
- the pressures on the supply of raw materials from agriculture (increased price volatility, new competitors for soil via biofuels, climate impact on crops). This supply side context is changing the company which is striving to improve its strategy further upstream. We are moving from a time of luxury in terms of raw materials supply to a very different period: one of costly raw materials,
- bear in mind, also, that whilst agriculture is vital for humans, it accounts for nearly 25% of greenhouse gases, 70% of water consumption, or 40% of the pollution of groundwater. For their part, consumers are expressing ever higher expectations when it comes to agricultural practices combining safety, environmental preservation and respect for natural cycles. In response, regulatory developments and progress in research continue to advance towards better consideration of environmental and health concerns (precision agriculture, effective pesticides at low doses, alternative control methods against pests and diseases, etc.),
- global leaders in distribution (Wal Mart, Carrefour, Tesco) have declared a new positioning on sustainable development: using 100% renewable energy, recycling all of their waste, using green labels and working with suppliers who respect the environment. The distribution channel uses sustainable development as a lever for differentiation. Supplier networks have also been launched to work on diverse and varied issues (water, agriculture, etc.) and to define common environmental best practices.

1.7 Impacts and responsibilities upstream and downstream of the activities (diagram)

Potential accidental risks related to Groupe Danone activities are primarily:

- water pollution (mainly organic and biodegradable pollution),
- risks related to refrigerating installations (ammonia and other refrigerants),
- risks associated with the storage of raw materials (flour or sugar silos) or hazardous materials (acids or bases for the cleaning and disinfection of plants and facilities).

Beyond these accidental risks, the Group's daily activities also carry an environmental impact. These are identified and addressed sector by sector, from upstream to downstream. The Group takes responsible decisions in response to each environmental impact.



1

Supply of raw materials

> Impacts

- Economic impact: the Group purchased raw materials in 2008 worth 3.4 billion euros comprising of milk and dairy ingredients (51%), other agricultural commodities (24%) and packaging (25%). Milk represents the main agricultural raw material for the Group. DANONE buys from 24,000 producers in 25 countries,
- Main environmental impacts of agriculture: pollution related to fertilizers or pesticides, emissions of methane, a potent greenhouse gas of animal origin (cattle).

2

Industrial Production and Packaging

> Impacts

- Economic impact: Danone produces locally for local markets: 160 production sites, 80,143 employees at the end of December 2008,
- Main environmental impacts of the sites: energy and water consumption, waste emission,
- Main impacts of packaging (6% of the average weight of products): consumption of nonrenewable resources (oil for plastics) and renewable resources (wood, recycled paper for cardboard).

3

Transportation

> Impacts

- Transportation is almost entirely sub-contracted. In Europe, 95% of yoghurt freighting was by truck with 68% of water being transported by truck and 40% by rail. A Danone product (yoghurt or biscuit) travels an average of 600 km in Europe from its place of production to its place of consumption,
- Main environmental impacts: energy consumption, greenhouse gas emissions, local atmospheric pollutants and noise.

4

Sales

> Impacts

- Economic impact: via a commercial presence in 120 countries, Danone posted turnover of 12,776 billion euros in 2007. Two thirds of sales are made in large and mid-sized hyper/super markets, a third in neighbourhood shops,
- Main environmental impacts: energy consumption and greenhouse gas emissions linked to refrigerating equipment in shops, emissions linked to customers travelling to points of sale.

5

Consumption

> Impacts

- Economic impact: 4 areas of activity (or business lines) in 2008: Fresh Dairy Products (57% of sales), Water (19%), Baby Food (18%), and Medical Nutrition (6%),
- Main environmental impact: energy consumption and emission of greenhouse gases linked to the refrigeration of fresh dairy products,
- Social Impacts: Quality / safety of products, influence on nutrition methods, accessible products.

6

End of cycle

> Impacts

- The consumption of products results in the production of packaging waste: recycled, disposed off or incinerated according to locally available options,
- Main environmental impacts: ground, air and water pollution varying with the methods of waste treatment.

1

Increasing agricultural productivity has been accompanied by pressure on the natural environment and a reduction in biodiversity,

- Mineral waters: they come from natural reserves over which the Group has exclusivity.

> Responsibilities

- Procuring raw materials at prices that are sufficiently profitable to producers and a quality and competitive supply to plants, whilst ensuring that Fundamental Social rights are respected,
- Guaranteeing the safety, quality and traceability of raw materials,
- Knowing the working conditions and the environmental impact of agricultural production, and contributing towards their improvement,
- Ensuring the sustainability and protection of water reserves used by the Group.

2

> Responsibilities

- Ensuring respect for fundamental social rights and promoting a social progress initiative at the Group the sites,
- Contributing to the economic development of local communities,
- Managing the environmental impact of plants,
- Reducing packaging without compromising the purpose the serve: food safety, transportation, conservation, consumer information.

3

> Responsibilities

- Minimising the impacts related to the transportation of raw materials and products, promoting transportation practices that respect the environment,
- Ensuring respect of the cold chain and product traceability.

4

> Responsibilities

- Ensuring respect of the cold chain and traceability of the products,
- Ensuring that the products are accessible (price, distribution), especially in emerging countries.

5

> Responsibilities

- Guaranteeing the quality and safety of products,
- Helping to develop healthy nutrition methods and responding to local needs,
- Ensuring transparent information for consumers and promoting dialogue with consumers.

6

> Responsibilities

- Reducing the end-of-lifecycle impact of packaging by integrating these concerns from the design stage and by participating in public waste collection bodies.

1.8 Commitments and Objectives: Danone's Report

	The Economy	Employees	Consumers
The Main Challenges	Danone is pursuing its growth strategy based on: ▪ a portfolio of activities concentrated on dynamic health positioning categories, ▪ a voluntarily limited number of strong brands supported by significant advertising, ▪ a significant presence in markets that represent the best prospects for sustained long term growth, notably Russia, Mexico, Argentina and Brazil, ▪ positions of Local No. 1 in each of its activities, ▪ high performance innovation focused on health benefits, ▪ the potential for growth of the Infant Nutrition and Medical Nutrition markets.	Rapid internationalisation of the Group over the last fifteen years: development in Eastern Europe, Asia, increased presence in emerging countries. While pursuing rapid internationalisation with the opening of new markets (notably emerging countries), the Group began a strategic shift by refocusing its entire portfolio on health products with the sale of the Biscuits line and the purchase of the Numico Baby Foods and Medical Nutrition lines. Within this context, it is necessary to: ▪ implement an ambitious human policy consistent with the Group's values, enriched by the blending of cultures associated with the introduction of new business lines; continue to ensure the strict application of fundamental social principles and contribute to social progress taking into account the diversity of contexts, ▪ respond to changing labour markets, implement various levers of actions to better equip employees to face changing jobs: interviews, training, organisation of projects to facilitate the exchange and development of skills.	Ensuring the safety and quality of products Responding to consumer expectations in terms of nutrition, taste, accessibility (price and availability) and practical aspects (storage, preparation). ▪ satisfying the specific nutritional needs of certain categories of consumers, especially very young children, the elderly and people with special health conditions, ▪ responding to public health issues and participating in the promotion of a varied and balanced diet and the regular practice of physical activity. Anticipating and adapting to the regulations that strengthen the requirements for communication in relation to nutrition or health, ▪ addressing the specific needs of people in emerging countries, for quality products accessible to consumers with very low purchasing power.

**Groupe
Danone
responses
between 2005
and 2008**

The Economy

- turnover increased by 8.4% like-for-like and at constant exchange rates
- the operating margin continued to grow in 2008 for the 13th consecutive year and stood at 14.9%, up by 164 basis points over the previous year (+ 53 basis points like-for-like and at constant exchange rates)
- net current profit per share diluted, increased by 15.1%.
- the Danone stock was selected for the 10th consecutive year in the Dow Jones Sustainability Index, and for the 5th consecutive year in the INNOVEST classification of the world's top 100 companies in terms of highest involvement in sustainable development.

Employees

- in 2005, the agreements signed with the International Union of Food and Allied Workers' Associations) (IUFAWA) were revised to incorporate the Fundamental Social Principles.
- the Danone Way initiative has been implemented within Groupe Danone since 2001. A new version was developed in 2007, which is now deployed in all subsidiaries of the Fresh Dairy Products and Waters division.
- in 2008, an audit programme was implemented over 20% of the perimeter of activities covered by the Danone Way Ahead Initiative.
- safety at work is at the heart of the Group's human resources policy. The voluntary policy launched by Danone in 2004 helped reduce the frequency rate of accidents with work stoppage by 50%.
- since the end of 2007, safety at work (the number of workplace accidents with work stoppage per million hours worked and conduct of WISE audits) and training (number of training hours per employee) has been integrated into the objectives of the Managing Directors and members of Management committees, in connection with the bonus calculations.
- in 2008, the goal of EVOLUANCE Programme to achieve 24 hours of training per employee was reached.
- since its launch in April 2004, 1044 employees have been engaged in various professional training programmes, with 68% of them opting for the VAE.

Consumers

- in 2005, adoption and deployment in the subsidiaries of the Food Nutrition and Health Charter.
- development of products accessible to low income consumers that satisfy the nutritional needs of the respective countries and are sold through appropriate distribution channels:
- marketing of Danimal in South Africa, yoghurt enriched with iron, zinc and vitamin A, to address specific deficiencies in infants, and sold at a price of 1 rand per container in the townships.
- launch of Mleczny Sart, an accessible cereal and milk based breakfast for children by Danone Poland. This product is enriched with vitamins and minerals to overcome the nutritional deficiencies of children in this country.
- establishment of distribution circuits in poor neighbourhoods: "Daniladies" in South Africa, Rombok kiosks in Indonesia.
- marketing of Soktidoi in Bangladesh, a yoghurt for children fortified with Iron, Zinc, Iodine and Vitamin A, sold at a per unit (60g) price of 6 bats (€ cents 6)
- continuing the optimisation of the nutritional composition of products:
- the formula for the DANONINO product sold in 15 countries is specifically tailored to the local nutritional needs of children 3-6 years: DANONINO is enriched with calcium, vitamin D and iodine in Russia, while in Brazil it is fortified with calcium, vitamin D and E, iron and zinc.

**Groupe
Danone
responses
between 2005
and 2008**

L'économie

Employees

Consumers

- | | | |
|--|--|--|
| | <ul style="list-style-type: none"> ▪ Incorporating diversity in terms of cultures and individuals throughout the organisation, by relying on the agreement signed between Groupe Danone and the IUFWWA in June 2007. ▪ The number of women in management has been steadily increasing, in 2008 it rose from 39% to 43%, thanks particularly to the contribution of the new Baby Food and Medical Nutrition divisions. ▪ Continued increase in the number of persons with disabilities (4.17% in 2008) in French companies thanks to the negotiation of an agreement and the creation of dedicated disability policy officer positions. ▪ 9,000 managers and directors, and 22,000 employees in 24 countries participated in the 2007 survey of employees "Danone People Survey" which is conducted every two years. The rate of return is 85% for managers, 78% for directors and 67% for employees. A new edition will be launched in March 2009. | <ul style="list-style-type: none"> ▪ Continuing research on the benefits of products with health claims: ▪ in 2007, 16 clinical studies were launched, 19 study reports were finalised. ▪ in 2008, 52 clinical studies were launched by the 4 divisions of Groupe Danone in twenty countries. ▪ in the context of the implementation of new European regulations concerning the use of nutrition and / or health claims on food products, Groupe Danone filed seven dossiers in 2008 with the European Food Safety Agency (EFSA). ▪ since 2005, development of various tools that facilitate ongoing implementation of the initiative on framing (positioning, communication, composition) of brands with claims (Nutritional Platform Brand programme). ▪ in 2007, launching of a new programme for nutritional information on packaging, in accordance with the model proposed by the CIAA (Confederation of the Food and Drink Industries of the EU) in Europe and used by several major players in the food sector. This information is provided per portion of product, and indicates the portion's contribution to the Daily Nutritional Requirements in terms of energy, proteins, sugars, fat, saturated fatty acids, fibre and sodium). In 2008, about 90% of Danone products in Europe carried this information; |
|--|--|--|

Groupe Danone responses between 2005 and 2008

The Economy

Employees

Consumers

- In 2007, Groupe Danone's commitment to limit advertising to children (<12 years) in Europe only to products whose nutritional composition and portions are suitable for children. The products are selected by using the nutritional profiling system TheFoodProfiler. In 2008, this undertaking was deployed in Europe and extended to the USA.
- Launching of various programmes on nutrition education and promotion of physical activity: "Faut que ça bouge" in France, nutritional health centre in Spain, "Bon appétit la santé" in Belgium.
- Since 2008, implementation of actions to promote breast-feeding in several countries.
- Since 2005, Danone Institutes have been regularly organising symposia and international conventions on issues of nutrition. In 2008, through the network of 18 Danone Institutes, over 70 research projects were funded (total contribution of about 1 million euro), approximately fifteen scientific conferences were held, some of which are available online and about ten publications (conference proceedings, books, etc.) were released and offered for free (www.danoneinsitute.org).

2009 Objectives *

The Economy

- Growth in turnover in comparable terms a few points lower than the medium term growth target (this target is between 8% and 10%);
- Continued growth of the current operating margin in comparable terms;
- 10% growth in net current diluted profit per share like-for-like and at constant exchange rates.

Employees

- establishment of a Danone Leadership College that will train 15,000 team leaders in 3 years,
- continuation of ongoing efforts in terms of obtaining diplomas via the Validation of the Acquisition of Experience (VAE). In France, the objective is to train, qualify and graduate 1100 employees by 2009 year-end (in 2008 there were 1044 graduates) and a further 2000 employees by the year 2012,
- development of projects on the characteristics of the «Danone style» of leadership including the review of resource materials related to evaluation, identification of potential, support for promotions to the position of manager,
- launch of the “Health University” which aims to offer all employees the tools and training to better manage their own health and that of their families, and to acquire scientific knowledge through Danone products,
- launch of the “Inside Danone” package: booklet compiled from the Group’s reference documents, namely Principles for Conducting Business, Fundamentals of Sustainable Development,
- in 2009: The objective of the First Danone Women Leadership LAB at Evian, that will assemble 70 participants, is to focus on ways in which men and women will join forces while working at Danone,

Consumers

- at the beginning of 2009, updating of the Food, Nutrition and Health Charter with a strengthening of the commitments concerning the products, and the associated and institutional communications,
- continuing with the deployment of the Danone Way fundamentals, particularly among subsidiaries of the Medical and Infant Nutrition division on the basis of the new reference,
- strengthening the Danone mission to bring health through nutrition to as many people as possible through products adapted to the needs of the most disadvantaged consumer groups.

	The Economy	Employees	Consumers
2009 Objectives *		▪ Open Sourcing: defining priorities that go beyond the initiatives already undertaken by the shared departments of recruitment / professional training / career mobility in France, thereby helping to rebalance the local / expatriate human resources, region by region, and to identify new sourcing opportunities, ▪ Launching of projects on “seniors” for all of the Groups French companies. Safety Objectives (for the period 2009-2011) ▪ extending the WISE initiative to the Baby & Medical Division activities, ▪ integrating subcontractors on site in the initiative, by adding to the audit score a 13th specific element related to the safety policy in respect of subcontractors on site. Audit scores are presently based on 65 points , ▪ extending the initiative, currently focused essentially on plants and factories, to commercial and capillary distribution activities, with particular attention paid to road safety for drivers.	

The Main Challenges

The Environment

- meeting the needs of ever more numerous consumers whilst neutralising the impact of activities on the environment,
- reducing the environmental footprint of all the products involves the mobilisation of the entire product lifecycle chain, particularly as regards agriculture, along two basic criteria: water and carbon,
- preserving water resources sustainably,
- reducing packaging-related waste through eco-design (taking into account the environment in the design of the packaging) and helping to develop waste prevention through the contribution to recycling strands,
- manufacturing in plants that are safe, clean, save natural resources and are proactive about their local environment.

Suppliers

- Expansion of companies' responsibility upstream of their activity
- constructing long-term partnerships with strategic suppliers to provide quality raw materials at competitive prices and to contribute to innovation,
 - ensuring the health safety of products by controlling supplies and ensuring the economic development of local producers around our sites,
 - ensuring that fundamental social principles are respected by suppliers (RESPECT initiative),
 - promoting more environmentally-friendly farming practices through specific guides, the network of Danone agricultural technicians and the Sustainable Agriculture pilot scheme.

Local communities

- building relationships of trust with local players, and acting in favour of the sustainable development of their eco-system, a key element in the company's overall performance.
- economic challenges: salaries paid out, purchases, local taxes.
- social challenges: employment, contribution of know-how, training.
- societal challenges: undertakings to benefit civil society.

**Groupe
Danone
responses
between 2005
and 2007**

The Environment

- realisation of 100% of the 2000-2010 “Sensible plants” programme to reduce the consumption of water resources, thermal and electrical energy, and use of waste. Realisation of 93% of the programme relative to the reduction of water consumption.
- environmental Investments: 90 million euros over the period 2005-2008.
- 60% of Group sites (industrial sites, headquarters and research Centres) are now certified ISO 14001.
- widespread roll-out of the programme for protection of underground water resources.
- widespread roll-out of the 4 practices of the Danone Way fundamentals: controlling environmental hazards, controlling the environmental performance of industrial sites, monitoring the production / supply of strategic raw materials, as well as the impacts of packaging. The 58 subsidairies evaluated represent a compliance rate of 43%.
- creation and implementation of tools for measuring the water and carbon footprint in all subsidiaries of the Group's Fresh Dairy Products and Waters divisions. Establishing targets for reducing CO₂ over the period 2009 to 2011 and the necessary plans to achieve them.

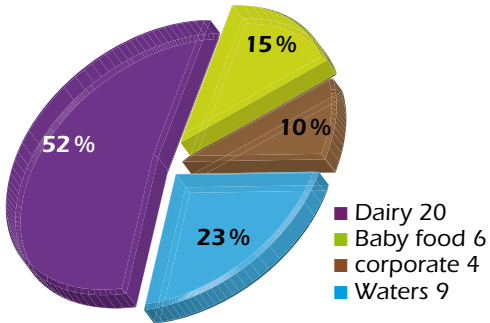
Suppliers

- “Sustainable Agriculture” qualification of 13 French dairy farms supplying Danone.
- continuation and end of the pilot phase of the RESPECT initiative: definition of the strategy and the practical tools to be used by the concerned managers. Conducting 10 additional social audits by an independent audit provider.
- agriculture: in France, about a hundred dairy farmers working for Danone France have received “Sustainable Agriculture” qualification.
- deployment of the RESPECT initiative in all of the Group's subsidiaries under the responsibility of the Procurement directorate. Conducting 11 additional social audits by an independent audit provider.
- organisation of the first “marketplace” hosted for Danone buyers and suppliers on the theme of innovation.
- since the beginning of the launch of the RESPECT initiative more than 50 audits have been undertaken and 3 interactive sessions held bringing together nearly 150 managers.
- Danone has joined the AIM-PROGRESS initiative that, with the participation of other agri-food companies aims to limit the number of audits by encouraging suppliers to provide access to their audit results.

Local communities

- launch in Germany, France, Japan, and the United States by Volvic in collaboration with UNICEF of a vast operation “1 litre for 10 litres” with the aim of financing the digging of wells in Africa (Mali, Niger, Ethiopia). In Indonesia, the 1 litre for 10 litres programme was developed in cooperation with the NGO Action Contre la Faim. In Mexico, it is with a local NGO, Un Kilo de Ayuda, that the Bonafont brand is engaged in the programme. For both these countries, local projects to access to drinking water are the beneficiaries,
- on average 17 million euros per year committed in solidarity actions carried out in countries where the Group operates: help for children via the Danone day of childhood, help for sports via the Danone Nations Cup, support for nutrition research via Danone Institutes, help for local communities principally including the donation of products, initiatives for the environment and emergency aid,
- internal expertise made available via associations.
- partnership between the «Planète Urgence» association and Danone Research: 5 employees of the Daniel Carasso Research Centre and the registered office are on temporary assignment during their holidays,

	The Environment	Suppliers	Local communities
Groupe Danone responses between 2005 and 2007		- for the Fresh Dairy Products and Waters divisions, 250 suppliers at risk, in terms of Fundamental Social Principles, have been identified and are in the process of being monitored. A RESPECT coordinator was appointed in each of the divisions, - deployment of an appropriate tool to aid in the economic control of dairy farms in France, - organisation of several "Innovation Days" bringing together suppliers, buyers and managers responsible for Danone R & D and marketing. Second "marketplace" hosted for Danone buyers and suppliers on the theme of innovation.	- A first "Social Innovation Lab" brought together 120 managers at Evian in July 2007. Plans are under way with the learnings being capitalised on. The objective is to enable working groups reuniting members from subsidiaries interested in a common theme to work together on a regular basis under an experimental initiative aimed at selecting concepts and producing operational tools, - New Danone Way fundamentals have been deployed, self-assessment methodology has been built around 16 principles of sustainable development (human rights, human relations, the environment, consumers, corporate governance, etc.) concerning Danone stakeholder groups (employees, consumers, local communities, civil society on environmental issues, suppliers), - implementation of the second "Social Innovation Lab" in July 2008.
Groupe Danone responses in 2008		100% of the suppliers identified as at risk in 2007 were placed under control in 2008: for all the suppliers identified as «at-risk», internal inspections (by quality-, HR- or procurement managers) or external audits are planned, 40 external audits conducted as part of the RESPECT initiative, amongst which 38 were initial audits and 2 were follow-up audits. These 40 audits covered 17 countries and affected a total of 6,746 employees on the sites of the various suppliers of Danone,	the second edition of the "Social Innovation Lab" brought together over 220 people and has enabled the sharing of good practices related to social programmes and contribution to the areas of focus of Danone's new strategy related to sustainable development: Partnership with Nature, the accessibility of Danone products to the poorest of the poor, health through nutrition with particular emphasis on the health of employees and social projects benefitting civil society,

Groupe Danone responses in 2008	The Environment	Suppliers	Local communities
		 ■ Dairy 20 ■ Baby food 6 ■ corporate 4 ■ Waters 9 3 divisions of the Group were covered under the initiative, including the Infant Nutrition division which was very active in 2008 with 15% of the commissioned external audits (see chart), - the deployment of RESPECT in the ex-Numico subsidiaries has begun, - the first suppliers were registered on the Sedex information and sharing platform that is common to a number of large enterprises in the food industry.	The launch of the new social programmes initiative «Danone Supporting Life» which should lead to subsidiaries developing so-called “Triple Win” programmes and supporting the Groupe Danone mission. In 2008, 93 active social programmes were tallied across all the Group’s subsidiaries and may be progressively included in the «Danone Supporting Life» initiative.
2009 Objectives *	The 2009 objectives are derived from Nature Plan: Reduction - reduction by 5% of the CO₂ footprint by the end of 2009 as compared to 2008 for the Fresh Dairy Products + Waters divisions, - reduction of 5% of water use by end 2009 compared to 2008 for all the Group’s activities, - implementation of the plan to reduce carbon emissions related to the activities of Baby Foods and Medical Nutrition divisions.	- modifying the RESPECT initiative to complement the existing social section with sections on the environment and anti-corruption and thereby cover all of the major themes of corporate social responsibility via RESPECT, - development, with the external auditor, of the new audit methodology based on this “enriched” RESPECT approach to move from social audits to sustainable development audits,	- within a particularly difficult context the objective is to maintain the social ambitions of the Group within the framework of the strategic themes defined in 2008, - developing triple-benefit Danone Supporting Life programmes supporting the Danone mission based on effective partnerships (particularly with NGOs),

2009 Objectives*

The Environment

Offsetting

- establishment of the Danone Fund for Nature, a mechanism to support offsets for the Group which supports the restoration of wetlands establishment of pilot projects for the restoration of wetlands and soils.

Nature Plan 2009-2011

Groupe Danone, following the achievement of the objectives it had set for the period 2000 - 2010 and faced with new environmental challenges has decided to initiate a new plan: Nature Plan 2009-2011.

The main objectives of this plan are as follows:

- reducing the ecological footprint of all activities related to the manufacture of Danone products,
- reducing the CO₂ footprint by 30% (in kg CO₂/kg product) on all activities (industrial sites, packaging, transportation, product- and packaging end-of-lifecycle),
- achieving Carbon neutrality for 5 major brands of Groupe Danone, including Evian, by late 2011,
- enabling all subsidiaries of the Group to achieve the same objectives by 2011 in terms of reducing carbon emissions, reducing water consumption and the preservation of biodiversity,
- offsetting what cannot be reduced by preserving the agricultural ecosystems associated with our products (agropastoralism) and wetlands,
- engaging brands vis-à-vis consumers in the reduction of the ecological footprint of products.

Suppliers

- complete integration of the Infant nutrition and Medical Nutrition divisions within the scope of the programme with the pooling of legal approaches and control mechanisms (audits),
- systematisation of the process of monitoring results of external audits by the Danone procurement managers to enable them to respond quickly and effectively to all kinds of non-compliances that may be revealed.
- increasing the number of suppliers registered on the common AIM-PROGRESS platform, with the help of procurement managers of all the divisions of the Group
- implementation of external social audits carried out under the RESPECT programme in anticipation of the new methodology.

Furthermore, in the context of the current difficulties the Group has embarked on an initiative around a significant thought process entitled "Danone and its eco-system", in order to support some of its suppliers. This initiative must be presented for approval at the annual shareholders' meeting before being implemented.

Local communities

- deploying the eco-system programme in the event of validation by the General Meeting of shareholders in April 2009. This Eur 100 million programme consists of helping, in particular, the partner enterprises of Danone and all the initiatives related to the eco-system of the Group to better manage the global economic crisis.

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1.9 The DANONE Business Model Key Dates 1972 - 2008

The 2000s

Year 2008

- > After ten years of partnership with the Ramsar Convention (protection of the world's wetlands), Danone launched a fund in late 2008 with the International Union for the Conservation of Nature which will support the replanting of mangroves.
- > Launch of the "Social Business / Enterprise and Poverty" Chair in partnership with the HEC.

2007

- > Creation of the Danone.communities fund.
- > World Convention on Diversity signed between Danone and the IUFRAW.
- > Sale of the Group's Biscuits and Cereal Products activities and takeover of Royal Numico N.V., specialising in infant foods and medical nutrition.
- > Creation of the Social Responsibility Committee of the Board of Directors.

2006

- > Creation of the Grameen Danone Foods Ltd company.

2005

- > Health Nutrition Food Charter
- > Global policy on protection of underground water resources.
- > Integration of the Fundamental Social Principles in conventions renewed and re-signed with the IUFRAW.

2003

- > Membership of the Global Compact of the United Nations.
- > Danone a founder member of the "Sustainable Agriculture" Initiative.

2001

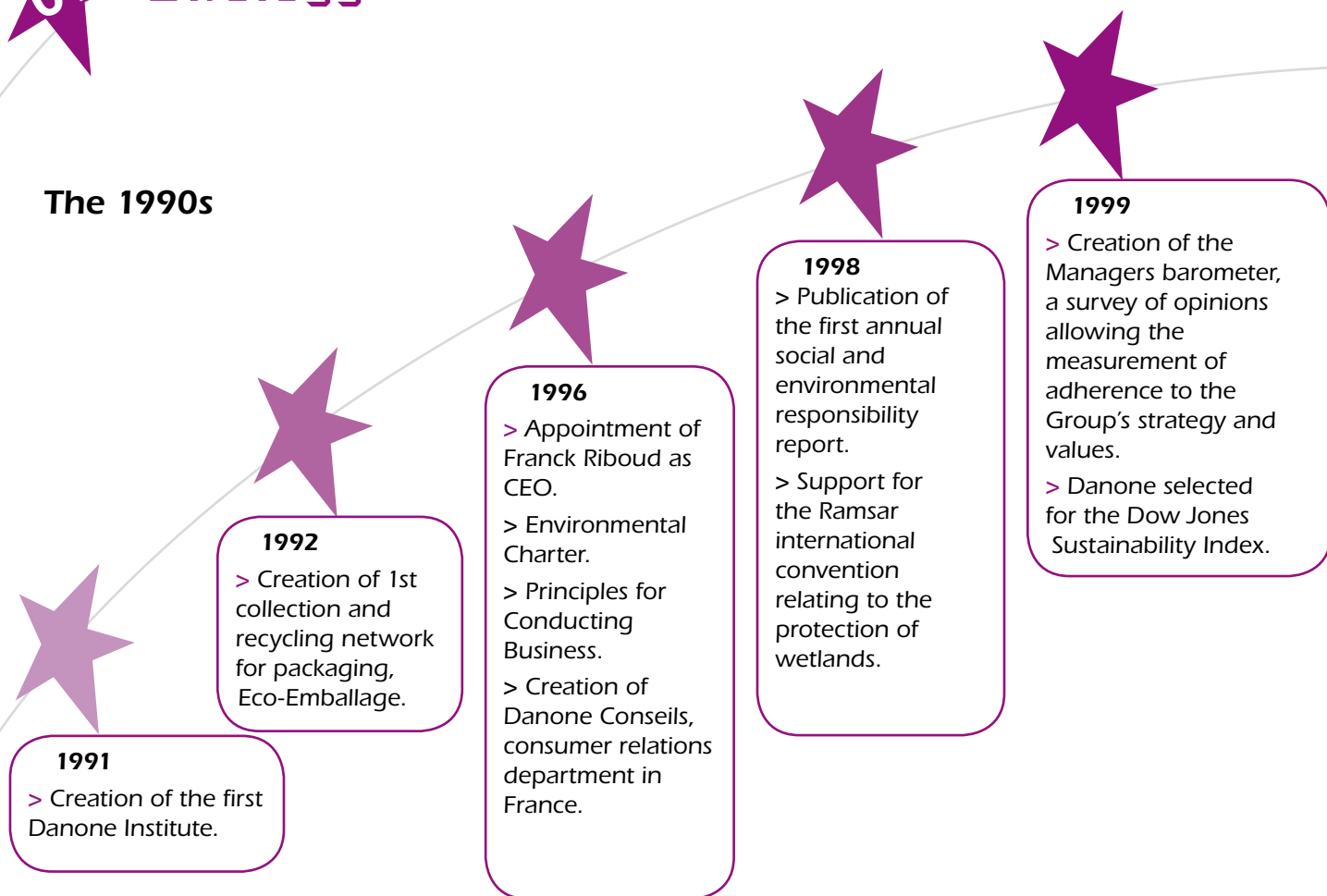
- > Launch of Danone Way.
- > Formalisation of the Fundamental Social Principles.

2000

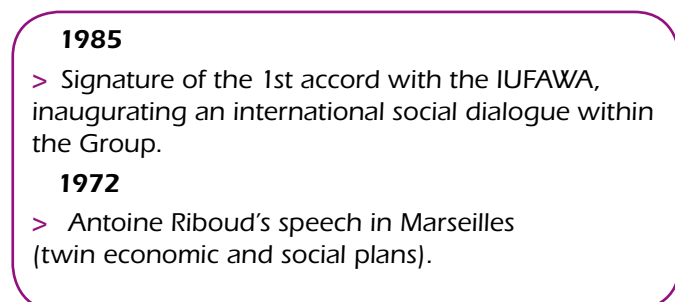
- > Over 70% of Group's employees outside Western Europe.

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The 1990s



Prior to 1990



Reference documents

Antoine Riboud's speech in Marseilles (1972) constitutes the Group's cultural heritage. It was formalised in 1974 in the dual economic and social project.

> **The Fundamental Social Principles**, based on the standards defined by the International Labour Organisation, provide the basis to be respected by all companies within the Group, subsidiaries, partners and suppliers.

> **The joint conventions signed with the International Union of Food & Allied Industry Workers (IUFAWA)** since 1985, which include the World Convention on Diversity, signed on 8th June 2007, serve as the reference for international trade union dialogue within the Group.

> **The Environmental Charter** (1996) commits the Group from the design of products right through to the recycling of the packaging to a management approach that is more environmentally-responsible.

> **The Blédina Charter for marketing preparations for infants** (2005) relates to the marketing of baby products.

> **The Business Conduct Policies (BCP)** (1997, revised in 2001 and 2005) detail the behaviour expected of managers on questions such as corruption and conflicts of interest.

> **The Group's Values**, formalised in 1997: openness, enthusiasm, humanism and proximity.

> **The Health Nutrition Food Charter** (2005) formalises the Group's commitments. It is based on five strong convictions: balanced food, variety of choices,



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pleasure of eating or drinking, conviviality of meals and consumer information.

> **The Global Policy on the Protection of Underground Water Resources** (2004) commits the Group to ensuring the sustainable management of its sources.

> **Franck Riboud's speech** of December 2008 on the occasion of the launch of the Chair in "Social Business / Enterprise and Poverty", in partnership with HEC, reaffirms the dual economic and social project supported by Danone.

An original business model firmly anchored in the Group's history and reaffirmed in the current context

In 1972, Antoine Riboud stated that *"corporate responsibility does not stop at the threshold of the company's factories or offices. The enterprise creates and provides jobs that shape people's entire lives. It consumes energy and raw materials, and in so doing alters the face of our planet. The public is charged with reminding us of our responsibilities in this industrial society"*.

This view was formalised in the dual economic and social project, which forms the basis of the Danone model. It is rooted in a simple principle: economic performance, attention to people and respect for the environment go hand in hand.

Franck Riboud reiterated on December 5, 2008 at the launch of the Danone - HEC Chair in Enterprise and Poverty: *"An enterprise exists and lasts only because it creates value for society as a whole ... The raison d'être of the enterprise lies in its social usefulness. It is to serve society and mankind, in the everyday lives of men and women, through the products, services, employment or even the dividends it provides"*.

In today's economic context, this commitment is more topical than ever in helping to realise the Danone mission: to bring health through nutrition to as many people as possible.

To this end, the Group has developed a uniquely distinctive corporate culture emphasising responsiveness, adaptability and the ability to accelerate innovation through networking. Operational responsibilities are broadly decentralised. The Danone values of *"humanism, enthusiasm, openness and proximity"*,

are enshrined in a very comprehensive internal communication document and the company strives to bring them to the fore in individual and collective behaviour.

This culture has greatly facilitated the Group's rapid expansion into new markets in Asia, Latin America, Eastern Europe, Africa and the Middle East.

Cultural factors play a fundamental role in matters of diet. The analysis of nutritional needs, tastes and food habits is an essential component of Danone's marketing. The Group's management believes that this business model constitutes a key competitive advantage. It is primarily a factor in collective efficiency and internal motivation. It is also a factor that is strongly appealing, given the increasing sensitivity of employees to the notion of the enterprise being competitive and socially responsible. Finally, it is a powerful lever for developing a relationship of trust between the company and its partners.

An initiative formalised over time

In order to ensure that this culture is embraced throughout the organisation, the Group has relied on Danone Way, a self-evaluation mechanism designed to help each subsidiary to integrate economic performance with social and environmental responsibility.

Over the years, the Danone corporate philosophy has been formalised in documents that define the principles and policies of the Group: fundamental social principles, principles for conducting business, environmental charters and the Health Nutrition Food charter are some of the key documents that guide the actions of Danone teams throughout the world. Structured dialogue with stakeholders has been gradually taking shape even as the food industry remains the focus of intense debate.

The Group has sought to organise its relations with diverse stakeholders in the social, public, economic, industrial and scientific arenas. This desire for dialogue is reflected in regular meetings, written communications or collaborations with consumer and environmental protection associations, employee trade unions, scientific institutions or public authorities. It has been further enhanced through cooperation with suppliers, customers and competitors. Since 2004, managers in charge of social responsibility, external communication or public affairs, have been appointed in subsidiaries. Their role is to establish lasting and long-term contacts



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with public authorities in countries where the Group operates so as to avoid improvised reactions in crisis situations.

At the Group level, a new sustainable development organisation is in the process of being established. It is part of the new 2008-2011 strategy, and is founded in particular, on the following priorities: partnership with nature, accessibility of products to the greatest number of people, development and involvement of employees in social programmes.

A new ambition is breathing life into these social programmes with the so-called "Triple Win" initiative entitled Danone Supporting Life. Through these activities, each subsidiary seeks to address a social issue, with the commitment and engagement of employees, while also contributing to organisational development, all within the framework of Danone's nutrition health mission.

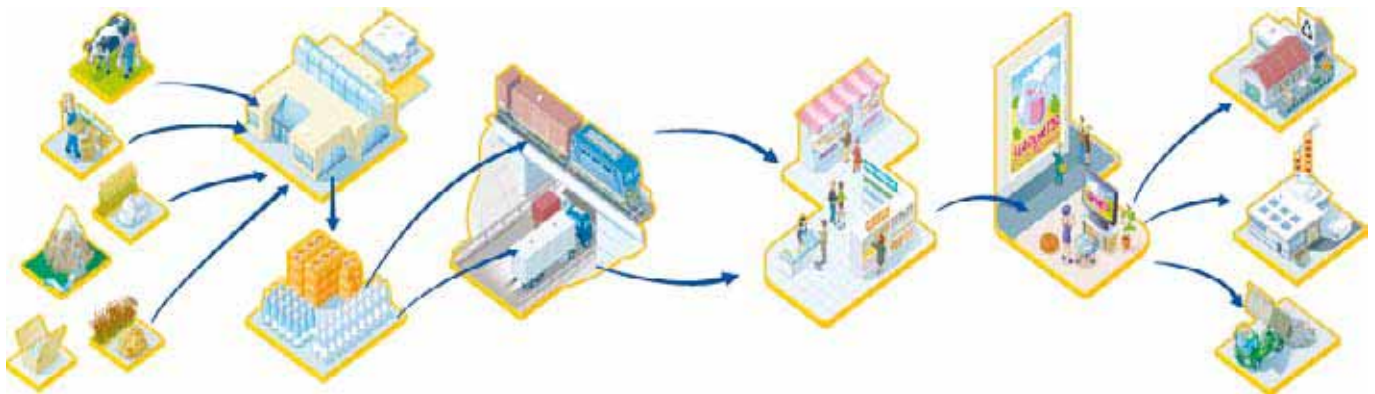
1.10 The Danone Way: an Initiative Designed to Meet Our Commitments in a Concrete Manner

Despite the difficult global context, the year 2008 marked a further step in strengthening the method of evaluation of the Danone fundamentals. The instability of the global economic environment has reinforced the need for the Group to consolidate the outcomes of its social engagements under a reliable initiative. The Group has adopted a policy to be beyond reproach on its fundamentals in order to ensure its local social programs are built upon the best possible foundations.

In 2008, the Executive Committees of subsidiaries across the world set the objectives and validated the results of the self-evaluation. The involvement of top management has thus ensured greater acceptance and adoption of the methodology. While adoption of the methodology is underway for the Fresh Dairy Products (FDP) and Waters Divisions, it has been progressively implemented in the Medical and Baby Nutrition Divisions.

The application of the Fundamentals closely follows the Group's business activities, all the way from upstream to downstream. Thus, relationships with stakeholders are managed at all stages using the Danone Way methodology, in accordance with the following model:

Stages of Danone activity



Corresponding Fundamentals

Environmental
Impact of
raw materials
Standards
for
Suppliers

Human Rights,
Human Relations,
Environmental
Performance,
Governance for
employees

Environmental
Footprint of plants,
Environmental
Standards for
Suppliers

Quality of Products,
Standards on Nutrition
& Health for Consumers

Environmental
Impact of
Packaging



Strategy

Summary of Methodology

The goal for the year 2008 was to consolidate the new approach launched in 2007 and to expand the scope of the tool. The method has not changed with respect to the 2007 reference with the exception of some minor modifications.

The 16 Fundamentals are gathered into 5 major themes: Human Rights, Human Relations, Environment, Consumers and Governance.

For each of the 16 Fundamentals, the subsidiaries define their respective:

- Level of policies (formal and documented practices in place) intended to evaluate the “maturity” of their processes;
- Level of indicators (concrete results expressed in figures) intended to evaluate their social performance.

By consolidating the evaluation of policies and indicators for the 16 Fundamentals, each subsidiary obtains a total number of points which in turn determines the number of stars ranging from zero to five, based on the rating scale shown in the chart above.



This annual self-evaluation is validated by the Executive Committee of each subsidiary who is also responsible for determining the appropriate objectives for the next year and for developing the corresponding action plans. The objectives related to performance indicators are established at the level of the Group Business Line, or subsidiary.

After the completion of the annual campaign, each subsidiary receives the results of its assessment in terms of number of points and stars, as well as the elements of comparison with the averages for the Group, the Business Line and the region where the subsidiary is located.

The 16 Fundamentals, on the basis of which the subsidiaries perform the self-assessment, are divided into 5 distinct themes:

HUMAN RIGHTS

Minimum age and absence of forced labor

Equal Opportunities & Diversity

Safety at work

HUMAN RELATIONS

Social dialogue

Working time

Compensation & Benefits

Learning & People Development

ENVIRONMENT

Environmental Performance

Control of environmental risks

Impact of raw materials

Impact of packaging

CONSUMERS

Quality Management

Standards on nutrition & health

GOVERNANCE

Business Conduct Policy

CSR for Suppliers

Relationship with local communities

this year, “Corporate” subsidiaries (Global HQ and the Research Centre), and 2 former Numico test subsidiaries, who conducted their first self-evaluation in 2008.

In 2008, some 18 additional subsidiaries signed up to Danone Way (in 2007, 40 subsidiaries covering 84% of turnover did their evaluation). These 18 new subsidiaries are distributed over different geographical areas (1 in America, 7 in Asia, 5 in Western Europe and 5 in Central Europe and Eastern Europe) and business lines (6 from FDP, 6 from Waters, and 6 others).

This year the deployment of Danone Way Fundamentals was launched in former Numico subsidiaries: test evaluations were conducted with teams from an industrial subsidiary and a sales subsidiary of the Baby Food Division. The tool is proving to be a good way of understanding the Danone standards in terms of sustainable development and planning the implementation of Danone sustainable development processes.

This positive feedback on the method is widely shared by other subsidiaries of the Group who appreciate the opportunity, via Danone Way Fundamentals, to simply measure their sustainable development performance with a multidimensional view.

To facilitate the adoption of the new method in 2008, we sought to bring together all of the various contributors to the process. Thus, a Danone Way Fundamentals space on the Danone intranet site, dedicated to social innovation, has been made available to subsidiaries to enable sharing and discussion on the methodology and the progress activities. This page dedicated to the Fundamentals, offers a wealth of resources including the evaluation tool and practical guide to the method, key contacts at the Group level, forums on various topics related to Danone Way Fundamentals, presentations, best practices, the latest news concerning the method, etc.

> Scope of the 2008 Evaluation

2008 confirmed that Danone Way is an integral part of the Danone culture. The pace of deployment of the method within the Group is entirely in line with expectations, with a focus on subsidiaries of the Waters and Fresh Dairy Products Divisions.

In 2008, 58 subsidiaries, representing 94% of Group Net Sales (excluding the former Numico subsidiaries) conducted self-evaluations. Among them, 33 come from the Fresh Dairy Products (FDP) division, 19 from the Waters division and 6 other subsidiaries. The latter include Blédina, which still forms part of the perimeter

> Results of the 2008 Evaluation Campaign

At the outset two key points should be noted:

- even though it is about “fundamental” standards, the level of requirements that the Group has voluntarily set for itself is very high, especially for certain standards on nutrition and health, diversity, and reducing the environmental impact of suppliers of strategic raw materials,
- the scope of evaluation was expanded in 2008: 18 additional subsidiaries participated in Danone Way.

The new methodology was first deployed in the largest subsidiaries (i.e. those having the typically more significant resources necessary to meet the requirements of Danone Way standards). The majority of the subsidiaries included in the scope of Danone Way in 2008 are small and often without any production sites. Given the industrial orientation of the methodology and the limited flexibility of resources in small organisations, it is often more difficult for them to achieve good results.

In terms of number of stars (the Stars Challenge), the results achieved by subsidiaries undertaking self evaluation are better in 2008.



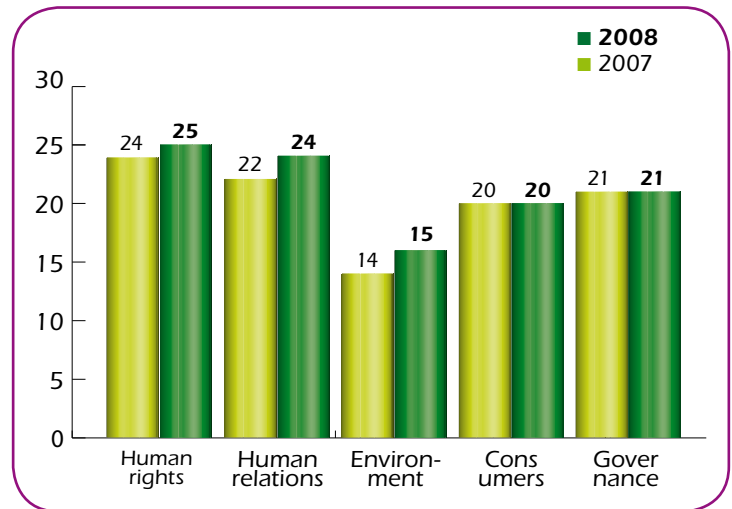
The following chart shows the distribution of subsidiaries according to the number of stars obtained.

2008 was highlighted by the awarding of “5 stars” to three subsidiaries of the Group, including two for whom the score was confirmed by a Danone - KPMG audit.

The proportion of subsidiaries with 4 stars increased significantly. A growing number of subsidiaries have been able to satisfy the societal criteria required by the Group. The persisting number of subsidiaries having 0 or 1 star may be attributed to the expansion of the scope of application of Danone Way in 2008 (due to 18 subsidiaries having performed their first self-assessment). Finally, it is to be noted that the star rating scale is demanding given that at least 500 points must be obtained to earn the first star.

Furthermore, even with high standards and an expanded scope, the overall results of the Group have improved as compared to 2007. None of the 5 themes showed any decline, with progress being made in 3 out of the 5, as illustrated by the chart below (note: the themes and fundamentals are evaluated on an average total of 30 pts).

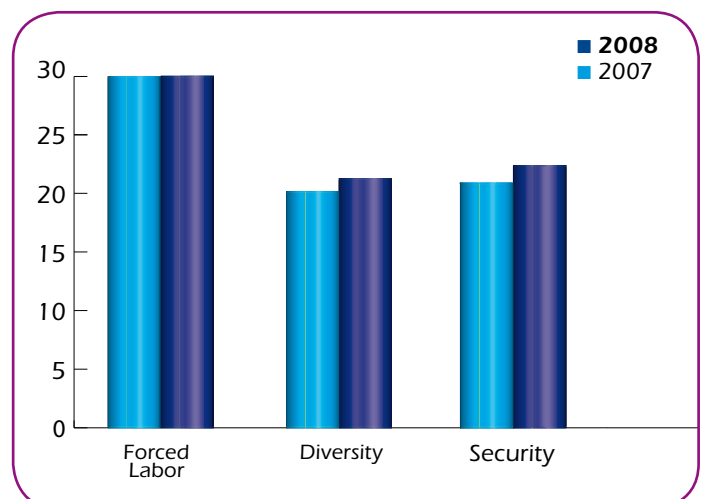
The main results by theme:



Despite significant improvement compared to 2007, the area that shows the greatest room for improvement remains the environment.

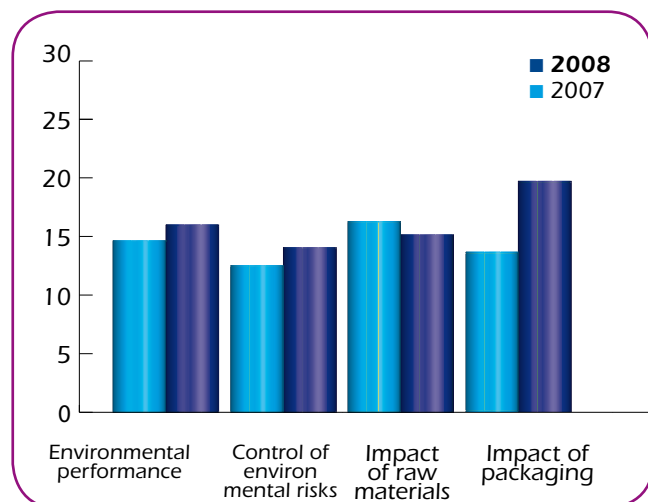
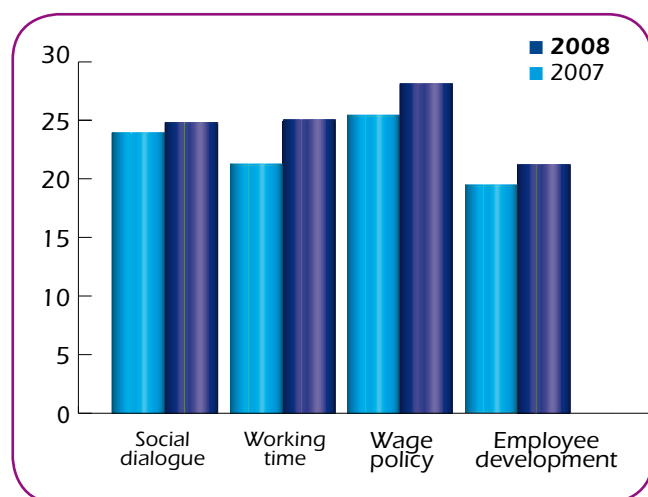
The progress achieved is largely due to the gains in the results of the fundamental on the environmental impact of packaging. It is apparent that the efforts made by the Group to accelerate initiatives in this area, notably the development of tools for measuring and reducing environmental impacts, have actually paid off.

> Human Rights: The 2008 results have confirmed the good performance of the subsidiaries on issues such as safety at work. The Group will continue to intensify its efforts to foster diversity by strengthening the local understanding of the management of differences. On the issue of safety at work, the deployment of the Wise (Dupont) methodology is ongoing with significant improvements in audit results.



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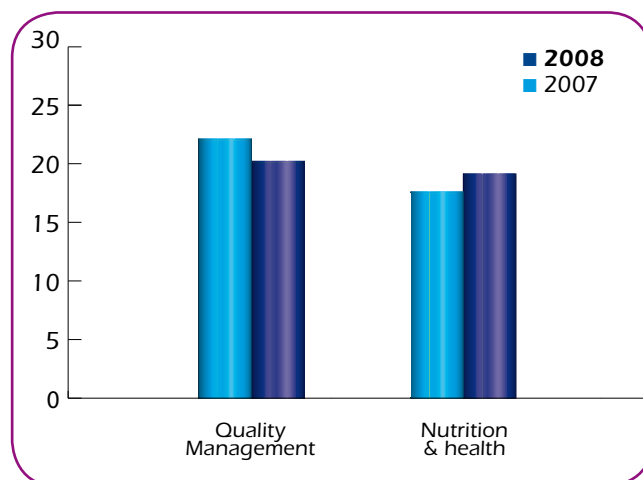
> Human relations: Although the fundamentals in terms of social relations and wage policies have in general been long in place, the subsidiaries made further progress on these issues in 2008. Excellent results were confirmed for the fundamental on wage policies. This is due to good internal communication with regard to remuneration. The development of employees has increased compared to 2007 but remains an area for further improvement in 2009. In particular, the commitments on training are difficult to achieve given the question concerning the method for reconciling on-the-job training hours.



> The Environment: the results were higher as compared to the previous year but remain fairly average when seen against the other themes. Environmental performance (water and energy consumption) as well as environmental risks (risk prevention and monitoring tools) saw some improvement. With the reduction of the impact of packaging being integrated into many projects in 2008, this fundamental shows the best growth compared to 2007. In contrast, the Group must, for the coming year, work on the impact of

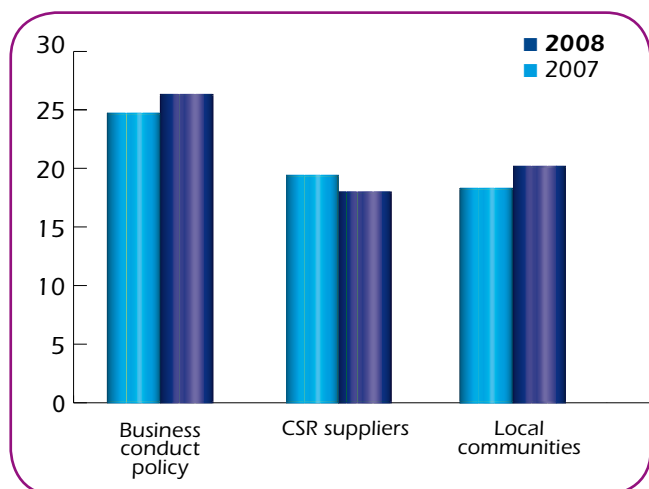
raw materials on the environment. This should be accomplished through the acceleration of partnerships with various producers and suppliers. The experience of the Linus initiative undertaken in France with milk producers to improve milk quality and reduce methane emissions is an example of possible action.

> Consumers: the fundamental concerning the management of product quality remains robust, but shows a very slight decrease compared to 2007. This may be related to the expanded scope of the evaluation which includes small subsidiaries in developing countries. This gap is not significant enough to initiate exhaustive research at this point. Due to the very high level of the requirements concerning nutrition and health policy, the progress of this fundamental is especially gratifying and is notably linked to better deployment of BNP (Brand Nutritional Platforms) which standardises the procedures for communication of the nutritional benefits of products.



> Governance and Relationships with External Partners: The Danone initiative concerning social responsibility of suppliers has undergone major changes during the year 2008. This partly explains the fact that the deployment of this fundamental in 2008 is slower than expected. These changes are related to Danone joining the AIM-PROGRESS program, the joint initiative with other major companies in the food industry aimed at pooling the approaches of member companies to the social responsibility of suppliers. Finally, the fundamental related to relationships with local communities has made progresses in 2008, confirming both the successful adaptation of the programs launched by local subsidiaries as well as better follow-up (action plan, monitoring) of these programs. However, internal employee Surveys revealed that Danoners expect more involvement from their subsidiary towards local communities.

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> Danone Way Fundamentals Audits

The Danone Way initiative, since its launch has been supported by a system of audits.

Today, the Danone Way Fundamentals audit is integrated in the internal audit process of the Group. However, as part of external checks on the Danone Way Fundamentals approach by KPMG Audit, a selection of subsidiaries have been the subject of specific audits by environmental and sustainable development experts from KPMG Audit. These audits are conducted both by internal Danone auditors and external KPMG auditors who retain control of the final results of each audit.

The objective of the Danone Way audit methodology is twofold:

- it helps ensure the reliability of information from subsidiaries,
- it is also a way for subsidiaries to better understand the challenges of the method and the requirements of the Group, to become familiar with best practices and to get into the dynamics of making progress on items that require special attention. Danone Way Fundamentals have thus emerged as more of an effective management control tool rather than a pure compliance tool.

After 2 test audits in 2007, 6 specific audits were conducted in 2008, allowing external auditors from KPMG Audit to draft a report on the policies and social and environmental indicators included in Danone Way Fundamentals (57 indicators in total). To establish this statement KPMG reviewed 6 Danone entities and verified the process of consolidation of the Group. This statement is published on pages 54 to 56 of this report.

> A new version in 2009 and new challenges

Danone has established the objectives for 2009 Danone Way Fundamentals taking into account two important elements:

1/ The Danone Way methodology, and more specifically, the evaluation grid becomes more demanding in 2009.

The decision to change the method comes from the belief that Danone Way Fundamentals, ingrained into the DNA of the Group reflects the culture and dynamic strategy of Danone, which does not remain immobile. This involves making changes in the fundamentals underlying Danone Way. Work on ensuring consistency and alignment of different levels of policies has also been carried out and resulted in a strengthening of these levels.

Danone thus anticipates a trend of rising standards of corporate social responsibility. External communities, stakeholders and even employees expect the company to pay more attention to these issues and demonstrate greater involvement in the search for possible solutions to societal problems.

Thus, under the new Danone Way methodology, the subsidiaries will be evaluated based on their policies and monitoring of indicators of employee health at work. It aims to focus at the level of subsidiaries, on Danone's central mission: bringing health through tasty, nutritious and affordable food and beverage products to as many people as possible.

The actions required under this new "Health at Work" fundamental may range from the introduction of health insurance systems in addition to legal requirements in the country, to promoting physical activity or training employees on the basic principles of healthy nutrition.

Another example is the addition to Danone Way of policies and indicators related to reducing the carbon footprint. This year the tool has been deployed in all subsidiaries to measure and ultimately to reduce the carbon impact incorporated in the fundamentals.

Furthermore, the fundamental on training and development was completed in 2009 and will incorporate the individual development commitment (growth commitment) which is a new professional development approach that empowers Danone and all Danoners.



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The other major changes in methodology for 2009 are as follows:

- generally, the methodology was slightly modified in order to adapt the existing fundamentals to the subsidiaries of the Medical and Baby Nutrition Division, particularly on the nutrition / health fundamental (with issues related to the WHO Codes),
- local specificities are better taken into account via local indicators, mandatory for the fundamentals related to Diversity, Health and Relationships with Local Communities,
- the 2008 fundamental on forced labour will become a prerequisite in 2009 for all fundamentals related to human rights and human relations,
- expansion of the working time fundamental to ensure integration of managers on the aspect of working time organisation,
- taking into account the Aim Progress initiative related to suppliers' corporate social responsibility,
- integration of a new tool for communication of the Group's reference documents including the Business Conduct Policies (Danone Inside Pack).

2/ Preparing for the integration of ex-Numico subsidiaries into the Danone Way methodology

Although the first tests were carried out in 2008, most subsidiaries of the Baby and Medical Nutrition Division will conduct their evaluation for the first time in 2009. This could have a possible negative impact on the overall results of the Group. Twenty subsidiaries should fall within the 2009 scope of application.

Taking into account these two factors, the goals for 2009 are:

- in terms of scope, about 75 subsidiaries should be carrying out the evaluation of Danone Way Fundamentals. Despite the more demanding fundamentals, the goal remains for each subsidiary to progress by one star per year, until they achieve the maximum of 5 stars,
- the method will be deployed in subsidiaries of the Baby Nutrition Division using the experience of Blédina (the "old" French Baby nutrition subsidiary of Danone) and the learnings from the two test evaluations performed in 2008 in Poland,
- the first tests will be conducted in subsidiaries of the Medical Nutrition Division,
- adoption by the Executive Committees and the Human Resources Directors in particular remains a real challenge. It is important to have their commitment in addition to those of contributors /

experts, in order to get the best from the method. The incorporation of this element in some aspects of bonus will undoubtedly steer the process in that direction,

- the Danone Way fundamentals will be more widely communicated to all Danoners via a brochure entitled Danone Inside Pack that includes the Business Conduct Policies and other key documents in order to understand the DNA of Groupe Danone,
- the results of the 2008 campaign will be compared and put into perspective with the results of employee surveys in 2009 to identify possible inconsistencies.

Danone Way Fundamentals taken into account in the bonuses of General Managers and their CODIs

Groupe Danone has implemented a social component in the bonus allocation of its General Managers. In 2008 it was decided that for the 2009 bonuses, Danone Way Fundamentals would be incorporated into this social component in a mandatory fashion for all General Managers whose subsidiaries had a score equal to two stars or less. For other cases, the Group is taking its time to decide on extension of the application, recognising the possibility for a General Manager to take the initiative of voluntarily agreeing to take it into account.

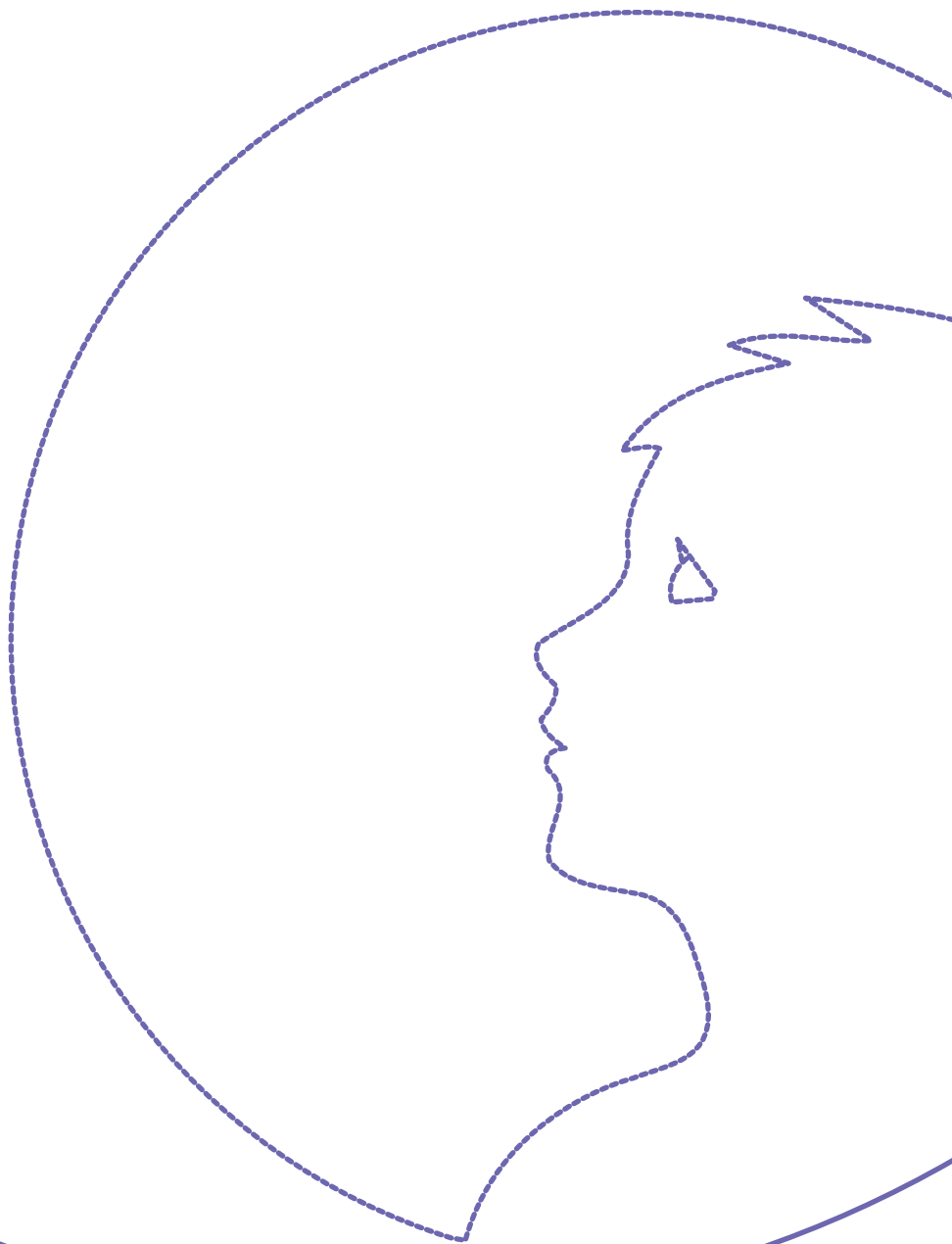
02 ★ Governance

Commitments to external initiatives
Stakeholders engagement

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Governance, Commitments and Dialogue

Governance

The information required on the governance of the company is available in the Groupe Danone Reference Document. References to pages are listed in the GRI index published on page 46 of this report.

> Governance of Groupe Danone Corporate Social Responsibility (CSR)

To assist it in its decisions on CSR issues, the Board of Directors in its meeting on December 15, 2006 decided to create a third special governance body, the Social Responsibility Committee. In February 2007, the Board of Directors established the Committee's rules of procedure, detailing its mission and its operational modalities.

It is notably responsible for:

- examining the main risks and opportunities for the Group as regards environmental issues, in relation to challenges specific to its mission and activities,
- examining the social policies pursued by the Group, the established objectives and results achieved in this regard,
- reviewing all reporting, evaluation and control systems so as to enable the Group to produce reliable information regarding extra-financial matters,
- examining all non-financial information published by the Group, particularly regarding social and environmental matters,
- reviewing annually a summary of ratings issued on the Company and its subsidiaries by extra-financial ratings agencies,
- ensuring the application of ethical rules set by the Group.

In the field of social investment, the Committee's mission is to:

- assess the impact of these investments for the Group,
- examine the application of the rules established by the Group concerning social investment or programmes in areas related to the Group's activities,
- ensure that the interests of the Company are safeguarded, and especially, prevent conflicts of interest linked to the relationship between these investments and the rest of the Group's activities.

The Social Responsibility Committee is composed of three Directors, two of whom are recognised as being independent by the Board of Directors.

The Social Responsibility Committee in 2008

During 2008, the Social Responsibility Committee held three meetings. The participatory regularity of its members, expressed by the rate of attendance at these meetings, was 100%.

The Committee examined:

- the strategic direction of the strategic plan for the period 2008-2011 (New Danone), and in particular, the social plan represented in the following areas of focus:
 - the development of people, which aims to enable each individual to develop within the Group and intends to provide each employee with a "Growth Contract" (development contract),
 - Danone for All, which aims to develop accessible products resulting in the increase of the number of regular consumers from 700 million today to 1 billion in 2011,
 - Nature, which seeks to protect and renew natural resources and to promote a model of sustainable and eco-friendly development,
 - Health credibility, which aims to build on the undoubted benefits of good health.
- current socially-oriented projects of the Group. In particular, in the application of the Danone.communities Governance Charter, the Committee has been consulted and has expressed a positive opinion on compliance with the Charter of two investment projects (1001 Fontaines and Laiterie du Berger) envisaged by the FCPR danone.communities. It also issued a favorable opinion on the amount allocated by the Company as financial contribution to danone.communities.

Moreover, to address the issues described in this report and help implement the 2008-2011 Strategy, a new sustainable development organisation at the Group level has been determined and is in the process of being deployed. Sponsor Members of the Danone Executive Committee have been designated to support the priorities related to sustainable development in this new strategy.



Governance, Commitments and Dialogue

> New Sustainable Development Organisation of the Group

The creation of a Nature Department regrouping all of the programmes linked to the Danone partnership with nature, in particular, activities related to the Fund for Nature. In order to anchor all of these programmes within the core of the enterprise's business activities, this Department is linked to two members of the Group executive committee who are sponsors of the nature strategic priority, that is to say, hierarchically to the Managing Director for Fresh Dairy Products in Western Europe and functionally to the Chief Financial Officer for the Group.

To develop initiatives leading to the provision of nutrition to the greatest number of people, a Directorate General "Base of the Pyramid and Social Business Unit" has been created. It is linked to the Managing Director for Fresh Dairy Products for Europe Central / Eastern Africa / Middle East, Asia, who is a member of the Danone Executive Committee. Projects and programmes under danone.communities will also be integrated into the new Directorate.

The creation of a Directorate of Corporate Social Responsibility, covering the activities under the so-called heading "compliance with the fundamentals of sustainable development and leadership of social programmes". The Danone culture, the dual economic and social project and the engagement of employees are the key aspects of the Directorate which is linked to the Vice President of Human Resources for the Group.

To coordinate the various activities of these three directorates the position of Managing Director "Sustainability and Shared Value Creation" has been created alongside that of the CEO of Groupe Danone; this position will also be responsible for the relationship with strategic opinion leaders for the Group.

In addition, three dedicated committees have been established to support the activities of the above mentioned directorates, the Nature Committee, the Social Innovation Committee and the "Base of the Pyramid" Committee.

> Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.

The Danone Way initiative has been established to meet the objective of managing our relationships and our impacts with stakeholders of the company, both upstream and downstream (see section The Danone Way). Many initiatives and complementary approaches have been put in place in the field of environmental and social policy, relationships with suppliers (see sections on performance indicators relating to the environment, human rights, employment and training).



Governance, Commitments and Dialogue

Commitments to external initiatives

> Explanation of whether and how the precautionary approach or principle is addressed by the organization

Danone must guarantee consumers healthy and safe products. To do this, it must be beyond reproach in the evaluation and management of potential and actual risks, as well as in the area of communication regarding food safety (see indicator PR1).

> Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.

The commitments of Groupe Danone, as defined in the Principles for Conducting Business, rely on a number of principles that refer to the following international documents:

- the Universal Declaration of Human Rights,
- international conventions of the International Labour Organisation,
- guiding principles of the Organisation for Economic Cooperation and Development intended for Multinational Enterprises,
- the Global Compact on human rights, human rights at work, environmental protection and the fight against corruption.

At the same time, in 2005, the seven Fundamental Social Principles deriving from the conventions of the International Labour Organisation (ILO) were incorporated into the Danone - IUFAWA agreements. Beyond its subsidiaries, Danone has sought to extend these Fundamental Social Principles to all of its suppliers (RESPECT Programme). (See the LA and HR indicators).

Danone is a member of the Global Compact of the United Nations.

These commitments are rooted in the values of Groupe Danone and in the spirit of the “Danone Way”. They apply to all employees of companies controlled by Groupe Danone all over the world.

Groupe Danone undertakes to promote these principles in all companies in which it holds a stake.

> Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization is involved

See the table below.

Stakeholder engagement

A key component of Groupe Danone’s sustainable development strategy is to listen to stakeholders so as to better understand and know the expectations of its customers, consumers, employees, suppliers, scientists, residents of areas adjoining its sites, government representatives and non-governmental organisations.

The table below summarises how Groupe Danone is working with these different stakeholders. It is not exhaustive, as the Group does not necessarily centrally consolidate all the activities of its various subsidiaries.



Governance, Commitments and Dialogue

Use of information resulting from stakeholder involvements

Stakeholders	Method of dialogue
Social Sphere	
Employees	▪ Dialogue and negotiation of agreements with staff representatives and trade union organisations at the level of establishments, companies and countries. ▪ International Social Dialogue within the framework of the Information and Consultation Committee of Groupe Danone. ▪ Negotiations and signing of agreements with the International Union of Food & Allied Workers Associations. ▪ Regular information to employees at site meetings, information via newsletters and intranets. ▪ Satisfaction Survey at least every two years
Consumers and consumer associations	▪ Regular meetings with consumer associations. ▪ Product testing with consumers. ▪ Information on nutrition through the Danone Institute, websites, Consumer service departments of brands, packaging, brochures, "Danone et Vous" magazine (France). Self-restraint on advertising to children in Europe.
Public Sphere	
Public authorities	▪ Regular exchanges with local governments and elected officials at the Group and site levels. ▪ Regular contact with elected officials and administrations at national and European levels. ▪ Contacts with international organisations. ▪ Membership in the UN Global Compact and information on website. .
Associations and social and environmental NGOs Organisations promoting corporate social responsibility	▪ Consultation during regular meetings at the Group level (Sustainability and Social Responsibility Department, External Relations Department). ▪ Participation in CSR Europe, IMS-Entreprendre pour la cite, ORSE (Observatory of Company Responsibility in Europe). ▪ Development of awareness-raising materials with the National Council for Packaging (France)
Media	▪ Daily relations with national and international press. ▪ Press Conferences.



Governance, Commitments and Dialogue

Economic Sphere	
Shareholders	- General Meeting. - Economic and Social Report, Reference Document. - Letter to shareholders. - Meetings with institutional shareholders ("road shows"). - Participation in food industry conferences.
Financial Community and social and environmental rating agencies	- Meetings with financial and extra-financial analysts and dedicated to inspection organisations, meetings with Groupe Danone experts. - Meetings and response to questionnaires from rating agencies particularly in the context of ethical indices DJSI World and STOXX, Ethibel, ASPI where Groupe Danone was again selected for 2007. - Solicited ratings.
Distributors	Participation in inter-professional organisations.
Suppliers	- Partnership with milk producers, upstream industries and cooperatives. - Participation in inter-professional organisations. - Development of guides to good agricultural practices within the Sustainable Agriculture Initiative (Groupe Danone is one of the 4 founding enterprises of this initiative). - ORSE Procurement and Sustainable Development Club (France).
Industrial and Scientific Sphere	
Professional Organisations	Participation in national and international inter-professional organisations (ANIA, CIAA, GMA, etc.).
Scientific community	- Regular contact between the Group and the scientific community. - Support and encouragement of research in nutrition (Danone International Prize for Nutrition awarded by an independent panel convened by the Institute Danone, participation in research programmes in nutrition: SU.VI. MAX, INCA, EU Childhood Obesity, ...) . - Danone Research Collaboration with independent research institutes. - Organisation of scientific conferences, publications and debates and by the Danone Research and Danone Institute.

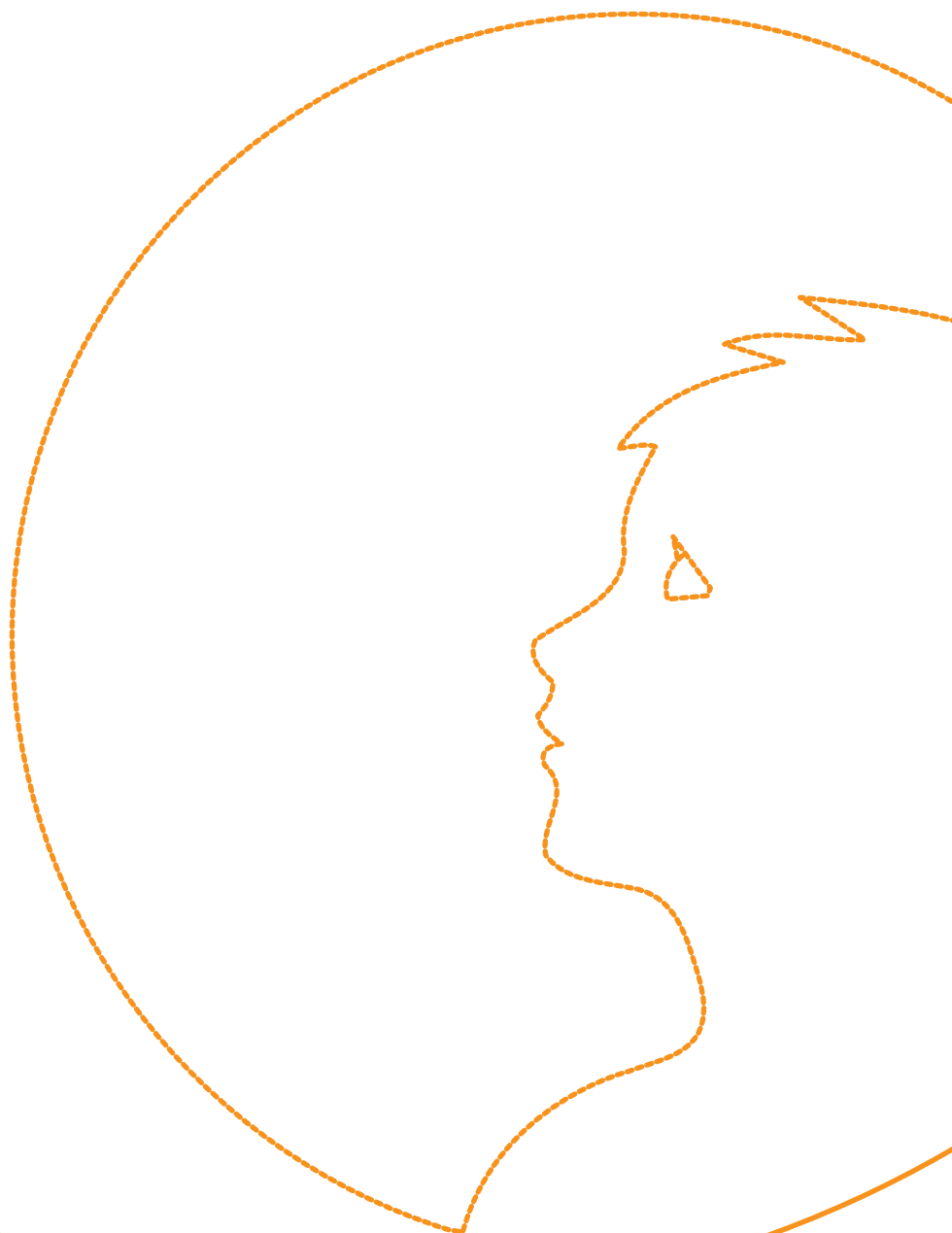
Specific tools for dialogue have been developed to support Danone Group subsidiaries in their interaction with various stakeholders at the local level.

- The "sustainability mapping" tool enables the analysis of issues and expectations of stakeholders of the company. It also presents good practices existing in different countries where the Group operates. All subsidiaries are encouraged to complete the "sustainability mapping" every year,
- In parallel, training on the local environment has been developed for the benefit of plant managers. Originally developed in France, it was deployed in 2008 in Eastern Europe. It enables:
 - communication on the role and responsibilities of the plant managers vis-à-vis the local environment,
 - identification of key stakeholders,
 - building the foundations for action plans for each plant.

03



Company profile





Company Profile

The information presented **in this section of the report** is available in the Groupe Danone Reference Document. References to the relevant pages are listed in the GRI index published on page 46 of this report.

This report covers the economic, social and environmental performance of Groupe Danone over the period January 1st to December 31st 2008.

The published indicators and management systems described in this report have been prepared in accordance with the guidelines of the Global Reporting Initiative (GRI 3). They provide a balanced and reasonable presentation of our economic, environmental and social organisation. They are presented according to the GRI 3 untitled (example: EC2. Financial implications and other risks and opportunities for the organisation's activities related to climate change)

They respond to the information requested by the French NRE (New Economic Regulations) law and take into account the "annual social indicators" that the IUFAWA and Danone have together established in September 2004.

Part of the social and environmental data in this document have been audited by KPMG Audit and is the subject of a statement published on pages 54 to 56.

The previous report which covered the period from January 1st to December 31st 2007 had been published for the General Meeting of shareholders held on April 27th 2007.

The figures and information provided in this report are, unless otherwise indicated, reported on a global scale of companies controlled by Groupe Danone (list of consolidated companies in the Reference Document), the Reference Document and the Economic and social report being complementary to this report may be downloaded from the website <http://www.danone.com>.

> Awards received during the reporting period

- Groupe Danone has been selected in the "Dow Jones Sustainability Index" for the tenth consecutive year. It figures, moreover, in the main indices of sustainable development including Ethibel Sustainability Index, ASPI Eurozone,
- Danone appears for the fifth consecutive year in the 2008 honour roll of the "100 most sustainable companies in the world", released by the extra-financial rating agency Innovest. The Group is one of six winners in the category of "consumer goods,"
- in 2008, several entities of the Group were voted "Great Place to Work": the Headquarters, Danone Eaux France, Danone Waters and Dairy UK and Danone Argentina,
- The Group received the European Sustainable Development trophy awarded by "Orga Consultants" European group of strategic consulting firms,
- Danone is the according to the JP Morgan classification the first among the 10 largest agri-food companies in food-health to address the issue of obesity through diet.

04



Report parameters

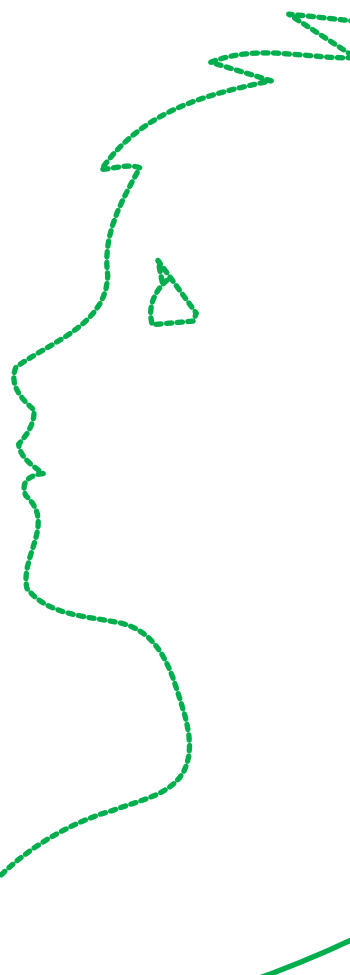
- Report profil
- GRI index and content
- Third party validation

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Report Parameters

Report Profile

> Consolidation perimeter

The perimeter used for the consolidated accounting data in the 2008 Reference Document corresponds to an obligation arising from the IFRS accounting standards. It consists of presenting 12 months of activities by each division (Fresh Dairy Products, Waters, Baby Foods and Medical Nutrition and central functions). This definition is identical to that used for data relating to the environment and social aspects. Not having any historic data for baby foods (except for Blédina) or medical nutrition, the comparable data do not include the ex-Numico components (comparative base 2006, 2007 and 2008). This rule is applicable for the 2008 Sustainable Development Technical Report. Therefore, each environmental or social indicator for 2008 will be communicated for two different perimeters:

- Perimeter 2: FDP, Waters, Baby Nutrition, Medical Nutrition,
- Perimeter 1: FDP, Waters, Blédina (comparative base 2006, 2007 and 2008).

The social indicators are consolidated for all Group Danone subsidiaries by global integration, whatever their activities (production sites, research sites, logistics bases, administrative offices).

The environmental indicators only cover the impacts of production sites. The environmental impact of the administrative offices and logistics bases is not included in the consolidation perimeter (unless, for some indicators, the logistics bases relate to the production site).

Within this perimeter, the social and environmental data are 100% integrated (global data integration).

In order to take into account any difficulties in collecting data or disparities in data feedback, the Social and Environmental consolidation perimeters used may vary depending on the indicators. For each indicator published on a restricted perimeter, a coverage rate is calculated and communicated. For social data, this is calculated on the basis of the total workforce on the books at the end of 2008. For environmental data, it is calculated on the basis of total annual turnover.

Perimeter variations

The perimeter variations are linked to creations, acquisitions, transfers/sale or closures, either total or partial, of sites or new subsidiaries. To maintain a perimeter that is comparable from one year to another, the following rules have been defined for social and environmental data:

- acquisition: the entity's data is included in the consolidation perimeter from the date of its coming under the Group's control (except for the acquisition of Numico, on 31.10.2007),
- creation: the entity's data is integrated into the perimeter from the date of creation,
- transfer/closure: the entity's data is withdrawn from the perimeter of consolidation in the year of transfer or closure of the entity and for subsequent years (except for Frucor sold in November 2008 still consolidated in this report for the Social data).

Certain information may reach us a posteriori, and so Danone reserves the right to reprocess historic information to ensure that the indicator variation is as fair as possible.

Moreover, the entities which entered the Group during the year did not report all social and environmental data.

Choice of indicators

The choice of social indicators presented:

- corresponds to the Group's human resources policy relating to the monitoring of the workforce and social performances, in terms of the management and development of staff,
- takes into account cultural specifics and local disparities (different national legislations, various legal obligations, etc.).

The choice of environmental indicators presented:

- corresponds to the environmental policy and reflects establishments' progress initiatives; these indicators are relevant to the Group's activities,
- allows the Group's environmental performance in terms of its major challenges to be monitored.



Report Parameters

Data feedback references

In order to ensure that indicators are standardised throughout the perimeter, common references for social and environmental data feedback are deployed and updated every year following data consolidation work and comments from contributors. They detail the methodologies to be used for feedback on the indicators, definitions formulae and standard factors. An environmental technical guide, defining all the indicators was published in 2007. It has been provided in French, English and Spanish to all site environment managers.

Common data collection tools are also in place to facilitate data feedback:

- Social data: a specific bundling of the Magnitude financial data feedback system allows social and safety indicators to be collected from all organisations within the Group. Where necessary, a calculation sheet is made available to contributors. In addition, the health and safety indicators are monitored and consolidated at Group level using Excel (Group Danone safety barometer). If differences are observed between the data entered using the Magnitude HR tool and those consolidated by the Social Relations Department (safety barometer), the Group takes into account the data monitored by Safety,
- Environmental data: the environmental indicators presented in this report are collected using a specific IT tool developed by the Enablon company. Where necessary, a calculation sheet is made available to contributors.

These two tools systematically present the data from the previous year to facilitate data entry and its control.

Precisions and methodological limits

The methodologies used for certain social and environmental indicators may present limits due to:

- the absence of common definitions at national and/or international level,
- the estimates required, the representativeness of measurements carried out and the limited availability of the external data required for the calculations,
- methods used for the collection and entry of this information.

This is why the definitions and methodologies used for the following indicators are specified.

Workforce

- an insignificant fraction of the manager workforce is not collected within the context of data feedback. In fact, the data feedback system based at "subsidiary" level may sometimes pose a problem when capturing part of the internationally mobile workforce (meaning workforce dispatched to other entities of the Group),
- fixed term contracts and internal transfers are not taken into account in entries/exits. Also, current reporting practices do not allow for the balancing of the workforce (gaps are observed between the workforce at the end of 2008 and the recalculated workforce at the end of 2008 with the workforce at the end of 2007 and entries/exits in 2008),
- in addition, long holidays are not applied in the same way by the various Business Units.

Following our social data audit of 2007, we wanted to specify and detail the definitions concerning the workforce and training. The idea is to be able to supply tools to everyone allowing easy determination in accounting for expatriates or for example extended vacations (more than 9 months). In 2008, we are therefore more confident of the widespread application of good practices in workforce accounting.

Consumption of raw materials

This indicator is estimated on a worldwide scale on the basis of the consolidated information supplied by the procurement department through financial reporting (Magnitude system). The monetary data is converted into tonnage through the use of mean ratios. It groups together procurements of milk, sugar, dairy products, fruits, flour, fatty materials and chocolate.

Consumption of packaging

This indicator is also estimated on a worldwide scale on the basis of the consolidated information supplied by the procurement department. The monetary data is converted into tonnage through the use of mean ratios. It groups together procurements of rigid and flexible plastics, cardboard, paper, PET, stoppers and films.

Recycling rate

The recycling rate of packaging by European end consumers is calculated on the basis of national data relating to the recycling of plastics and cardboard supplied by Pro-Europe and weighted by the respective production of each country. Some countries have a recycling rate greater than 100%, since they import packaging to be recycled. This explains the excellent rate of recycling indicated.



Report Parameters

Waste

The feedback of data relating to waste is based on 9 separate categories of waste (glass, PET, miscellaneous plastics, paper/cardboard, wood/pallets, mixed packaging, material waste, common industrial waste and hazardous industrial waste).

It may also happen that some waste not taken into account by the categories are not reported, the relevant quantities are insignificant.

Water consumption

The consumption of borehole water or surface water is likely to be estimated if the sites do not have meters available. The definitions and the methods of taking the various water uses into account (including spillages and water pumped/ejected into rivers), are defined in the environmental technical guide and the tool developed by Enablon. The calculation method used by the Group is to subtract the quantities of water in the product composition (notably bottled water) from the quantity of water withdrawn from the natural environment but gaps in the method may exist in certain Business Units.

Energy Consumption

By definition, environmental indicators only cover impacts on production sites. Note that, when R&D centres or local non industrial facilities are adjacent to production sites, estimates can be carried out by those production sites to ensure that only energy consumption of the production site is taken into account (estimations and deduction of the share of energy consumed by local non industrials facilities adjacent to the production site).

Frequency rate of accidents at work

The frequency rate of accidents at work is the number of accidents when work is stopped for one day or more that have occurred during a period of 12 months, reported according to a million hours worked (Hygiene, Safety, Environment data). Hygiene and safety indicators (accidents at work) also cover accidents relating to interim personnel working on the sites. Fatal accidents indicator also covers contractors working on the sites.

Accidents occurring during home-workplace journeys are not taken into account in this indicator. The perimeter relating to the health and safety indicators corresponds to Group Danone safety barometer, i.e. 95.4% of the total workforce on the books at the end of 2008.

Atmospheric CO₂ emissions

Direct emissions are calculated from the methodology and data from the Greenhouse Gas Protocol Initiative depending on emission factors by fuel. To clarify, emissions of greenhouse gases linked to coolant gasses (CFC, HFC and HCFC) and halons are calculated on the basis of quantities of gas recharged in the installations, recharging generally occurring every 2 years, and the IPCC* global warming potential (GWP). Each family of coolant gases (CFCs, HFCs and HCFCs) is assigned a unique GWP corresponding to the GWP value of the gas most commonly used on the Group's sites. Regarding halon emissions, the GWP used for reference is the highest among those in the category.

Indirect emissions from other energy sources procured externally are assessed according to emission factors specific to each site. The emissions of other greenhouse gases are not significant compared to those of CO₂. Those from transportation linked to material flows are not included in this total. Most of the data relating to energy and CO₂ comes from industrial sites, although, for some sites, indicators also include data relating to a logistics base adjoining a industrial site.

* IPCC is the Intergovernmental Panel on Climate Change. The GWP used corresponds to the data from the IPCC 2001 reference document, Global Warming Potential Time horizon 100 years.

Waste ejected into water

The data presented correspond to effluents from internal or external processing. If no information is available regarding external processing, a purification yield of 90% is considered.

Consolidation and internal controls

The Group Human Resources Department and the Group Environment Department within the Sustainable Development and Social Responsibility Directorate respectively ensure the consolidation of social and environmental data, based on the information fed back by the Group's production sites and subsidiaries worldwide.

Social data is collected subsidiary by subsidiary. In general, the reported data has come from payment systems set up in subsidiaries. An initial validation is carried out by the Director of Human Resources of the subsidiary prior to consolidation.

Environmental data is collected from each production site by the environment manager. It is then checked and validated by the subsidiary's environment coordinator before consolidation.



Report Parameters

When consolidated, consistency checks are carried out on the data by the Human Resources Department and the Group Environment Department. These controls involve comparisons with the results of the previous year and the calculation of the specific ratios to detect anomalies. Any difference deemed to be significant is analysed and corrected as necessary.

External statement

In order to obtain an external statement on the reliability and robustness of the extra-financial data feedback process, we have asked KPMG Audit to verify a selection of social and environmental indicators that appear in this report and are identified with the following symbol: . Their auditor's report that details the work carried out and their comments and conclusions is included on pages 54 to 56.

Adjustments to previous data

Some errors in data feedback relating to previous financial years may be detected during the current financial year. Therefore, some data relating to subsequent financial years have been adjusted, with the errors detected having a significant impact on the interpretation of results.



Report Parameters

		Report Page	Perimeter	SDR page
GRI Index and Content				
1	STRATEGY AND ANALYSIS			
1.1	Statement from the most senior decision maker of the organization about the relevance of sustainability to the organization and its strategy			
1.2	Description of key impacts, risks and opportunities	1-35	F	
2	ORGANIZATION PROFILE			
2.1	Name of organization	41	F	
2.2	Primary brands, products, and/or services		F	18 25-29
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures		F	133-139
2.4	Location of organization's headquarters		F	14
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report		F	19-24
2.6	Nature of ownership and legal form		F	14
2.7	Markets served (including geographic breakdown, sectors served and type of customer/beneficiaries types)		F	131-132
2.8	Scale of the reporting organization		F	72
2.9	Significant changes during the reporting period regarding size, structure, or ownership		F	14-16
2.10	Awards received during the reporting period.	41	F	
3	REPORT PARAMETERS			
3.1	Reporting period for information provided.	42	F	
3.2	Date of most recent previous report.	41	F	
3.3	Reporting cycle (annual, biannual, etc)	42	F	
3.4	Contact point for questions regarding the report or its contents.	4 COUV	F	
3.5	Process for defining report content	42	F	
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	42-45	F	
3.7	State any specific limitations on the scope or boundary of the report.	42-45	F	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	43	F	
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report	42-45	F	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods)	42-45	F	



Report Parameters

		Report Page	Perimeter	SDR page
GRI Index and Content				
3.11	Significant changes from previous reporting period in the scope, boundary, or measurement methods applied in the report	42-45	F	
GRI Content Index				
3.12	Table identifying the location of the Standard Disclosures in the report	46-53	F	
Assurance				
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s)	54-56	F	
4 GOVERNANCE, COMMITMENTS AND DIALOGUE				
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight		F	51-53 62-71
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement)		F	52
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are the reasons for this arrangement)		F	52
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.		NR	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)		P	54-61 75-77
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided		F	59-61 182-183
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics	36-37	F	62-67
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	37	F	65
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	29-35	F	66-70
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance		F	66
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization		NR	



Report Parameters

		Report Page	Peri-meter	SDR page
GRI Index and Content				
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	38	F	
4.13	Membership in associations (such as industry associations) and/or national/international advocacy organization	39-40	F	
4.14	List of stakeholders groups engaged by the organization: Example of groups of stakeholders: communities, civil society, clients, shareholders, suppliers and employees, other workers and their unions	39-40	F	
4.15	Basis for identification and selection of the stakeholders with whom to engage	39-40	F	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	39-40	F	
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	40	P	
5 MANAGERIAL APPROACH AND PERFORMANCE INDICATORS				
5.1 Economic				
Economic Performance				
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	57	F	88, 90, 143, 156, 157
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	57	F	
EC3	Coverage of the organization's defined benefit plan obligations	57	F	
EC4	Significant financial assistance received from government	58	NR	
Market Presence				
EC5	Range of ratios of standard entry level wage compared to local minimum at significant locations of operation	58	F	
EC6	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operations	59	NR	
EC7	Procedures for local hiring and proportion of senior management hired from local community at locations of significant operation	59	F	
Indirect economic impacts				
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement	59	NR	
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	59	P	



Report Parameters

		Report Page	Peri-meter	SDR page
GRI Index and Content				
5.2	Environmental			
	Materials			
EN1	Materials used by weight or volume.	62	P	
EN2	Percentage of materials used that are recycled input materials	62	NR	
	ENERGY			
EN3	Direct energy consumption by primary energy source.	63	P	
EN4	Indirect energy consumption by primary sources.	63	P	
EN5	Energy saved due to conservation and efficiency improvements.	64	P	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	64	P	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	64		
	Water			
EN8	Total water withdrawn by source.	65	P	
EN9	Water sources significantly affected by the withdrawal of water.	66	P	
EN10	Percentage and total volume of water recycled and reused	66	F	
	Biodiversity			
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	66	F	
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas or areas rich in biodiversity outside protected areas	67	F	
EN13	Habitats protected or restored	68	NR	
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	68	P	
EN15	Number of IUCN Red List species and national conservation list species with habitats are in areas affected by operations , by level of extinction risk	69	NR	
	Emissions, effluents and waste			
EN16	Total direct or indirect greenhouse gas emissions by weight.	69	P	
EN17	Other relevant indirect greenhouse gas emissions by weight.	71	P	
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	73	P	
EN19	EMISSIONS OF OZONE-DEPLETING SUBSTANCES BY WEIGHT	73	P	
EN20	NO, SO, and other significant air emissions by type and weight.	73	P	
EN21	Total water discharge by quality and destination	73	P	
EN22	Total weight of waste by type and disposal method	74	P	
EN23	Total number and volume of significant spills	74	F	



Report Parameters

		Report Page	Perimeter	SDR page
GRI Index and Content				
EN24	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention, Annexes I, II, III and VIII, and percentage of transported waste shipped internationally	74	NR	
EN25	Identify, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	75	P	
Products and Services				
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	75	P	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	79	P	
Regulatory Compliance				
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	79	F	
Transport				
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's and transporting members of the workforce	79	F	
Overall				
EN30	Total environmental protection expenditures and investments by type	80	F	
5.3 Social Performance				
Employment				
LA1	Total workforce by employment type, employment contract and region	82	F	
LA2	Total number and rate of employee turnover by age group, gender, and region	88	P	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	89	NR	
Labor/Management Relations				
LA4	Percentage of employees covered by collective bargaining agreement	90	P	
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	90	P	
Occupational Health and Safety				
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	91	P	
LA7	Rate injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	91	P	
LA8	Education, training, counselling, prevention and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	93	P	
LA9	Health and safety topics covered in formal agreements with trade unions	93	NR	



Report Parameters

		Report Page	Peri-meter	SDR page
GRI Index and Content				
	Training and education			
LA10	Average hours of training per year per employee by employee category	95	P	
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	96	F	
LA12	Percentage of employees receiving regular performance and career development reviews	97	P	
	Diversity and equal opportunity			
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	101	P	
LA14	Ratio of basic salary of men to of women by employee category.	103	P	
5.4	Human rights			
	Investment and procurement practices			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	104	F	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	105	F	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	107	F	
	Non discrimination			
HR4	Total number of incidents of discrimination and actions taken	107	F	
	Freedom of association and bargaining			
HR5	Operations identified in which the right to exercise freedom of association bargaining may be a significant risk, and actions taken to support these rights	107	F	
	Child labour			
HR6	Operations identified as having significant risk for I incident of child labor	107	F	
	Forced and compulsory labor			
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	108	F	
	Safety-Security Practices			
HR8	Percentage of security personnel trained in the organization's policies and procedures concerning aspects to human rights that are relevant to operations	108	F	



Report Parameters

		Report Page	Peri-meter	SDR page
GRI Index and Content				
	Indigenous Rights			
HR9	Total number of incidents of violations involving rights of indigenous peoples and actions taken	108	NR	
5.5 Society				
	Community			
SO1	Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting	109	F	
	Corruption			
SO2	Percentage and total number of business units analysed for risks related to corruption	115	P	
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	115	P	
SO4	Actions taken in responses to incidents of corruption	115	F	
	Public policy			
SO5	Public policy positions and participation in public policy development and lobbying	116	F	
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	116	F	
	Anti competitive behaviour			
SO7	Total number of legal actions for anticompetitive behaviour, anti-trust, and monopoly practices and their outcomes	116	F	
	Compliance			
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	116	F	
5.6 Product Responsibility				
	Consumer health and safety			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subjects to such procedures	117	F	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	122	P	
	Product and service labeling			
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	122	F	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	123	P	
PR5	Practices relating to customer satisfaction, including results of surveys measuring customer satisfaction.	123	P	



Report Parameters

		Report Page	Peri- meter	SDR page
GRI Index and Content				
	Marketing Communications			
PR6	Programs for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	124	F	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes	126	P	
	Customer Privacy			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	128	P	
	Compliance			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	128	F	

Key

SSR: Reference document (equivalent of 20 F in English)

F: fully reported (within the perimeter of companies controlled by Groupe Danone)

P: partially reported

NR: not reported

> Third Party Validation

In order to obtain an external statement on the reliability and robustness of the extra-financial data feedback process, we have asked KPMG Audit to verify a selection of social and environmental indicators that appear in this report and are identified with the following symbol: . Their auditor's report that details the work carried out and their comments and conclusions is included on pages 54 to 56.

Groupe DANONE
Head Office: 17, boulevard Haussmann –
75009 Paris



**Auditors' Report on the "Danone Way Fundamentals"
 Initiative and a Selection of Environmental and Social
 Performance Indicators of Groupe Danone for 2008
 (Scope Fresh Dairy Products, Waters and Blédina)**

This is a free translation into English of the original report issued in the French language and is provided solely for the convenience of English-speaking readers.

As requested by Groupe Danone, we have performed a review to enable us to provide a moderate level of assurance on:

- the "Danone Way Fundamentals" initiative presented on pages 29 to 35 of the Sustainability Report for 2008,
- the environmental and social performance indicators for 2008 ('the Data') selected by Groupe Danone and indicated by the symbol **R** presented on pages 60 to 103 of the Sustainability Report for 2008.

This information was prepared under the responsibility of the Group's Sustainable Development department, in accordance with the internal methodological protocol "Danone Way Fundamentals" ('the Protocol'), which is available on request from that department. The methodological note "Report Parameters" presented on pages 42 to 53 provides further details on the consolidation scope, and on the definitions and methods used to collect data and calculate the performance indicators. It is our responsibility, based on the work performed, to express a conclusion on the Data and on the "Danone Way Fundamentals" initiative. The conclusions below only relate to this information, and not to the whole Sustainability Report 2008.

⁽¹⁾ Total production, Total number of ISO 14001 certified sites, Thermal energy consumption,, Electricity consumption, Water consumption, Total CO₂ emissions, Final ejection of CDO and Total quantity of waste generated (except for sludge from sewage plants).

⁽²⁾ Total number of employees at 31st December, Average number of training hours per employee, Total employees trained, Frequency of work accident and Number of accidental deaths.

Auditors' Report on the "Danone Way Fundamentals" Initiative and a Selection of Environmental and Social Performance Indicators of Groupe Danone for 2008 (Scope Fresh Dairy Products, Waters and Blédina)

Nature and scope of our work

We performed a review to provide moderate assurance that the "Danone Way Fundamentals" initiative and the selected Data do not contain any material misstatements. A higher level of assurance would have required a more extensive review.

For the selected information and the scope⁽³⁾ reviewed, we:

- assessed the "Danone Way Fundamentals" protocol with regard to its relevance, reliability, neutrality, understandability and completeness,
- conducted interviews with the persons responsible for implementing the Protocol in the Group Human Resources, Social Affairs, Environment and Social Responsibility departments,
- conducted interviews and carried out surveys on the implementation of the Protocol in six Business Units⁽⁴⁾ for social data and the "Danone Way Fundamentals" initiative and in twelve plants⁽⁵⁾ within these Business Units for environmental data; the choice of the sample was based on their contribution to the Group consolidated data, their activity and location,
- conducted consistency tests on Data consolidation and on the results from the "Danone Way Fundamentals" initiative,
- reviewed the work performed by the internal audit on eight Business Units relative to the "Danone Way Fundamentals" initiative⁽⁶⁾.

The contribution of the selected entities represents:

- between 17% and 25% of environmental Data, or an average of 19%, except for one indicator,
- between 18% and 31% of social Data, or on average 28%,
- and 29% of the "Danone Way Fundamentals" initiative.

⁽³⁾ Business lines Fresh Dairy Products, Water and Blédina

⁽⁴⁾ Blédina, Danone Poland, Danone Spain, Danone de Mexico, Aqua Indonésie and Danone Eaux France

⁽⁵⁾ Steenvoorde, Brive*, Villefranche*, Varsovie, Aldaya*, Parets, Salas*, Sevilla*, Tres Cantos*, Irapuato, Pandaan and Amphion (Evian). * For these sites, we did not perform any on-site work. Our audit was performed at Business Unit level.

⁽⁶⁾ Danone Belgium, Danone Canaria, Danone Germany, Danone Hungary, Danone Slovakia, Danone Ukraine, Aguas de España and Naya

Auditors' Report on the "Danone Way Fundamentals" Initiative and a Selection of Environmental and Social Performance Indicators of Groupe Danone for 2008 (Scope Fresh Dairy Products, Waters and Blédina)

Comments on procedures

We would like to draw your attention to the following developments:

- some environmental and social performance indicators have been defined more clearly in order to make them easier to understand by the persons in charge of the reporting at Business Units level, in particular the indicators relating to training,
- our work at entity level enabled to establish that the Protocol has been generally understood and well implemented by the Business Units reviewed.

In addition, we identified the following areas for improvement, which should be taken into account as part of an ongoing progress policy:

- the calculation methods and definitions should be clarified further, in particular the performance indicator relating to "Water consumption", to ensure more homogeneous Group reporting practices,
- the internal control system should be improved at each level of collection and consolidation, in particular for the performance indicators relating to water, waste and refrigerants,
- data relating to safety at work provided by the Social Affairs department should be systematically reconciled with data managed by the Group Human Resources department.

Conclusion

Based on our review, we did not find any material misstatements that could call into question the fact that the environmental and social data examined presented on pages 60 to 103, identified by the symbol , and the "Danone Way Fundamentals" initiative presented on pages 29 to 35 of the Sustainability Report for 2008 was prepared, in all material respects, in accordance with the above-mentioned Protocol.

Paris La Défense, April 17, 2009
KPMG Audit
Department of KPMG S.A.



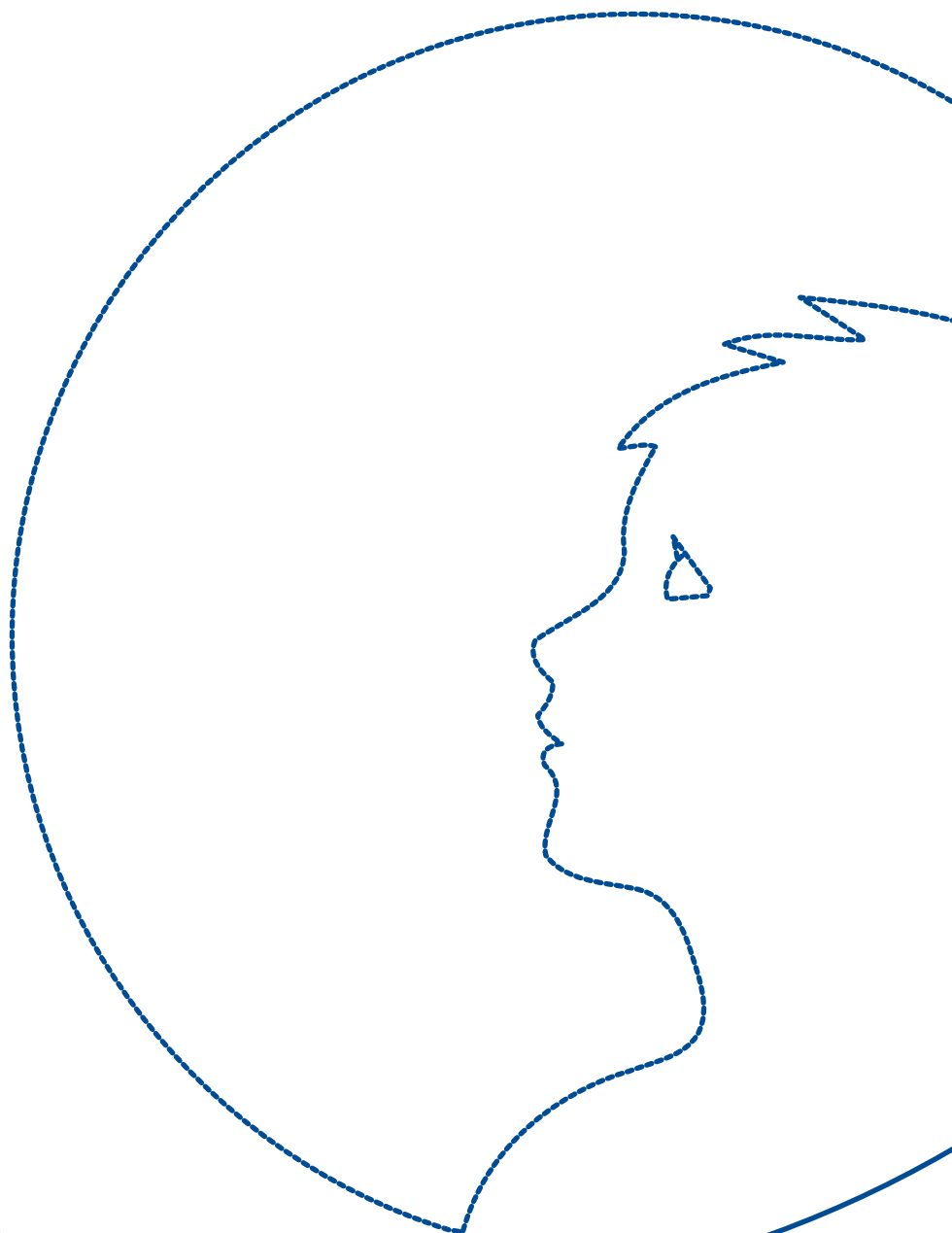
Philippe Arnaud
Partner
In Charge of the Environment and
Sustainable Development Department

05



Performance indicators

51

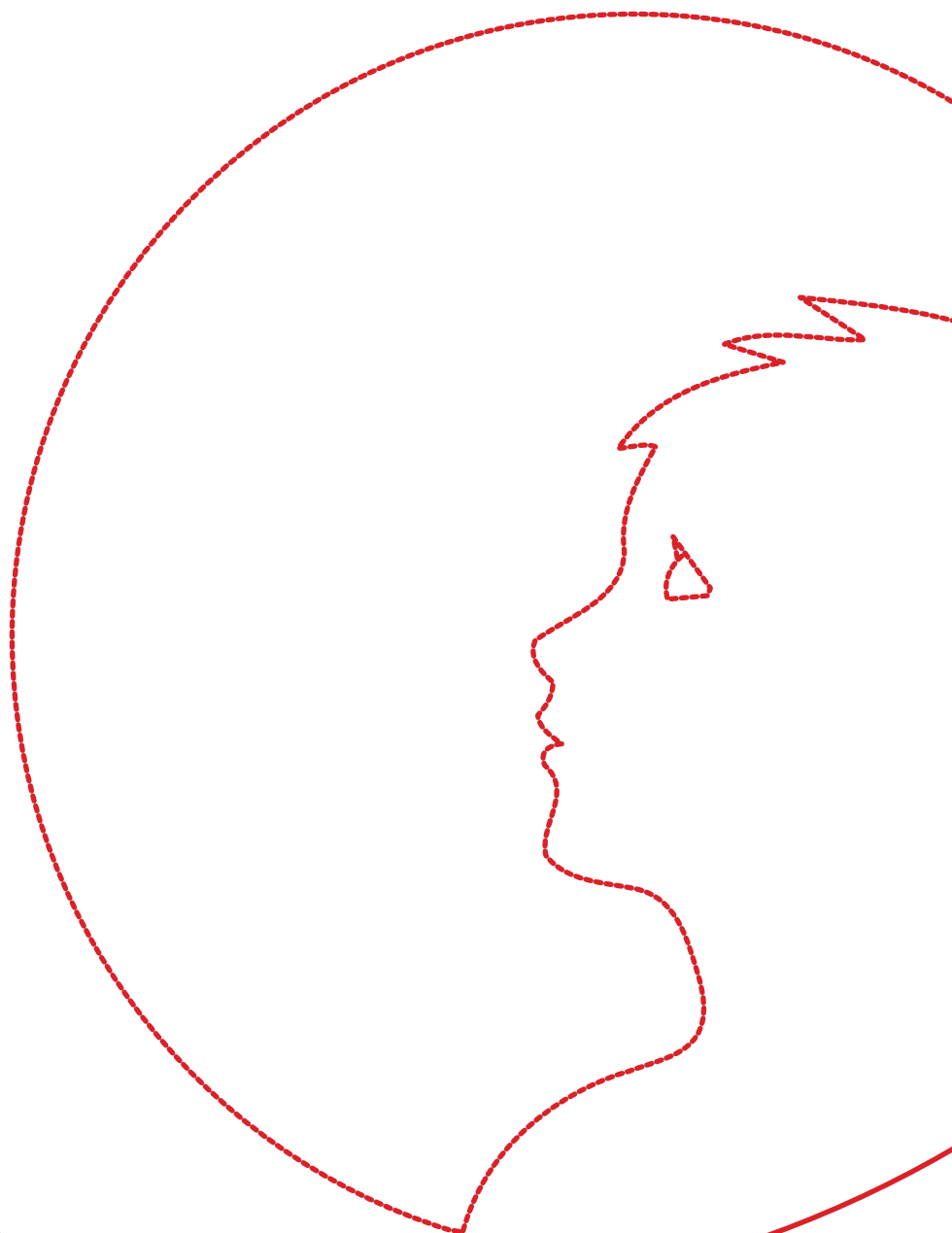




5.1 Economic performance indicators

Economic performance
Market presence
Indirect economic impacts

57
58
59





Performance Indicators

5.1 Economic Performance Indicator

More detailed information on the economic performance of Groupe DANONE is available in the Group's 2008 Reference Document.

Economic Performance

EC1. Direct economic value created and distributed, including revenues, operating costs, benefits and salaries of employees, donations and other investments for communities, profits put into reserves, payments to providers of capital and States

For data related to direct economic value created, economic value distributed and undistributed economic value, refer to the Reference Document, chapter 20.1, 20.2.1 and 20.2.2.

EC2. Financial implications and other risks and opportunities for the organisation's activities related to climate change

Consumers are increasingly influenced by environmental issues, especially with regard to emissions of greenhouse gases and preservation of water resources, themes often reiterated by NGOs (Non Governmental Organisations).

Distributors are also increasingly mindful of communication vis-à-vis consumers, particularly with regard to the carbon impact labelling on products. The Group's failure to anticipate and respond to these consumer related trends, particularly through the establishment of an environmental communication vehicle could lead to its results being adversely affected.

For this very reason, the Group constantly strives to strengthen its social commitment and to improve the management of its activities throughout the product life cycle.

Thus, in 2008, the Group developed a tool to measure the carbon and water footprint which was made available to all subsidiaries of the Fresh Dairy Products and Waters divisions. This tool will be gradually deployed in all subsidiaries of the Infant Nutrition and Medical Nutrition Divisions in 2009.

The estimated carbon footprint of the Group's products worldwide represents a total impact of 16 million tonnes of CO₂ (i.e. 0.003% of global carbon emissions).

The direct environmental impact associated with the Group's industrial activity is very limited: it represents 11% of global carbon emissions of the Group. Agricultural products used by the Group represent, for their part, 52% of its emissions.

The balance corresponds to the packaging and transportation of products. Packaging (18% of the footprint of products) is the focus of activities concerning prevention of resources (reduction at the source and design of the packaging mix), promotion of recycling and reuse of recycled materials. Transportation (19% of the footprint of the products) is the subject of optimisation of the types of transport used, particularly by the increased use of rail freight. These two sectors represent for the Group, opportunities to increase the involvement of all the suppliers over this risk.

The Group is only marginally involved in the regulatory provisions of the Kyoto Protocol. It owns only 4 sites in Europe that are subject to a National Quota Allocation Plan. This resulted in 2008 of a positive balance of 1,200 tonnes CO₂ that the group did not wish to put back on the market.

As part of its 2009-2011 Environmental Strategy, the Group has embarked on measures to reduce and voluntarily offset its carbon emissions for 5 of its major brands.

The ongoing pilot projects aim to support the restoration of ecosystems combining carbon sequestration, maintenance of biodiversity and preservation of water resources. For example, through the restoration and reforestation of a mangrove wetland with strong carbon sequestration potential, the Group wishes to make available to local populations avenues of income arising from reconstituted ecosystems, as well as a sustainable guarantee of protection of biodiversity. (See Environmental Indicators and Chapter 1).

EC3. Coverage of the organization's defined benefit plan obligations

Some managers with the status of Group Director, who were covered under pension schemes governed by French law as at December 31, 2003, are eligible under certain conditions (including seniority and attendance) to receive benefits under a defined benefit pension plan.

This system provides for the payment of an annuity, subject to the employee's presence in the Group at the time of retirement, and according to her/his seniority and last salary amounts. The annuity payment is made subject to certain pension deductions, and



Performance Indicators

5.1 Economic Performance Indicator

corresponds for a first category of Group Directors, to the sum total of pension rights they have acquired during their working lives, and, for a second category of Group Directors, to the sum total of pension rights they have acquired as a result of the implementation of a supplemental pension plan fully covered by the Company. The annuity amount may not exceed 65% of final salary. In the event of departure before the age of 55 years or death before retirement, the employee loses all rights to benefits under this scheme, with the clarification that in case of dismissal after the age of 55 years, the benefits under this scheme are maintained (subject to the employee not returning to paid employment). This pension plan was closed to any new beneficiaries on December 31, 2003.

The amount provided for under this plan represents the commitment of the Group at December 31, 2008 for the payment of a life annuity calculated with an estimated life expectancy assessed on the basis of tables by generation.

As at December 31, 2008, the total amount of the Group's commitment under the pension plan benefitting the managing agents of the Company, amounted to 32.1 million euros. The total amount paid by the Company for the benefit of members of the Board of Directors (in respect of their past positions in the Group) was 0.6 million euros in 2008.

EC4. Significant financial assistance received from government.

This indicator is not monitored at the Groupe DANONE level.

Market presence

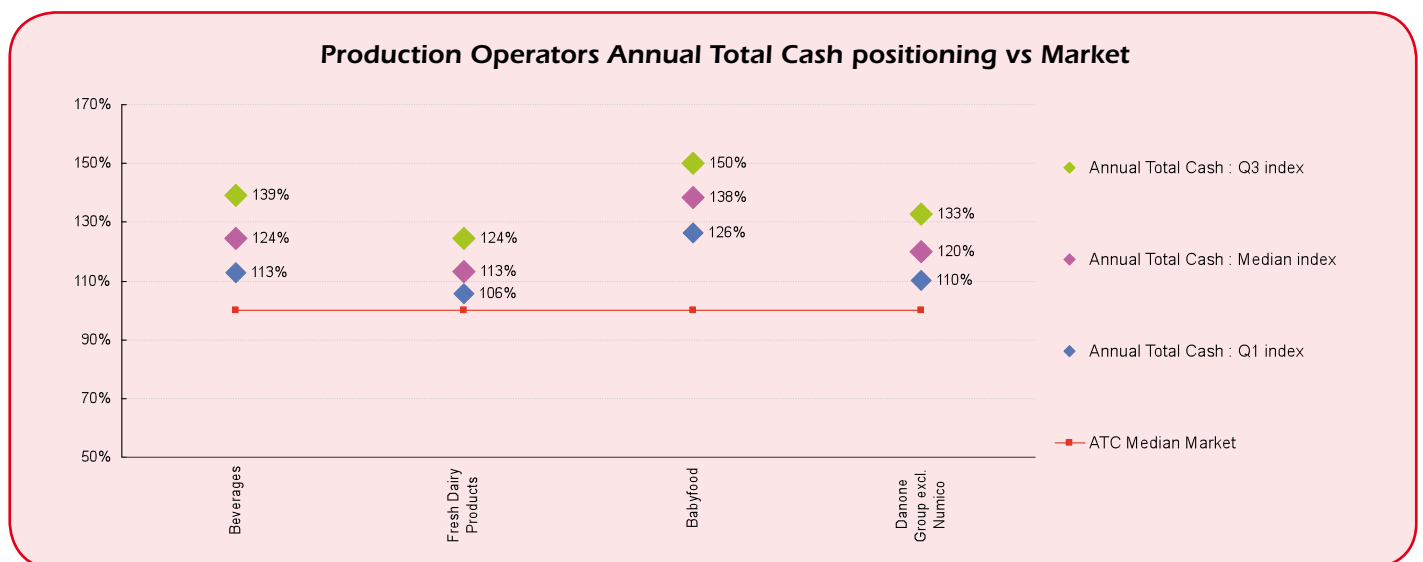
SUPP EC5. Range of ratios of standard entry level wage compared to local minimum at significant locations of operation

The monitoring of remuneration levels in comparison with the local market (minimum wage) is carried out as part of the Danone Way self-evaluation initiative. In 2008, subsidiaries of the Group estimated that on average 95% of their employees receive a salary higher than the local minimum wage. The Group's objective is to reach 100%.

Production operators, the annual total cash remuneration / market

The group collects data that measure the application of instructions in respect of pay, by country, for the least qualified of these categories, the basic operators.

The Group's objective is to position itself within the good practices of the relevant countries for equivalent activities.



2007 Data



Performance Indicators

5.1 Economic Performance Indicator

EC6. Policy, practices and proportion of spending on locally-based suppliers at significant locations of operations

This indicator is not monitored at the Groupe Danone level.

EC7. Procedures for local hiring and proportion of senior management hired from local community at locations of significant operation

The executive committee of subsidiaries of the Group are comprised on average of 70% of executives hired locally and 30% of international executives. The objective of Danone is to achieve 80% of local recruitment for the executive population by 2011. Concurrently, each international executive is given the objective of identifying two potential local replacements.

Economic impacts and indirect impacts

EC8. Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement

In South Africa, Danone has funded the creation of five "houses" for children with cancer, close to treatment centres - funding for Childhood Cancer Foundation South Africa. As part of this transaction Danone funded - free of cost - an extensive communication campaign to support the Foundation.

EC9. Understanding and describing significant indirect economic impacts, including the extent of impacts

A large enterprise is first and foremost local before it goes international. Factories, logistics bases and registered offices, all live alongside with the territories on which they are located.

The challenges are economic (wages paid, procurement and subcontracting, local taxes, etc.) but also social (employment, provision of know-how, training,

support for local initiatives, contribution to education in areas of expertise, initiatives of partnership with the environment, etc.).

The company's ability to develop positive relationships with its local environment plays a significant role in its overall performance. The company must find the appropriate balance between this social involvement and the economic purposes that constitute its *raison d'être*.

> Danone's commitment to local communities is entirely in line with the "dual economic and social project", namely:

- knowing the local players and developing long term links with them,
- participate in the economic and social development of its employment pool,
- developing products accessible to as many people as possible and notably to low-income consumers,
- participating in the maintenance of economic activity and employment by reindustrialising those of the Group's sites that are being restructured.

Danone has undertaken in its subsidiaries many activities (APIEME, Volvic, AQUA, etc.) aimed at the economic and social development of the territories in which the Group operates. (See. Indicators SO1 and EN11).

The Group decided to systematise these numerous initiatives and to give them more scale in creating a "ecosystem" fund. It is indeed in the very interest of the enterprise to take care of its economic and social environment particularly in a context of crisis. This fund shall be financed by an initial endowment of 100 million euros complemented by an annual matching contribution of one percent of net income. It will fund initiatives identified by the various subsidiaries in the jurisdictions where the Group operates: programmes related to the development of skills among local suppliers; the creation of activities in connection with the business lines of Danone (for example, food distribution micro-enterprises, etc.), and programmes on operational integration around its plants, etc..



5.2 Environmental performance indicators

- Materials
- Energy
- Water
- Biodiversity
- Emissions, effluents and waste
- Products and services
- Compliance
- Transport

62
63
65
66
75
77
79
79





Performance Indicators

5.2 Environmental performance indicators

The protection of the environment constitutes a major policy platform for Groupe Danone. The objectives established since 1996 for all its subsidiaries under the framework of the Charter for the Environment continue to be based on the following priorities:

- managing the environmental risks of sites and reducing water and energy consumption,
- reducing the environmental impact of packaging,
- protecting water resources.

Precise objectives for the industrial environment were established by the Group's Executive Committee in September 2001. They will be now integrated in the new objectives of the Nature plan:

- compliance of sites with regulations and controlling risks,
- reduction of water and energy consumption between now and 2010,
- progressive implementation of ISO 14001 certification.

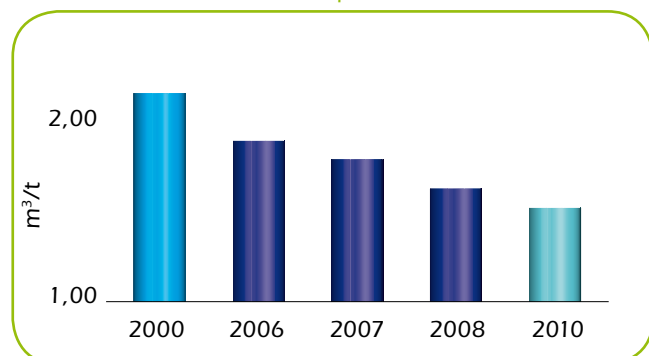
A network of environment correspondents within the Group's various subsidiaries allows for monitoring and implementation of these objectives.

Performance of Groupe Danone in 2008 (relative to the objectives established by the Group's Executive Committee for the period from 2000-2010)

In 2001 precise targets were set by the Group's Executive Committee for the period 2000-2010 (sensible plant programme):

20% reduction in energy consumption, 30% reduction in water consumption and 10% reduction in product packaging weight.

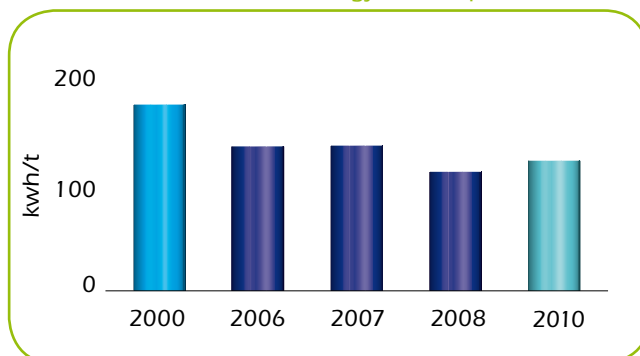
Global consumption of water



Objective 2010 : 1,56 m³/t

By 2008 93% of the target had been reached.

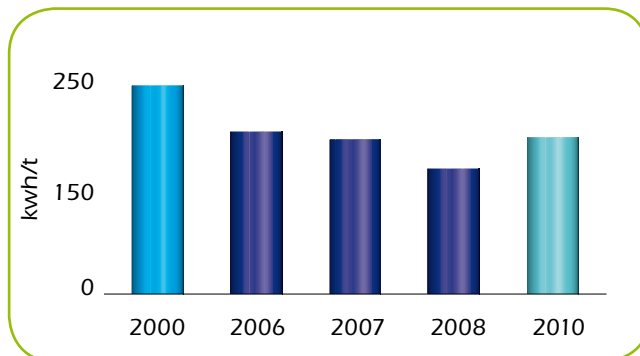
Global thermal energy consumption



Objective 2010 : 118 kWh/t

By 2008, the target had been reached and surpassed by 8%.

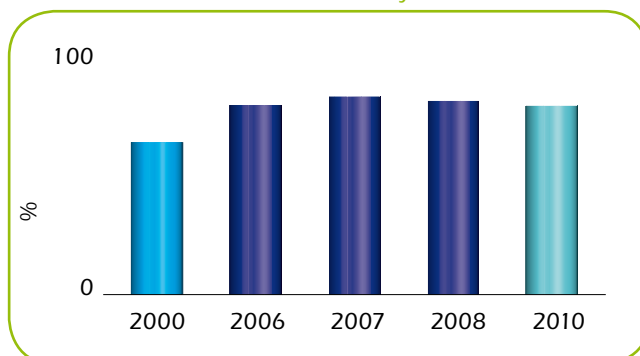
Total global energy consumption



Objective 2010 : 220 kWh/t

By 2008, the target had been reached and surpassed by 28.5%.

Waste recovery



Objective 2010 : 80% of waste recovered.

By 2008, the target had been reached and surpassed by 3%.

In 2008, the Group devised a tool to measure carbon footprint and water consumption that was deployed in all subsidiaries of Fresh Dairy Products and Waters Divisions. This tool will be progressively deployed in 2009 in the Infant Nutrition and Medical Nutrition Divisions.



Performance Indicators

5.2 Environmental performance indicators

The network of environment correspondents was reinforced in 2008 with the appointment in every subsidiaries of a "Carbon Master" in charge of leading the Nature plan (carbon footprint measurement, defining a three years goal) as well as by integrating this indicator in the flexible remuneration of the Managing Directors.

Table: Summary data on Danone's environmental policy: challenges, objectives, methods of implementation and monitoring

Challenges	Objectives	Methods/tools	Indicators
Managing risks and reducing environmental impacts of plants	Regulatory compliance and control of risks	- Audits - Regulatory Monitoring - Action plans - Investments - Budget review	- Evaluation according to the Danone ERM methodology: annual GREEN evaluation based on 17 criteria - Environmental investments
To include the management of the industrial environment into a dynamic of continuous improvement	ISO14001 certification for plants	- Training - Environment network - Sharing good practices - Implementing Enablon reporting	- Number of plants having launched the certification process - Number of certified plants
Promotion and rollout of the Nature plan	Goal for 2009-2011: reduce carbon footprint by 30% By end of 2011: carbon neutrality for 5 brands	"Carbon Master" Network - Establishment of a third party certified worldwide measuring tool - Define action plans	Carbone : kgCO₂/kg product Water : l water/kg product

In 2008, Groupe Danone rolled out two activities related to its environmental policy:

The measuring and monitoring of environmental performance of packaging (material recyclability, reduction of the weight of the packaging via the ratio pack), of agriculture (DOSE) and carbon footprint and water consumption; Verification of control of environmental risks and regulatory compliance in the context of audits (GREEN) performed on all sites.

Nota Bene

For perimeter (1), the coverage rate of the environmental indicators in 2008, represents 95% of the turnover, except for the total number of sites for which the coverage rate is 100%.

For perimeter (2), the coverage rate of the environmental indicators in 2008, represents 96% of the turnover, except for the total number of sites for which the coverage rate is 100%.

2008(1): Fresh Dairy Products, Waters, Blédina

2008(2): Fresh Dairy Products, Waters, Baby Nutrition, Medical Nutrition

The Group has built its environmental management policy around the international standard ISO 14001 reference

Several guides and tools created from this standard allow production sites to progress towards certification. By the end of 2008, 69 of the 162 production sites had already been certified.

Number of ISO 14001 certified sites

	2008 (2)	2008 (1)	2007 (1)
Total number of sites	162	140	139
Total number of ISO14001 certified sites	69	60 R	60

2008(1): Fresh Dairy Products, Waters, Blédina

2008(2): Fresh Dairy Products, Waters, Baby Nutrition, Medical Nutrition

The continuous improvement initiative is supported by the Group's investments

In 2008, investment in environmental protection reached 38 million euros (compared with 15 million in 2007 and 24 million in 2006), i.e. around 6% of the Group's total industrial investments

These investments relate to: (in descending order):

- energy: consumption savings, movement towards using cleaner energies,
- water: water treatment, sewage plants, consumption savings,
- waste: improving collections, storage, sorting,
- air: equipment to reduce atmospheric emissions.

Operating expenses were around 36 million euros in 2008 (identical to that in 2007, 34 million euros in 2006). These include in descending order the management of waste, of water, and taxes other than contributions relating to packaging.

Materials

EN1. Materials used by weight or volume

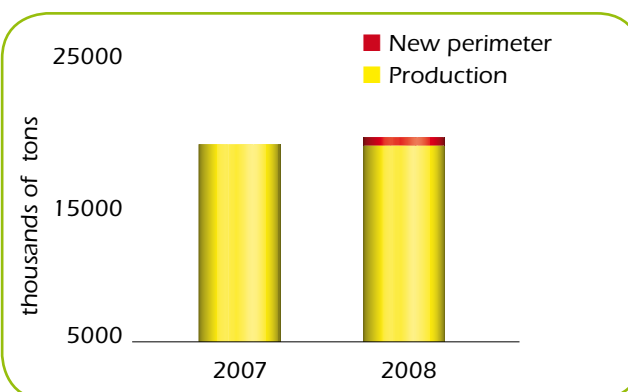
Thousands of tons	2008(2)	2008(1)	2007(1)
Total production	18 935	18 420 R	19 065

2008(1): Fresh Dairy Products, Waters, Blédina

2008(2): Fresh Dairy Products, Waters, Baby Nutrition, Medical Nutrition

Total production in thousands of tonnes varies very little with the integration of the activities of Numico, due to the nature of their products (powdered milk, medicines), proportionally a lot less significant in terms of weight than bottles and fresh products.

Total Production in thousands of tons



EN2. Percentage of materials used that are recycled input materials

Such data is not consolidated at Group level. However, much of the secondary packaging cartons (not in contact with the product consumed) are of recycled cardboard/paper.

Since 2008, the mineral water bottles of 1.5l of Volvic and Evian brands in France contain 25% of PET originating from the deposit of bottles collected from consumers. This procedure is presently being deployed in 5 other countries



Performance Indicators

5.2 Environmental performance indicators

Energie

EN3. Direct energy consumption by primary energy source

MWh	2008(2)	2008(1)	2007(1)
Natural gas	1 435 846	1 175 465	1 181 507
Heavy fuel	397 306	204 297	275 656
Domestic fuel	103 443	103 316	101 489
Butane/propane	56 428	53 494	62 884
Coal	231 802	91 426	104 579
Other sources	9 810	9 810	4 192
Thermal energy consumption	2 359 851	1 752 416 R	1 857 210

2008(1): Fresh Dairy Products, Waters Blédina

2008(2): Fresh Dairy Products, Waters, Baby Nutrition, Medical Nutrition

Thermal energy consumption communicated in table EN3 includes steam purchased, presented in indicator EN4.

EN4. Indirect energy consumption by primary sources

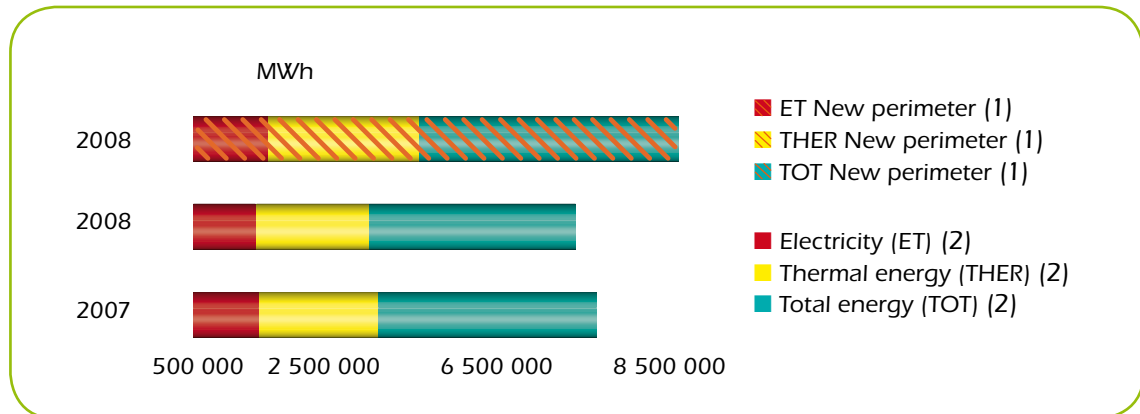
MWh	2008(2)	2008(1)	2007(1)
Steam (purchased)	125 215	114 608	126 904
Electricity consumption	1 654 902	1 476 084 R	1 525 475
Consommation totale d'énergie	4 014 753	3 228 500	3 382 685

2008(1): Fresh Dairy Products (FDP), Waters, Blédina

2008(2): Fresh Dairy Products, Waters, Baby Nutrition, Medical Nutrition

Excluding integration of Numico, a decrease in the thermal energy consumption has been recorded at comparable perimeter (for activities of Fresh Dairy Products, Waters and Blédina). The increase in the thermal and electric energy consumption is explained by the production procedures for infant nutrition and medical nutrition; a strong consumer of energy. See indicator EN16.

Energy consumption by type in MWh



SUPP EN5. Energy saved due to energy efficiency

At constant perimeter, the energy saved through energy efficiency measures is 2%. These measures are of two kinds:

> 1. Production efficiency

Optimisation of the production process for fresh products (thermal energy).

> 2. Usage efficiency

Optimisation of the usage of electrical energy within the Waters division in the bottle manufacturing process.

To date Groupe Danone has not yet undertaken activities related to “renewable energy” for electrical power. As regards improvement of energy efficiency, Danone has formed a network of experts and engineers responsible for monitoring energy efficiency, in association with the firm Barrault Industries, on all production sites of its Fresh Dairy Products division. See Indicator EN16.

SUPP EN7. Initiatives to reduce indirect energy consumption and reductions achieved

See indicator EN6.

SUPP EN6. Initiatives to provide products and services relying on improved energy efficiency or on renewable energy sources; reduction in energy requirements obtained from these initiatives

Two types of energy sources are necessary for the activities of the Group's site: electrical power for production operations and domestic electricity for the facilities and buildings (lighting, heating, etc.).

The use of renewable energy for activities related to domestic use is being developed: solar panels for lighting at Stonyfield, methanisation of organic waste at Evian-Danone France...

Water

EN8. Total volume of water withdrawn, by source

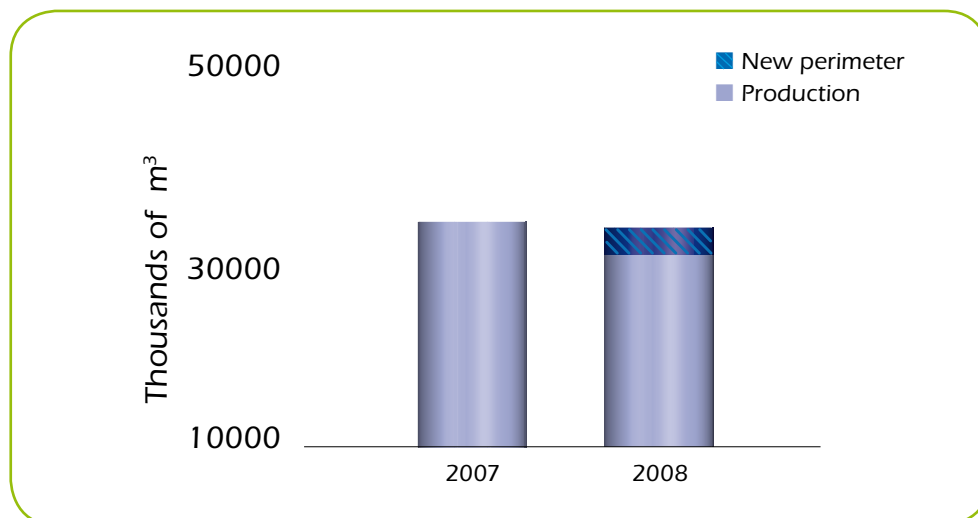
Thousands of m ³	2008(2)	2008(1)	2007(1)
Total water withdrawn from the surrounding in thousands of m ³	47 973	44 712	47 727
Environment, of which:			
- water from boreholes	34 520	33 244	35 183
- municipal water	10 071	8 185	9 026
- river water	3 382	3 283	3 518
Water consumption of Sites	33 694	30 648 R	34 580

2008(1): FDP, Waters, Blédina

2008(2): FDP, Waters, Baby Nutrition, Medical Nutrition

Like for like, (FDP, Waters and Blédina), a significant reduction of 11% of water consumption is recorded. And in particular there is a 15% reduction in the activity of the Waters division. Within this division the 15% reduction is due to the optimisation of the bottle rinsing (switching to air rinsing) process. Furthermore, Baby food and Medical nutrition activities have also had a slight impact on the total water consumption.

Total volume of water withdrawn, by source





Performance Indicators

5.2 Environmental performance indicators

SUPP EN9. Water supply sources significantly affected by the withdrawal of water

SGroupe Danone uses around 17,000 thousand cubic metres of water in its finished products, mainly from 70 springs that it operates worldwide.

The Group has set itself the target of ensuring the protection of the supply zone (impluvium), the transition zone (the path along which the water runs within the geological strata) and the emergence zone (area where the spring exits).

Furthermore, every supply zone is operated in accordance with the rules established by the Group, particularly as regards the sustainability of the quantities stored (see explanations given in indicator EN11 (page 68)).

SUPP EN10. Percentage and total volume of recycled and reused water

The water used for production (manufacture of products, cleaning of plants and facilities) is released into the natural environment after treatment at a mean rate of 177 mg/l of CDO (which is lower than current regulations in European countries).

90% of industrial sites recycle water for the cooling cycles on production lines.

Biodiversity

EN11. Location and size of land owned, leased or managed in or adjacent to protected areas and areas rich in biodiversity outside protected areas

Groupe Danone's production sites are located in habitats that are rich in biodiversity, such as Villavicencio in Argentina and Salus in Uruguay.

Within the context of its programmes for protecting its underground water resources, the Group has incorporated measures to protect the biodiversity of the sites.

The operation of a spring is linked to its intrinsic quality. The spring must demonstrate excellent geological and natural protection. The Evian mineral aquifer, for example, is protected by an impermeable layer several tens of metres thick and by a mean renewal period of 20 years.

Each spring is the subject of extensive geological research in addition to environmental studies to determine the risk factors for the environs and measures are put in place to protect the natural and rural heritage. The Group relies on local and national legislation, as well as on contractual agreements to secure a guarantee of operation that may result in the implementation of constraining provisions (prohibition on boreholes, regulated polluting activities, etc.).

Water is mainly collected from boreholes within an enclosed perimeter, which unauthorised persons are prohibited from entering. The collection equipment guarantees the hygiene and constancy of the operation and is tailored to the resource's hydrodynamics. This is why Groupe Danone has surrounded itself with experts so that the rational and sustainable operation of the springs is ensured. For each spring site operated, the renewal of the natural resource is the necessary and vital criterion. The Group never collects more than the spring can naturally produce

The constancy of the water composition is checked by regular sampling, carried out by approved external laboratories. Bottling is carried out under very strict conditions of hygiene and water quality is monitored daily.

> Local development respectful of the resources

The protection of springs is a strategic imperative that can only be achieved with the local players and which must be compatible with local development. Groupe Danone, together with local associations and players, has developed programmes designed to maintain the sites' natural aspects, to improve and protect the environment, work in partnership with the agricultural world for environmentally-friendly agriculture.



Performance Indicators

5.2 Environmental performance indicators

APIEME: Protecting the Evian Mineral Water Catchment Area

Evian was a pioneer when, in 1992, it created the Association for the Protection of the Evian Mineral Water Catchment Area (Association pour la protection de l'impluvium des eaux minérales d'Evian-APIEME) in collaboration with the local players: the communities of the catchment areas and discharge points, the Chamber of Agriculture and the public authorities.

The recognised infiltration area of the water that gives birth to Evian Mineral Water extends over 34 km² at a mean altitude of 850 metres. The catchment area has been specifically preserved, with 85% of the surface made up of forests, natural meadows and peat-bog. Human activity is evident in the presence of some villages and in the practice of small scale agriculture based on AOC milk production that is still the main economic activity.

Since 1926, the year of declaration of public interest, the Cachat Spring has been associated with a protection perimeter, within which human activity is regulated or even prohibited. This provision enables the effective protection of discharge points of springs from possible risks, such as excavation or drilling boreholes.

With a budget of around 520,000 euro, two thirds of which are financed by Evian, the APIEME supports initiatives in three areas:

- preserving the natural and rural environment: for example, one of the association's first actions was to extend the sanitation network (creation of sewage plants, studies to identify risks, etc.),
- developing modern agriculture that respects water quality: using manure in place of chemical fertilisers; restricting the use of some phytosanitary products, etc; APIEME helps breeders to standardise livestock buildings and dairy parlours,
- managing and protecting the wetlands that constitute the catchment area and that act as a natural purifier.

It is with this same desire to protect the environment that, since 1999, the Evian Gold Club has put in place strict rules in terms of maintenance. For example, the use of chemical fertilisers has been prohibited, due to their influence on the increased rates of nitrate in water.

Moreover, since 1997, Evian has established an observatory, together with the National Institute for Agronomic Research, to measure the effectiveness of existing policies, as well as to create indicators to measure the impact of human activities, such as the evolution of demographic pressure.

> Villavicencio, a nature reserve in Argentina

The protection of the resource has been ensured by the creation of a natural reserve that stretches over 74,000 hectares, at between 900 and 3,200 metres above sea level. This reserve constitutes an exceptional site in terms of its flora and fauna.

During the last century, the region underwent changes to its environment due to stock breeding and mining operations. The impacts caused by fires resulted in the loss of both plant and animal species. Hunting contributed to the destruction of the fauna and unregulated tourism also resulted in a deterioration of the natural environment.

The objectives of the Villavicencio nature reserve include:

- preserving the region's water resources,
- developing the study of resources and promoting their conservation, by means of education in environmental protection,
- enhancing awareness of the natural, cultural, archaeological and historical heritage,
- Encouraging tourist activities that have a low impact on the environment.

The project was rolled out in two stages:

- the development of the natural reserve,
- the management, dissemination and promotion of eco-tourism.

See indicators EN14, EN15, and chapter 1 (pages 1/2)

EN12. Description of significant impacts of activities, products and services on biodiversity in protected areas or areas rich in biodiversity outside protected areas

In terms of its activities, Groupe Danone does not have a significant impact on biodiversity, except as described with regard to measures to protect its springs (see indicator EN11).

The Group has also put in place with some of its raw materials suppliers (principally milk) of programmes for the promotion of sustainable agriculture, respectful of biodiversity (Danone Quality Safety Environment programme for milk, Sustainable Agriculture Initiative, etc.).



Performance Indicators

5.2 Environmental performance indicators

Within the framework of these Carbon offset programmes, piloted in 2009, Groupe Danone reconciles measures related to carbon sequestration with restoration of biodiversity: return of water activity on wetlands, fish farming on its measures to ensure protection of water resources, etc.

See indicators EN14 and EN15 (pages 68 to 69). See Danone-Ramsar Convention (Chapter 1 page 2).

SUPP EN13. Protected or restored habitats

Groupe Danone is not affected by this indicator. See indicator EN11 with regard to the programmes for the protection of underground water resources.

SUPP EN14. Strategies, current actions and future plans for managing impacts on biodiversity

The Group is not affected by this indicator, but is nevertheless involved in the protection of wetlands through its support to the Ramsar Convention.

Since 1998, Groupe Danone has supported Ramsar, an inter-governmental treaty for the protection of wetlands placed under the aegis of UNESCO. Since 1971, Ramsar has classified and protected over 1,400 sites, remarkable for their biodiversity, i.e. over 100 million hectares worldwide.

Wetlands (marsh, peat-bog, deltas, etc.) are reservoirs that play a fundamental role in the preservation of water resources, because they filter rainwater, purify it and supply the water tables. Over half of these areas have disappeared from the planet during the twentieth century or have been degraded by pollution.

Danone-Evian Fund

In 2002, the Group created the Danone-Evian Fund for the natural heritage of water. The main objectives of this Fund are:

- increasing the knowledge of decision-makers and the public about water issues;
- raising awareness of local populations in water management, particularly children, through the development of educational tools;
- recognising noteworthy actions. Since 1999, the Group has awarded a special prize to winners of the 3 Ramsar Prizes.
- sharing good practices for the management of natural sites. The objective is to network all of the Group's players involved in the operation and protection of springs.

Evian catchment area classified as a Ramsar site

At the end of 2008, the Gavot Plateau, site of the Evian catchment area, was classified as a "Ramsar zone". This is international recognition of the site's ecological interest.

Under the guidance of UNESCO, Ramsar ensures the classification of the wetlands around the world in order to protect them. The classification of the Evian catchment area by Ramsar is above all recognition of the unique character of this natural resource and of the long work of preservation of the site beginning in the 1980s. This classification will strengthen the plans related to management of the area and improve the protection of local vegetation. The "Ramsar zone" classification will guarantee its protection in the long term.

Since 2008, the Danone Evian Fund has implemented joint measures with the Ramsar Convention aimed at developing education projects to promote access to water and the protection of wetlands in three regions of the Andes and the Himalayas.



Performance Indicators

5.2 Environmental performance indicators

Water Conservation Schools

Realising the importance of the role of wetlands in the world, Evian became associated with Ramsar in 1998 (International Convention on the protection of wetlands), with a view to financing wetlands restoration projects.

Under this framework, Evian created water protection schools in partnership with Ramsar and NGOs present in the field. The objective is to help populations manage their water resources in an autonomous and durable way. This programme aims equally to preserve the quality and the quantity of water for the local communities and to promote awareness among local populations with regard water issues, and in particular to the conservation of wetlands. The water protection schools will contribute to the preservation and to the sustainable management of wetlands and to the restoration of their ecosystems in three countries: **Thailand, Nepal, and Argentina.**

In Thailand, an awareness centre promoting the conservation of water resources is in development. In the wetlands of Jaaukanigas in Argentina, a plan for the management of fish resources is also in development by local players in order to participate in biodiversity preservation. Finally, in Nepal, the Jagadishpur reservoir must be safeguarded by training farmers in techniques that require less fertiliser and regulating fishing in order to avoid the disappearance of fish stocks. To compensate for an income decrease, this action is complemented by the development of new economic activities that are respectful to the environment.

SUPP EN15. Number of threatened species on the global Red List of IUCN and its national equivalent and whose habitats are in areas affected by activities, by level of extinction risk

Groupe Danone's production sites are not located in protected and sensitive areas, such as, for example, IUCN protected zones in categories 1 to 4, World Heritage Sites and biosphere reserves.

In October 2008, during the 10th meeting of the Ramsar Convention on Wetlands' Conference of Contracting Parties held in Korea, the President of Groupe Danone, the Secretary of the Ramsar Convention and the President of IUCN International agreed on a protocol to create the "Danone Fund for Nature". Its mission is to make available contributions linked to carbon offsets, for investing in programmes to restore ecosystems, protect biodiversity and fight poverty. (See report chapter 1 page 2)

Emissions, effluents and waste

EN16. Total emissions, direct or indirect, of greenhouse gases, by weight (teq CO₂)

Efforts by the FDP and Waters subsidiaries in 2008 have been significant (-6% in 1 year), but do not allow for offsetting the emissions generated by the activities of recent acquisitions (Baby and Medical Nutrition). From 2008, a specific action plan, "Green Plant" has been in place, which is applicable to all the subsidiaries of the Group. This mechanism will be the focus of special attention in the context of reducing the Group's CO₂ emissions, particularly in relation to the dehydration, sterilisation and local cooling processes.

Tons (scope 1)	2008(2)	2008(1)	2007(1)
CO ₂ Emissions	521 487	367 118	394 252
CH ₄ Emissions	40	27	28
N ₂ O Emissions	19	14	15
CFC Emissions	0,037	0,036	0,198
HCFC Emissions	8,234	7,487	7,784
HFC Emissions	1,750	1,642	0,611
Halon Emissions	0,010	0,010	0,000

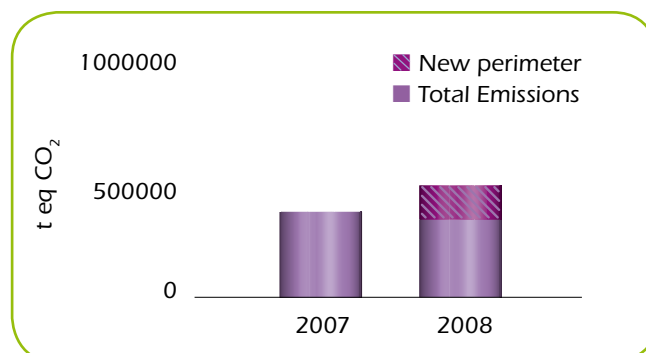
2008(1): FDP, Waters, Blédina

2008(2): FDP, Waters, Baby Nutrition, Medical Nutrition

Tons eq. CO ₂ (scope 1)	2008(2)	2008(1)	2007(1)
CO ₂ Emissions	521 487	367 118	394 252
CH ₄ Emissions	922	611	654
N ₂ O Emissions	5 623	4 112	4 326
CFC Emissions	392	382	2 103
HCFC Emissions	13 998	12 728	13 232
HFC Emissions	2 276	2 135	794
Halon Emissions	69	69	55
Total Emissions	544 767	387 155 R	415 416

2008(1): FDP, Waters, Blédina

2008(2): FDP, Waters, Baby Nutrition, Medical Nutrition

Total CO₂ emissions in tons of CO₂ eq. (scope 1)



Performance Indicators

5.2 Environmental performance indicators

EN17. Other pertinent indirect emissions of greenhouse gas, by weight (teq CO₂)

The analysis of the yoghurt lifecycle (see indicator EN 18) demonstrates that potential indirect atmospheric impacts are estimated at 1.8g of equivalent CO₂ per gram of finished product, with the following contributions: CO₂ (31%), CH₄ (28%) NO₂ (22%) and HFC/HCFC (18%).

> Groupe Danone's carbon footprint

During the year 2008, the Group Danone carried out a measure of the global carbon footprint (scope 1, 2 and 3) of all the subsidiaries of the Waters and FDP divisions. (See table below), through the consolidation of 1100 measurements in 64 subsidiaries.

Up to now, the following estimates in g equivalent CO₂ per /kg product are obtained. These data served as the basis for setting the objectives of the Nature plan. (The Danone definition of Scope 2 (green zones attached) integrates all of the emissions linked to operational activities: transportation, packaging, plants, distribution).

2008 Consolidated Group Carbon Footprint		Group Carbon Footprint, consolidated estimate									
		Milk	Other Raw Materials	Packaging	Production	Logistics	Retail Sale	Packaging Lifecycle End	Product Lifecycle End	Scope 2	Total
Total emissions by CBU and by extrapolation of 95% of the results of Waters & FDP	g equivalent CO ₂ per kg/ product	304	25	105	66	70	39	7	12	260	628
	Percentage (%)	48%	4%	17%	11%	11%	6%	1%	2%	41%	

2008 Consolidated Carbon Footprint of FDP subsidiaries		Carbon Footprint of FDPs, consolidated estimate									
		Milk	Other Raw Materials	Packaging	Production	Logistics	Retail Sale	Packaging Lifecycle End	Product Lifecycle End	Scope 2	Total
Total emissions by CBU and by extrapolation of 90% of the results analysed	g equivalent CO ₂ per kg/ product	1179	99	218	199	151	133	41	45	654	1979
	Percentage (%)	57%	5%	11%	10%	7%	6%	2%	2%	32%	

2008 Consolidated Carbon Footprint of Waters subsidiaries		Carbon Footprint of Waters, consolidated estimate									
		Milk	Other Raw Materials	Packaging	Production	Logistics	Retail Sale	Packaging Lifecycle End	Product Lifecycle End	Scope 2	Total
Total emissions by CBU and by extrapolation of 100% of the results analysed	g equivalent CO ₂ per kg/ product	0	0	66	20	42	6	-5	0	124	130
	Percentage (%)	0%	0%	51%	16%	33%	5%	-4%	0%	95%	

The most significant impact comes from the use of agricultural raw materials, followed by packaging and transportation. Production impact represents only 11%..

SUPP EN18. Initiatives to reduce the emissions of greenhouse gas and reductions achieved

The measure of carbon footprint and of water consumption is carried out using a tool developed for all the Danone subsidiaries, jointly certified by Pricewaterhouse Coopers / Carbon Trust /ADEME (the tool for evaluation of the activities of Waters and FDP anticipated for mid 2009).

By 2011, the Group has set itself the target of achieving a 30% reduction in its direct CO₂ emissions. (See Chapter 1 page 3)

EN19. Emissions of substances damaging the ozone layer, by weight

Tons eq. CFC (scope 1)	2008(2)	2008(1)	2007(1)
CFC	0,04	0,04	0,20
HCFC	0,45	0,41	0,43
Halon	0,10	0,10	0,00

2008(1): FDP, Waters, Blédina

2008(2): FDP, Waters, Baby Nutrition, Medical Nutrition

EN20. Emission of NO_x, SO_x and other significant atmospheric pollutants, by type and weight

Tons eq. NO _x ou SO _x (scope 1)	2008(2)	2008(1)	2007(1)
Nox consumption	1 312	900	965
Sox consumption	3 202	1 570	1 991

2008(1): FDP, Waters, Blédina

2008(2): FDP, Waters, Baby Nutrition, Medical Nutrition

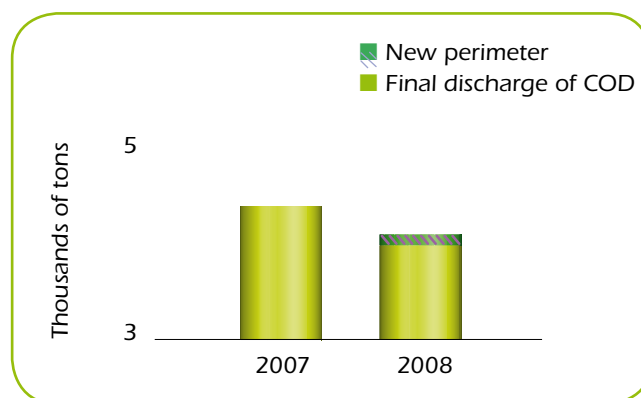
EN21. Total waste release in water, by type and destination

Thousands of tons (scope 1)	2008(2)	2008(1)	2007(1)
Final discharge of COD	4,224	4,102 R	4,557

2008(1): FDP, Waters, Blédina

2008(2): FDP, Waters, Baby Nutrition, Medical Nutrition

Final discharge of Chemical Oxygen Demand-COD (in thousands of tons)



Significant reduction noted is due to certain actions in the fresh dairy products sector concerning the reduction of material losses and improvement in efficiency of used water treatment plants.



Performance Indicators

5.2 Environmental performance indicators

EN22. Total mass of waste by type and treatment method

Thousands of tons	2008(2)	2008(1)	2007(1)
Total quantity of waste generated (in 1000s of tons excl. sludge from WWTP)	231	162 R	193
Total quantity of waste eliminated by a specific subsidiary (in 1000s of tons excl. sludge from WWTP)	192	126	158
Proportion of waste eliminated by a specific subsidiary (excl. sludge from WWTP)	83%	78%	82%

WWTP= waste water treatment plants

2008(1): FDP, Waters, Blédina

2008(2): FDP, Waters, Baby Nutrition, Medical Nutrition

Total quantity of waste generated
(in thousands of tons excluding sludge from waste water treatment plants)



The reduction of waste generated at constant perimeter (FDP, Waters, Blédina) is due to the improvement in campaigns to recycle waste on industrial sites.

EN23. Total number and volume of significant accidental spillages

There were two cases of accidental leakage of chemical products in 2008 on the Group's sites. The origin of these accidental leakages was an escape of NaOH in a network of waste water (100L) and a ruptured harrow generating the escape of 4 tonnes of ammonia in the atmosphere.

SUPP EN24. Mass of waste transported, imported, exported or processed and considered hazardous under the Basel Convention, Annexes I, II, III and VIII; percentage of waste exported worldwide

Groupe Danone is not affected by this indicator.

SUPP EN25. Identification, size and protection status and biodiversity value of water supplies and their related ecosystems significantly affected by the water disposal and runoff from the organisation

See indicators EN9, EN11 and EN 14 (see chapter 1 pages 1/2).

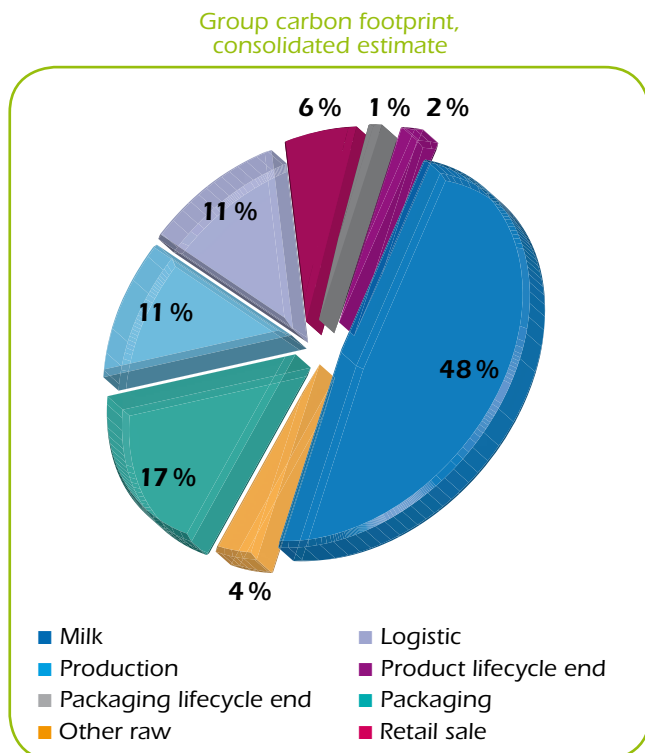
Products and services

EN26. Initiatives to reduce environmental impacts of products and services, and their scope

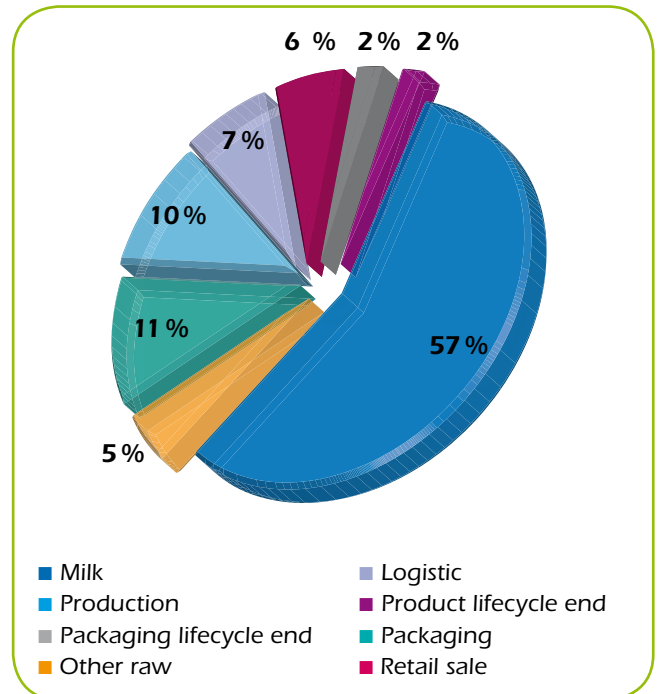
The lifecycle analyses carried out on natural yoghurt and on bottled mineral water have allowed the main environmental impacts linked to these products to be quantified in terms of water consumption, energy consumption, greenhouse gases and the production of waste.

These studies have demonstrated that the most significant impacts were indirect, as they were linked to suppliers' activities: agricultural production (milk) and the production of primary packaging (yoghurt tubs, plastic bottles).

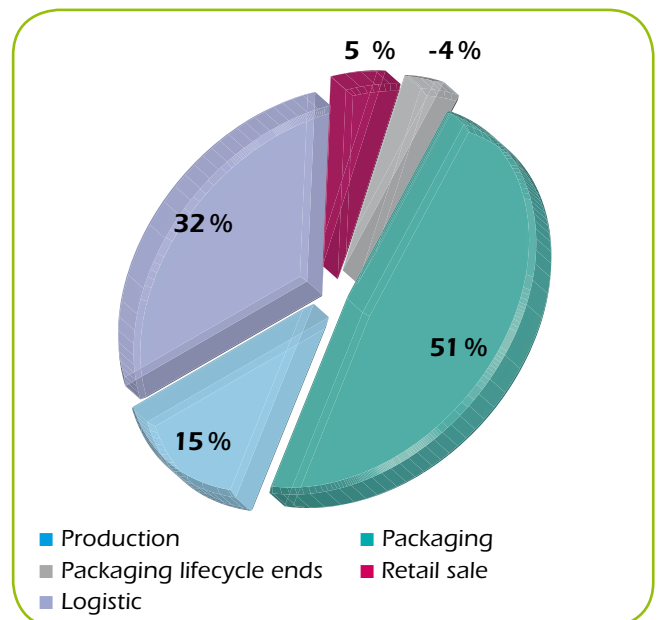
> The analysis of the carbon footprint yielded the following results:



Carbon footprint of FDP activities, consolidated estimate



Carbon footprint of Water activities, consolidated estimate





Performance Indicators

5.2 Environmental performance indicators

Measures implemented by Groupe Danone to reduce packaging weight

Since 2001, Danone has been using life cycle analysis techniques (LCA) in support of certain strategic decisions regarding responsible choice of packaging. Convinced that awareness and consideration of the eco-design aspects should take place at the design stage of packaging, Danone has internally developed a simplified tool allowing employees responsible for designing products to quickly gauge the impact on the environment of the entire lifecycle of products.

In 2001, the Executive Committee of Groupe Danone established a goal of reducing the average weight of packaging by 10% over 10 years (2000-2010). To do this, monitoring indicators (packaging weight / product weight ratio) have been put in place. In 2007, some 34 subsidiaries reported the packaging to product ratio of 75% of their sales. Between 2000 and 2006, the ratios decreased by 6.7%.

Measures for sorting and recycling of packaging

> Collection and sorting in different countries

Along with metal cans and glass bottles, PET bottles represent packaging with the highest recycling rates. In some countries, this target is reached by commercial and industrial plastic packaging alone (United Kingdom and the Netherlands). In most other European countries, it is achieved by sorting PET bottles by means of a system of collecting household waste that involves consumers making the effort to sort their waste. The “green point” systems, such as Eco-Emballages in France, Eco-Embes in Spain, FORST Plus in Belgium today enable the collection of between 40 and 75% of plastic bottles put on the market.

Danone is a member of 23 “green point” agencies present in Europe and helps promote the initiatives of these organisations in countries with high population densities as Turkey (CEVKO) or Mexico (ECOCE).

Table: Recyclability and recycling of packaging

	2008	2007	2006	2005
Recyclability of plastic bottles	100%	100%	100%	100%
Effective recycling of plastic bottles	26% Europe	24,8% Europe 27	22,7% Europe	22% Europe
Recyclability of paper and cardboard packaging	100%	100%	100%	100%
Effective recycling of paper and cardboard packaging	76% Europe	73,5% Europe 27	77% Europe	100% Europe

> PET plastic

Since their creation, plastics have allowed an amazing reduction of consumption of raw materials and an equally significant reduction in the production of waste. Without plastics volumes of packaging waste would have increased by 185% (Source Plastics Europe).



Performance Indicators

5.2 Environmental performance indicators

Packaging based on biodegradable polymers are in the process of being developed. They may be required in certain niches of the food industry in the years to come. These polymers are made from starch base and can be treated by composting. Danone was the first in 1998 to launch in Germany a yoghurt jar which was made from biodegradable polymers: PLA (PolylactateAcid). This production was stopped because consumers did not recognise the value of this innovation (PLA is only biodegradable in compost conditions and cost of material was very high).

Danone continues to monitor technological developments in this area. This type of material should also become affordable in terms of cost. There is still much research required in the beverages sector.

> PET bottle recycling

Rising oil prices have meant that PET plastic recovered through selective collections now has real value. There is a very strong demand from several countries including Italy, Holland and China, whose needs for PET are significant. This demand has bolstered the collection of bottles.

The urban collection and recycling of PET bottles (presently recycled to 51%) can save France 289,000 tonnes of oil in the processing industries of: textile articles like carpets, lining/filling for anoraks, and non-food packaging, and more recently, food packaging.

All the plastic packaging used for food or other products are made from crude oil. Often such packaging unlike PET bottles, are not recycled, but incinerated with the recovery of energy.

But one must not forget that packaging performs essential functions for all pre-packaged foods:

- **preservation:** it allows products to be stored for as long as necessary, without loss of quality,
- **hygiene:** good packaging is the best guarantee of good food hygiene,
- **diversification:** packaging diversification allows the product to be adapted to the preferences, habits and usage patterns of consumers,
- **portion:** packaging enables adapting the product quantity to the consumer's needs and family size,
- **transportation:** good packaging allows the product to be transported from the place of production to the place of processing or consumption without being damaged or suffering loss of quality; packaging also allows the efficient stacking of the products without causing them damage, at the place of production, during transport, in warehouses and processing

facilities or points of sale,

- **Information:** the packaging constitutes the best location for product identification (sales description/name), method of use, all the particulars required by law (price, weight, list of ingredients, analytical composition table for natural mineral waters, etc.), management tools (bar code, customer service phone number, address, etc.) and any other desirable information relating to the environment. The package enables communication with the consumer and thus serves as an information aid.

Groupe Danone Initiatives intended to support farmers' transition towards more environmentally-friendly agricultural practices.

> DQSE programme for milk producers

Since the mid-1990s, relations with milk producers have evolved from a simple collection of raw material to a partnership. The Group has established a programme Danone Quality Safety & Environment (DQSE) which aims to ensure:

- the control of milk quality and safety at each stage of the chain (milk production, transport, storage). Danone has defined a set of practices to prevent the presence of pathogens or chemical contaminants in the milk,
- the implementation of practices of respectful of animal welfare and the environment. The Danone Guide "Good practices for milk producers" has since 2007 incorporated in the systematic monitoring of dairy operations 10 environmental criteria and 2 animal welfare criteria drawn from international standards for sustainable agriculture and the European criteria from the Common Agricultural Policy. This objective that applies to all countries where Danone directly collects milk, while consistent with the rationale underlying the reform of the Common Agricultural Policy in Europe (aid conditional upon respect for environmental practices), goes much beyond.

> Promoting sustainable agriculture: "Sustainable Agriculture Initiative"

Groupe Danone is one of the first food industry groups to have committed to sustainable agriculture, deemed crucial to satisfying consumer expectations, and which it regards as a complementary approach to that of organic farming, as is reflected in the acquisition of Stonyfield Farm in the United States and the launch in France of the brand "Les 2 vaches" ("2 cows") by Stonyfield Europe.



Performance Indicators

5.2 Environmental performance indicators

Sustainable agriculture is agriculture that is competitive and productive, which goes beyond quality and food safety to take into account a balanced manner:

- respect for the environment,
- the economic and social impact on the local environment,
- the profitability of the operation.

Studies conducted since 2001 on the analysis of the environmental impact of yoghurt have confirmed that the transition to sustainable agriculture is an important lever for reducing these impacts.

Since 2002, Groupe Danone has established a partnership with Nestlé and Unilever to promote sustainable agriculture through the platform "Sustainable Agriculture Initiative" (SAI Platform). Currently comprised of 25 companies its objectives include:

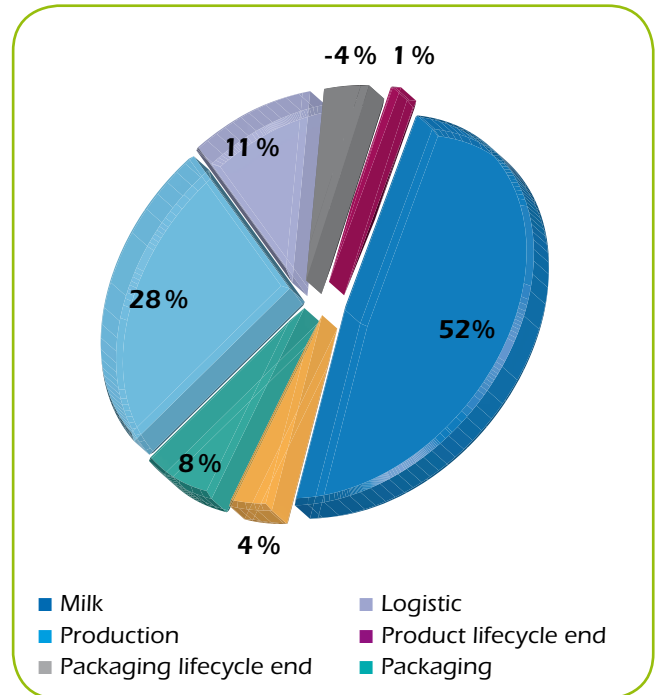
- acquiring and exchanging knowledge amongst companies,
- sharing common definitions of sustainable agriculture,
- validating and developing sustainable agricultural practices,
- communicating with decision makers and consumers,
- involving other agri-food industries and players belonging to the agri-food sector.

Six specialised working groups have been created within the SAI Platform (milk, fruits, vegetables and potatoes, cereals, coffee, water). Groupe Danone chairs the cereals working group that is the first to have adopted the "sustainable agricultural practices for the production of cereals in Europe", and participates in the milk-, fruit- and water working groups. Within the framework of these groups, the principles of sustainable agriculture are translated into agricultural practices that for the most advanced groups become the subject of global pilot operations.

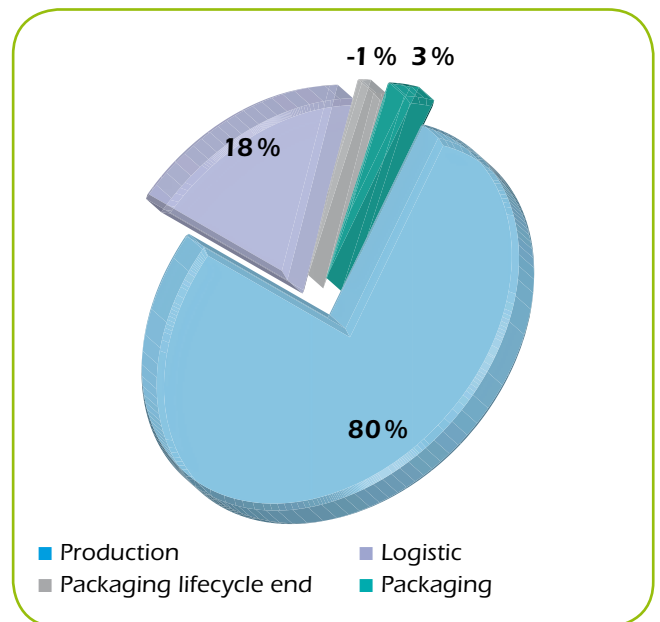
In Europe, whenever the concept of sustainable agriculture is laid out in a national system (e.g. "integrated farming" in France) Danone ensures its promotion. In 2006 and 2007, in France, nearly 150 dairy farmers delivering their milk to Danone France were qualified as "Integrated Farming" operations or in the process of being so qualified, after having been initiated into the approach by technicians of the Group.

> The analysis of the water footprint has yielded the following results :

Water footprint of FDP activities, consolidated estimate



Water footprint of the WATERS division, consolidated estimate



The new targets for reducing water consumption will be set during 2009.



Performance Indicators

5.2 Environmental performance indicators

EN27. Percentage of products sold and of their packaging recycled or reused, by category

The market in Europe for products sold with recycled packaging is less than 1%. Life cycle analyses, confirmed by a recent study by ADEME (French Environment and Energy Management Agency) in France, show that the development of reusable packaging is optimal for short distribution circuits (less than 200km) which is inconsistent with our national distribution circuits.

Regulatory Compliance

EN28. Amount of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations in environmental matters

In 2008 Groupe Danone paid penalties, fines and indemnification of third parties relating to environmental problems amounting to a total of €37k. This amount was €84k (in 5 countries) in 2007 and €93k (in 5 different countries) in 2006.

Transport

SUPP EN29. Significant environmental impacts of transporting products, goods and other materials used by the organisation in the operation of its business and transportation of its personnel

The Group has established good environmental practices on transportation, formalised in a guide for its logistics departments worldwide:

- any transportation carrier working for a Groupe Danone company must, as a minimum, comply with social and environmental regulations current in effect in the country, as regards its facilities and depots, as well as its fleet of trucks and their maintenance;
- the guide offers a list of good practices to be observed by carriers. This initiative can be adapted according to the local context;
- the subsidiary and its transportation carrier must both commit to in a process of reducing the impacts of transportation by acting on the various links in the life cycle.

For example, in the case of bottled water:

- rail: most of the bottled water sites can technically rely on railway flows from the production sites. The development of transport by rail depends on the cost per km and on the lead time required by distributors.
- all products are exported by sea, which has an environmental impact that is 25 times lower than of truck. A France - Japan trip (about 11,000 km divided as follows: 120 km by truck + 450 km by river transport + 10,500 km by sea in shipping containers) is equivalent to a 650 km trip by truck (Evian-Paris, for example).
- Danone has implemented a software programme for the optimisation of pallets in order to maximise the weight of products transported / surface so as to reduce unused surfaces.

Table: Greenhouse gas impact over the transport of bottles
in gm of CO₂ equivalent per tonne of product per km travelled (global life cycle analysis)

Mode of transport	Greenhouse gas emissions in gm equivalent CO ₂ per tonne of product and per km travelled
Truck (25 tonnes)	158
River Transport	45
Rail Transport (Europe)	39
Rail Transport (France)	24
Sea Transport (ship)	11
Sea Transport (containers)	6

2008(1): PLF, Eaux, Blédina

2008(2): PLF, Eaux, Baby Nutrition, Medical Nutrition

In 2008 Danone was the first private-sector enterprise to enter into a contract with the European Commission: the Marco Polo programme concerns the reduction of the environmental impacts of international transport flows over 8,767,000 kms of road. (see chapter 1, page 2).

SUPP EN30. Total environmental expenditures by type

Environmental Expenditures	2008(2)	2008(1)	2007(1)
Contributions paid for collection/recycling of packaging (Eco Tax /DSD)	54 387	52 069	63 498
Taxes and duties	7 627	7 352	5 080
Fines & Penalties	37	37	84
Third Party indemnification	10	10	0
Costs for waste treatment including personnel costs	10 898	10 344	12 422
Costs for water treatment including personnel costs	15 723	14 941	12 186
Costs for reducing atmospheric emissions including personnel costs	442	435	558
Other environmental costs (consulting, ISO 14001 certification etc...) personnel	2 135	1 929	5 904

2008(1): FDP, Waters, Blédina

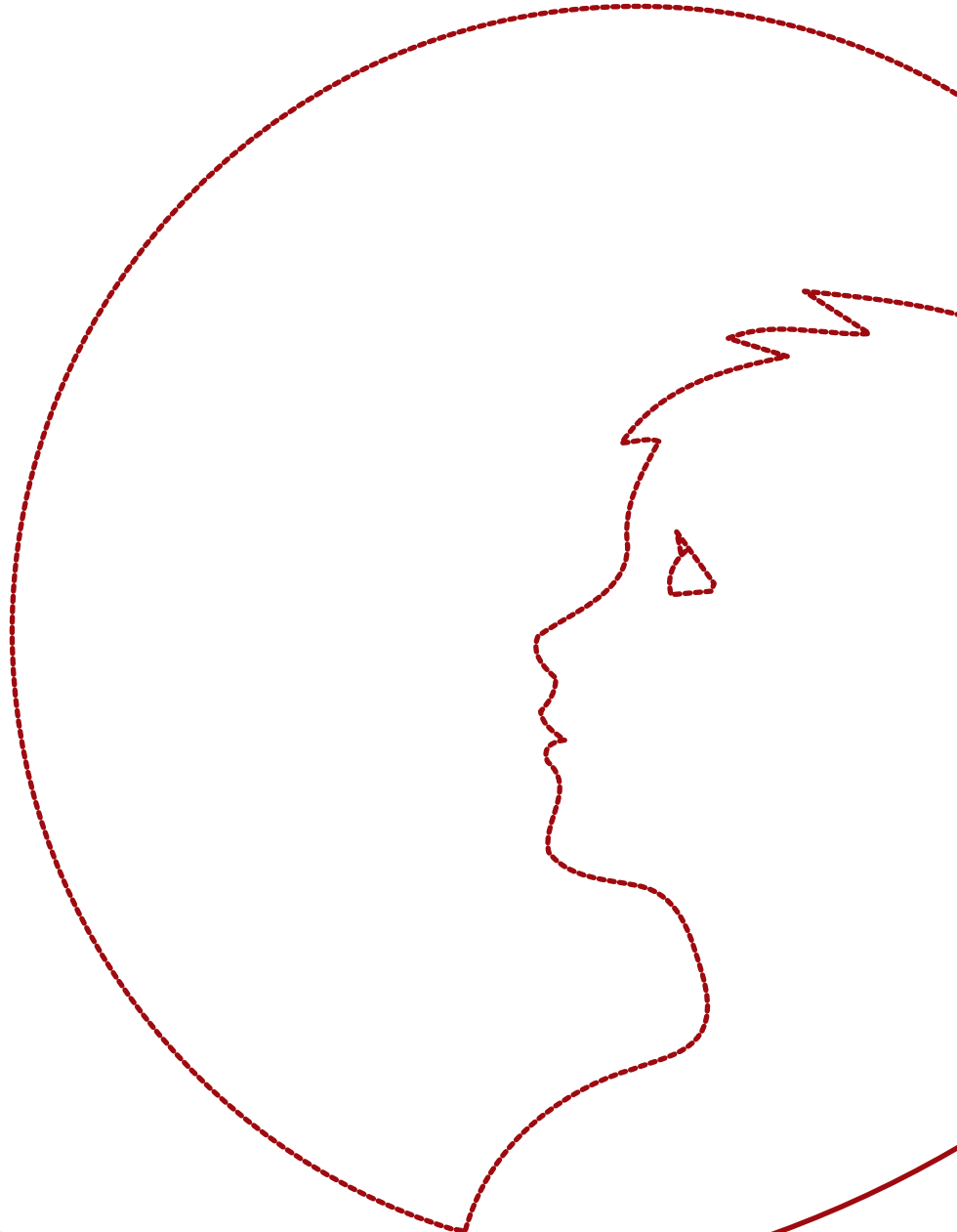
2008(2): FDP, Waters, Baby Nutrition, Medical Nutrition



5.3 Social performance indicators: Employment, Social Relations and Decent Work

82
89
93
93
99

Employment
Labor / management relations
Occupational Health and Safety
Training and education
Diversity and equal opportunity





Performance Indicators

5.3 SOCIAL PERFORMANCE INDICATORS: employment, social relations and decent work

What are the key challenges for Group Danone in terms of social performance?

- Employment, a problem that affects both developed and emerging countries, with very different challenges: high turnover in some countries and scarcity of certain skills in others, demographic shocks, or new or changing legislative contexts, especially in Europe (employment of older workers, gender parity, etc.),
- Groupe Danone focuses ongoing attention on training and skills development, an essential factor in the employability of personnel,
- The Group's globalisation. Danone employs people in countries all over the world, which necessitates taking into account the diversity in the respective social contexts, but also requires the strict enforcement of fundamental social principles. Sustainable growth should enable the reconciliation, on the one hand, of social responsibility, based on common values and, on the other hand, of economic performance in a context where the global crisis is now affecting many countries that were hitherto enjoying healthy economic growth.

How is Groupe Danone responding?

DANONE Human resources policies are meant to provide DANONE employees with the means to live their mission on a daily basis, and to grow personally and professionally.

Under the "new Danone" framework (related to the acquisition of Numico infant nutrition and medical nutrition divisions) this human policy is expressed through three strategic thrusts:

- developing the skills and competence of all employees, whatever be their origin, their initial training, their responsibilities within the company or their personal characteristics. This is achieved by fostering an involvement in the broadest possible sense, in matters regarding safety at work, understanding the economic situation of the company and the Group, so as to enable them to grow with the company and participate in its results. Through ongoing social dialogue and close communication within each of its sites, Danone is striving to develop the individual confidence and the team cohesiveness necessary to ensure the development all,
- developing agile, flexible organisations (fewer hierarchical levels, smaller management teams, etc.), as well as collaborative work environments

(supported by new technologies) to enable faster decision making, stimulate the exchange of good practices and promote innovation,

- creating a socially responsible enterprise, in which employees of Group Danone companies worldwide are voluntarily involved in initiatives related to the Group's health mission, that are designed to benefit the local communities, while at the same time, also benefitting employees – in terms of the sense of pride related to their involvement – and the company, which benefits in economic terms.

DANONE Values

Danone is one of the companies that enjoy a strongly distinctive and appealing identity, which in Danone's case is attributed to its own set of unique values. Values are ethical principles, and like all ethical principles, they are partly idealistic. They are laid out in terms of principles of conduct and widely disseminated throughout the enterprise, particularly by means of their incorporation in training, in the DANONE Way fundamentals and in the reference resources relating to managerial skills and attributes.

In 2009, a booklet on these values and their associated behaviours, supported by various reference documents of the Group will be communicated to all subsidiaries.

Humanism: "the attention paid to individuals, be they consumers, employees or citizens, lies at the heart of all the decisions we make". Humanism, for DANONE, is embodied in sharing, in responsibility and in respect for others.

Openness: "diversity is a source of wealth and change a constant opportunity". Openness is embodied in curiosity, agility and dialogue.

Proximity: "knowing how to stay close to others is the first step to understanding one another. Understanding is to accept and adapt to others". Closeness is embodied in being accessible, genuine and empathetic towards others.

Enthusiasm: "there are no limits, only barriers to be overcome". Enthusiasm is embodied in boldness, passion and the appetite for challenge.



Performance Indicators

5.3 SOCIAL PERFORMANCE INDICATORS: employment, social relations and decent work

Employment

LA1. Total workforce by type of employment, employment contract and geographic region

As at December 31, 2008, Danone had 80,143 employees around the world, all activity areas included.

The table below shows the total number of employees and their distribution by geographical area and by business division. These data are presented historically, as at December 31 for the years 2006, 2007 and 2008.

The figures for 2007 are presented excluding Numico: only fresh dairy products, waters, central functions and Blédina are taken into account.

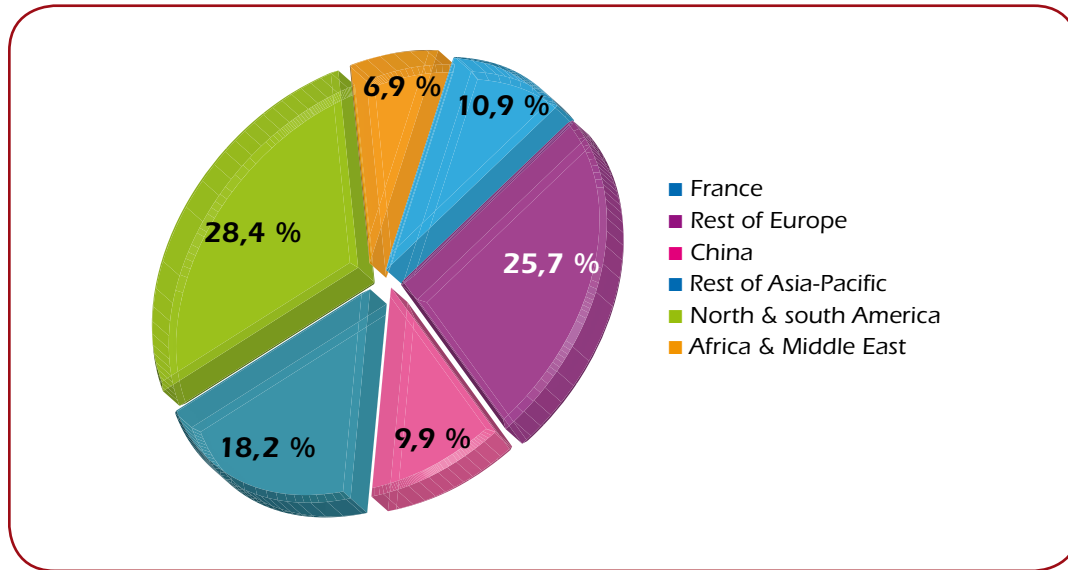
Total Workforce	As at December 31		
	2008	2007 (1)	2006
Total number of employees (excluding temporary)	80 143	63 793	88 124
Of which, managers in%	16%	13%	11%
Total number of employees (excluding temporary) – only FDP, Waters, Blédina & Central Functions	67 119 R		
By geographic region:			
France	10,9%	11,4%	13,3%
Rest of Europe	25,7%	18,3%	23,5%
China	9,9%	7,7%	23,6%
Rest of Asia-Pacific	18,2%	15,3%	15,0%
North America and South	28,4%	26,2%	20,3%
Africa & Middle East	6,9%	5,0%	4,3%
Total	100,0%	83,9%	100,0%
by Business Division:			
Fresh Dairy Products	38,9%	38,6%	31,0%
Waters	41,2%	41,5%	49,1%
Infant Nutrition (2)	13,9%	2,1%	1,6%
Medical Nutrition	4,4%	-	-
Biscuits (3)	-	-	16,7%
Central Functions	1,6%	1,7%	1,6%
Total	100,0%	83,9%	100,0%

(1) In 2007, the late integration of Numico did not allow the alignment of definitions, thereby making any consolidation impossible.

(2) In 2006 & 2007 only Blédina is reflected in the "infant nutrition" activity.

(3) This business was sold in November 2007.

Distribution by region in 2008



Distribution of the Workforce by Permanent, Temporary and Interim Employees

This division between permanent and temporary employees (including fixed-term contractors and temporary workers) was calculated based on the average number of employees (the average is obtained by taking the average number of employees on the books at the end of each month).

The inclusion of infant and medical nutrition had an impact on the rate of permanent employees, particularly in Asia Pacific.

See table at the following page >



Performance Indicator
5.3 SOCIAL PERFORMANCE INDICATORS: employment, social relations and decent work

	2008		2008 (1)		2007 (1)		2006 (1)	
	Permanent Employees	Temporary Employees	Permanent Employees	Temporary Employees	Permanent Employees	Temporary Employees	Permanent Employees	Temporary Employees
Total	83%	17%	86%	14%	85%	15%	85%	15%
Europe	88%	12%	88%	12%	87%	13%	87%	13%
Asia	74%	26%	83%	17%	81%	19%	78%	22%
Rest of the world	87%	13%	87%	13%	86%	14%	87%	13%
By Geographic Region:								
Africa & Middle East	90%	10%	92%	8%	89%	11%	89%	11%
Asia Pacific	74%	26%	83%	17%	81%	19%	78%	22%
Eastern Europe	89%	11%	89%	11%	89%	11%	89%	11%
Latin America	85%	15%	85%	15%	85%	15%	86%	14%
North America	95%	5%	95%	5%	94%	6%	96%	4%
Western Europe	87%	13%	88%	12%	86%	14%	87%	13%
By Business Division:								
Fresh Dairy Products	86%	14%	86%	14%	86%	14%	87%	13%
Waters	87%	13%	87%	13%	84%	16%	83%	17%
Infant Nutrition	69%	31%	86%	14%	83%	17%	84%	16%
Medical Nutrition	89%	11%	-	-	-	-	-	-
Central Functions	93%	7%	93%	7%	93%	7%	94%	6%

(1) Only FDP, Waters, Blédina and Central Functions

On a comparable basis, i.e. considering the activities of fresh dairy products, waters, and central functions and Blédina only (perimeter excluding ex-Numico), during the year 2008, Groupe Danone relied less on temporary employment in all regions and for all business activities. This translates into a decrease of 6.8% as compared to 2007.

This analysis shows a decline of fixed-term contracts (6.4% of the average total employees vs. 7.9% in 2007) and an increase in temporary/interim



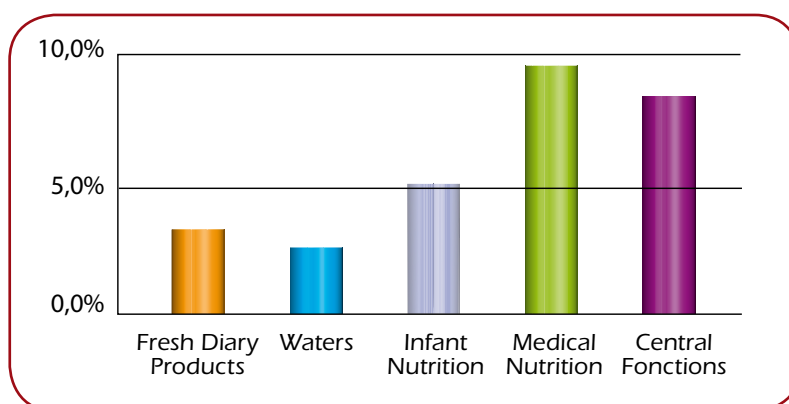
Performance Indicators

5.3 SOCIAL PERFORMANCE INDICATORS: employment, social relations and decent work

contracts (7.4% of the average total employees vs. 6.9% in 2007).

Full-time/part-time		2008
	Full-time Employees	Part-time Employees
Total	96,6%	3,4%
Europe	91,5%	8,5%
Asia	99,6%	0,4%
Rest of the world	99,6%	0,4%
By area		
Africa & Middle East	99,7%	0,3%
Asia Pacific	99,6%	0,4%
Eastern Europe	94,7%	5,3%
Latin America	100,0%	0,0%
North America	96,5%	3,5%
Western Europe	89,0%	11,0%
By Business Division		
Fresh Dairy Products	96,9%	3,1%
Waters	97,8%	2,2%
Infant Nutrition	94,9%	5,1%
Medical Nutrition	90,6%	9,4%
Central Functions	91,7%	8,3%

Rate of Part-Time Employees by Business Division



This distribution is calculated in relation to employees on the books as on December 31, 2008.

It notes that infant nutrition rely more on part-time workers, compared to the fresh dairy products and waters division.

Performance Indicators

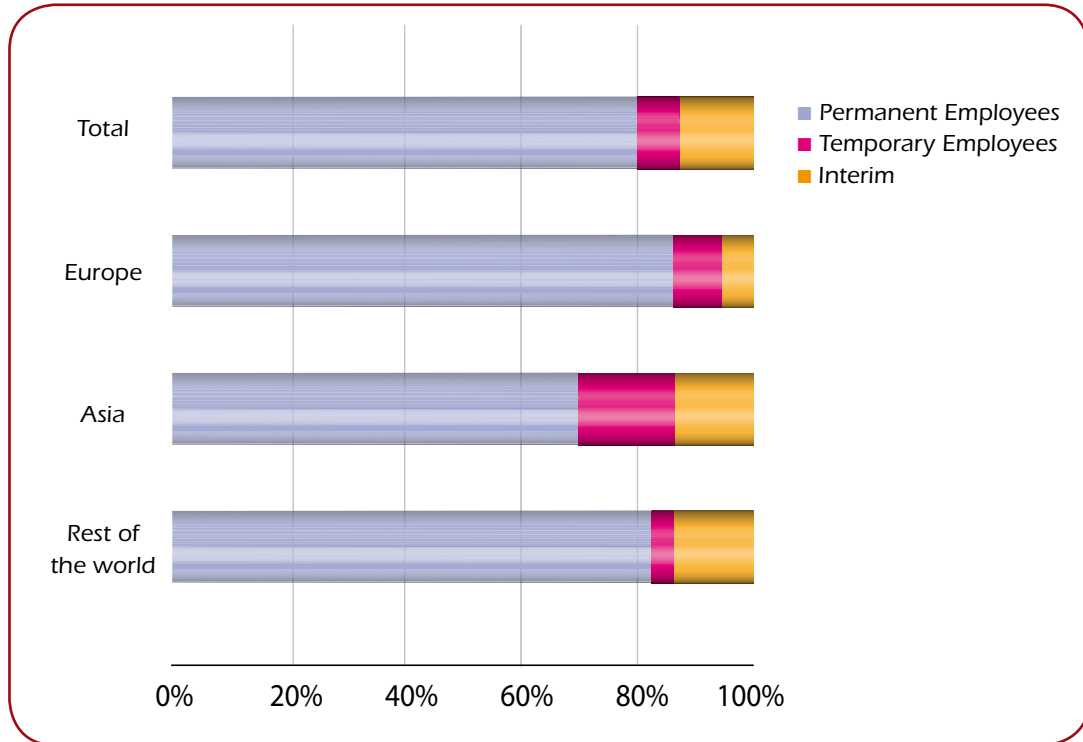
5.3 SOCIAL PERFORMANCE INDICATORS: employment, social relations and decent work

Permanent, Temporary and Interim Contracts			
2008			
	Permanent Employees	Temporary Employees	Interim
Total	Employees	7%	8%
Europe	90%	6%	4%
Asia	76%	14%	10%
Rest of the world	87%	2%	10%
By Region			
Africa & Middle East	92%	2%	6%
Asia Pacific	76%	14%	10%
Eastern Europe	90%	6%	4%
Latin America	85%	2%	13%
North America	95%	5%	0%
Western Europe	89%	6%	5%
By Business Division			
Fresh Dairy Products	85%	4%	10%
Waters	89%	8%	4%
Infant Nutrition	71%	12%	16%
Medical Nutrition	90%	5%	5%
Central Functions	93%	6%	1%

Performance Indicators

5.3 SOCIAL PERFORMANCE INDICATORS: employment, social relations and decent work

Distribution of workforce by region and contract nature



Distribution of full-time and part-time jobs

Net Job Creation

At the end of 2008, for historical data, there was an increase of 3,800 employees, i.e. +5% compared to 2007 year-end.

An increase in staffing levels is evident in all business divisions:

- fresh dairy products (+6.1%) with growth in subsidiaries in Russia, Middle East, Latin America and China
- waters (3.3%) with growth in Mexican subsidiaries
- infant and medical nutrition: + 6.7%



Performance Indicators

5.3 SOCIAL PERFORMANCE INDICATORS: employment, social relations and decent work

LA2. Employee turnover in terms of number of employees and percentages by age, gender and geographic region

Turnover Rate	2008	2008 (1)	2007 (1)
Total	22%	23%	21%
By Region			
By Region	12%	12%	10%
Africa & Middle East	11%	10%	9%
Asia Pacific	31%	34%	29%
Eastern Europe	40%	40%	42%
Latin America	13%	12%	18%
North America	11%	10%	8%
Western Europe			
Staff, Supervisors & Workers	23 %	24%	22%
Managers	16%	15%	16%

(1) Only FDP, Waters, Blédina and central functions

Distribution of departures	2008
By gender	
Women	21%
Men	79%
By Category	
Staff, Supervisors & Workers	88%
- Women	18%
- Men	82%
Managers	12%
- Women	42%
- Men	58%

This indicator is calculated, in accordance with our agreement with the IUFAWA, taking into account external recruitment and departures. The turnover rate for the year 2008 is 22%. It is largely increased due to the high numbers recorded in Eastern Europe (31%) and Latin America (40%). The turnover rate is much closer to 10% in other regions. In these regions, the staffing pressure related to qualified employee profiles, or particularly to some positions in distribution is still high and Danone is experiencing the same difficulties as other companies in the same sector. The fact remains that the subsidiaries have to find ways to retain their employees.

On a comparable basis, an increase of 2 percentage points is observed in the turnover rate between 2007 and 2008.



Performance Indicators

5.3 SOCIAL PERFORMANCE INDICATORS: employment, social relations and decent work

SUPP LA3. Benefits for full time employees that are not paid to temporary workers or fixed-term contract employees or part-time employees, by major activities

This indicator is not monitored centrally.

Labor/Management relations

> Social dialogue

In 2008, the Group conducted a survey in order to determine the characteristics of social dialogue. It highlighted the existence of staff representation in almost all of the subsidiaries as well as the organisation of meetings with staff. These are meant primarily for the purposes of staff information and consultation. The topics most often discussed within the framework of collective agreements negotiated with unions or staff representatives are salaries, working hours and conditions and safety at work. This survey was in the process of being updated at the time of the acquisition of the Infant Nutrition and Nutrition Medical divisions.

In addition, since 1996, the Information and Consultation Committee (CIC) of the Group has been meeting once a year. It is composed of employee union members of the Group, executive officers of the national unions and, the General Department of Human Resources and operational directors depending upon the topics being addressed. It also includes observers who are members of the International Union of Food & Allied Workers Associations (IUFABA).

A discussion is under way to bring about the transformation of our international decision making bodies, in particular to take into account the following factors:

- integration of Numico within the Groupe DANONE decision making bodies as of the end of 2010, with the need to merge the ICC and the European Works Council of Numico into one Groupe Danone European Works Council,
- the sale of the Biscuits division and its consequences on the weight of different countries,
- the new Geography for Groupe Danone, with a significant presence in countries outside Europe (notably Asia and America) that necessitates the contemplation of the modalities to ensure staff representation within a decision making forum on a global scale,
- the desire to articulate social dialogue and economic dialogue within the fora for consultation, and to strengthen the exchanges organised by the Group's core businesses (Fresh Dairy Products, Waters, Infant Nutrition, Medical Nutrition).

Discussions have begun with the IUFABA in late 2008 to transform the fora for consultation, if possible during the course of 2009.

Since 1985, the IUFABA has been Danone's interlocutor for all matters relating to international social dialogue. Several agreements have been signed on different subjects: gender equality in the workplace, the availability of economic and social information, recognition of trade union rights, information of staff representatives in the event of changes in business activity affecting employment and working conditions, etc. In 2007, a convention on diversity was signed with worldwide application. Monitoring its implementation will be ensured by means of the indicators developed with the IUFABA. A first presentation of achievements will be made during the ICC meeting in October 2009.

The implementation of the conventions will continue to be monitored through various channels:

- reporting of information by the local unions directly to the IUFABA offices through a process, initiated in 2008, joint evaluations on the conventions and the related communication actions in this regard, notably on the Infant Nutrition and Medical Nutrition divisions,
- the appointment in 2006 of a full-time IUFABA representative to the Group with the organisation of joint Danone/IUFABA inspections of various company sites around the world (first inspection in 2008),
- a process of social reporting applied to group companies according to 20 social indicators defined jointly by the Group and the IUFABA, which are disseminated and explained during the ICC meeting to participants in their own language,
- an IUFABA - Groupe DANONE steering committee which meets quarterly to ensure proper implementation of the conventions. These conventions are widely disseminated in the Group's subsidiaries and published in twenty languages to enable them to be more easily understood and implemented.

Beyond its subsidiaries, the Group has communicated the Fundamental Social Principles (see page 104) to all its suppliers. It has for this purpose established the "Respect" initiative in 2003 in order to find ways to apply these principles to all its suppliers (see Indicators HR1, HR2, HR3).



Performance Indicators

5.3 SOCIAL PERFORMANCE INDICATORS: employment, social relations and decent work

LA4. Percentage of employees covered by collective bargaining agreement

The tables below provides information on the percentage of BUs and employees covered by a collective agreement. An increase of 4% of employees covered is reported at comparable basis.

% of Business Units covered by a collective agreement	2008	2008 (1)	2007 (1)
% of B.U	77%	78%	75%

(1) Only FDP, Waters, Blédina and central functions

% of employees covered by collective agreement	2008	2008 (1)	2007 (1)
% of Employees	88%	90%	86%

(1) Only FDP, Waters, Blédina and central functions

LA5. Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements

Groupe Danone and the IUFAWA have concluded a specific agreement with worldwide application, relating to the methods of consulting employees' representatives in the event of modification of business activities with consequences for employment (May 1997). This convention was revised in 2005.

Health and Safety at Work

The Group has committed since 2003 to give greater impetus to its health and safety policy, and to strive to emulate the best performers in the sector in terms of results.

This voluntary policy has allowed for the reduction by 50% of Groupe Danone's frequency rate of accidents resulting in work stoppage of between 2004 and 2008. It relies on the following levers:

- strong management involvement, supported by the targets for reducing frequency rates of work related accidents incorporated in the bonuses of Managing Directors and Directors,
- an initiative focusing on continuous improvement of the safety culture (WISE), based on a proven methodology (developed by Du Pont de Nemours,

the benchmark for industrial safety) and the conduct of regular audits in the plants and various sites (approximately every 18 months). 60 audits were carried out in 2008, over 100 are planned for 2009. At the conclusion of the audit, beyond the score (point score out of 60) received by each site, which enables the identification of the areas of risk and the margins for progress, each site audited also receives a list of recommendations to be implemented in order to develop the safety culture and ensure it is anchored in the daily management process,

- a detailed monthly barometer by CBU and Division, allows for easy monitoring of the progress achieved by the various entities,
- regular coordination meetings of the safety managers of the different regions, with the objective of sharing best practices and developing common safety standards,
- regular training of safety auditors (20 auditors trained in Asia).

Priorities for the period 2009-2011 have been established by the Group's Safety Steering Committee, a new decision-making body for steering the Group's safety policy:

- extending the WISE initiative to the Baby & Medical division activities,
- integrating subcontractors on site in the process, by adding to the audit score a 13th specific element related to the safety policy in respect of subcontractors on site. Audit scores are presently based on 65 points,
- extending the initiative, currently focused essentially on plants and factories, to commercial and capillary distribution activities, with particular attention paid to road safety for drivers,
- achieving and maintaining a significant reduction in the Group frequency rate bringing it to the level of the best performers.

To support these goals, a number of mechanisms have been provided:

- raising the level of skills and competence of our internal auditors, so they are in a position to audit sites that are already well advanced in safety matters,
- establishment of a Safety Project Team, whose role is particularly to accelerate the development of global safety standards and the formulation of best practices, to be subsequently deployed over all sites,
- continued and widespread use of safety audits.



Performance Indicators

5.3 SOCIAL PERFORMANCE INDICATORS: employment, social relations and decent work

SUPP LA6. Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes

2008	Employees with health and safety committees	Employees who have safety meetings every quarter (from amongst the BUs having a safety
% of employees	85%	79%

The health and safety committees seek to ensure the proper handling of machines and facilities as well as compliance with standards and regulation. The management of safety is accomplished through a visible commitment and involvement by management teams on the ground, through training and the practice of ongoing safety dialogues between operators and managers. .

LA7. Rate injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region

The method of calculation of occupational accidents is based on the number of accidents with work stoppage/lost time of at least one day compared to the number of hours worked in millions, and includes accidents involving fixed-term contractors, temporary workers and trainees.

Rate of Occupational Accidents/at work	2008		2008 (1)		2007 (1)	
	Accident Frequency Rate	Number of work accidents	Accident Frequency Rate	Number of work accident	Accident Frequency Rate	Number of work accidents
Total	5,2	897	5,2 R	755	6,0	720
By Region						
Africa & Middle East	4,6	60	4,8	60	6,1	55
Asia Pacific	1,2	65	1,0	38	2,1	85
Eastern Europe	3,5	79	2,5	42	3,9	58
Latin America	6,4	330	6,4	329	7,1	208
North America	6,9	23	6,1	19	5,4	20
Western Europe	11,8	340	11,9	267	12,9	294
By Business Division						
Fresh Dairy Products	4,9	305	4,9	305	6,2	358
Waters	4,7	354	4,7	354	4,9	275
Infant Nutrition	5,2	123	11,0	32	12,1	35
Medical Nutrition	9,0	51	-	-	-	-
Central Functions	18,5	64	18,5	64	15,6	52

(1) Only FDP, Waters, Blédina and central functions



Performance Indicators

5.3 SOCIAL PERFORMANCE INDICATORS: employment, social relations and decent work

The frequency rate of accidents at work (occupational accidents) is 5.2. The frequency rate for the Medical Nutrition and Infant Nutrition divisions are higher, since they have just begun introducing their safety processes. The results should improve significantly next year.

	2008(1)	2007 (1)
Number of fatalities	11 R	5

(1) Only FDP, Waters, Blédina and central functions

These 11 fatalities concern 6 Danone employees and 5 subcontracted employees. They mainly involve road accidents. These occurred in Morocco, Algeria, Saudi Arabia, Indonesia, Mexico and Ukraine.

In 2007, the 5 fatal accidents involving subcontracted employees, occurred in Indonesia, Mexico, Russia, Brazil and France.

LA8. Programme focusing on education, training, counselling, prevention and management of risks established to assist employees, their families or members of local communities in case of serious illness

In 2008, 99% of employees had insurance coverage against major risks (death, disability) and 96% had health coverage. At the same time, health at work programmes were organised in various subsidiaries.

Furthermore, depending upon the local contexts, various specific activities were undertaken: free vaccination for all employees against the flu in Russia, awareness and support campaign on HIV in South Africa, etc.

Danone Clover South Africa: the “Stay ALHIVE” programme to support employees suffering from AIDS

Nearly 70% of employees are engaged in the AIDS screening programme, in 15% of the cases, so are their spouses. The initiative consists of firstly proposing a screening. Confidential support for employees affected is provided by specialist counsellors and treatment may, in some cases, be financed with contributions from the company. .

SUPP LA9. Health and safety issues covered by formal agreements with trade unions

This indicator is not monitored by Groupe Danone

Training and education

Within a context of ever-intensifying competitive challenges, where notions of quality, innovation and respect of lead times are playing an increasingly greater role, and where computerised machines are gradually replacing manual tasks, the overall performance of the company is correlated to the competence and collective involvement of the operators. Similarly, taking into account the individual expectations of employees in terms of training and professional development is a key factor in their commitment and therefore, in the performance of the company.

For over ten years, Groupe DANONE has had in place business-specific training programmes for managers known as “Strands”, which are gradually being internationalised as part of the DANONE Campus initiative. DANONE’s own version of the corporate university, it promotes the combination of skills development alongside the development of networks amongst managers from various functional areas and from all countries. The concept is a simple one. It involves 200 to 300 managers meeting for five days, five or six times a year, at a different venue each time. Business function-specific training is supplemented by a cross-functional session common for all participants which deals with the Group’s strategy, with the participation of a member of the Executive Committee as well as the managing directors of the local companies.

In 2008, the international training programme offering “Learning by Danone” helped to train several thousands of managers around the world, including the 1678 in the Campuses, the Group’s Corporate University. In 2008, 11 Danone Campuses were organised across the world: 5 in Asia Pacific, 1 in America, 1 in Africa and 4 in Europe, the most recent being in December at Evian.



Performance Indicators

5.3 SOCIAL PERFORMANCE INDICATORS: employment, social relations and decent work

The network of Directors of Human Resources and Organisational Development Managers of the subsidiaries drive the Group's Training and Learning policy. Through this network, common training needs are identified upstream and training pilots are implemented before being deployed more widely. In France, a "skills college" which optimises mutual training opportunities for managers and supervisors was established in 2008. This college has trained more than 1,000 employees in management and professional effectiveness, and in late 2008, launched a sales university that will offer common professional development sessions for sales personnel in which personnel from all Group companies in France (4 companies) will participate.

One of the current difficulties facing the Group is how to more widely deploy some of these pilot training programmes all over the world. For this, "turnkey modules" (Danone Learning Solutions) are being offered, with the subsidiary concerned then being responsible for translating and adapting the programme to suit local needs, possibly with help from a local partner as needed. To date, Danone has more than 20 modules on, for example, training for sales leaders (department heads) and neighbourhood sales force supervisors, techniques in innovation and creativity, the creation of high performing teams, etc. For 2009 a Group module on health and particularly on nutritional aspects at work will be deployed.

The "learning" approach is also very apparent across different subsidiaries through specific local training programmes and plans. For example:

Danone Russia: the management university is gradually reaching out to all Danoners

In 2008, Danone Russia's approach has been to expand the management training in place for executives to the supervisory personnel but also to certain other employee groups.

Thus 6 training programmes, including notably, team management, convincing one's audience, as also the basic techniques of sales and negotiation, were introduced.

The deployment primarily involved the marketing teams: nearly 470 people were trained, representing 8800 training hours. These programmes were evaluated by participants, receiving an average rating of 3.76 on a scale of 4.

Finally, an e-learning system offering 12 programmes in the areas of informatics, work time management, etc. has been used by more than 500 people.

In 2009 the logistics teams should be benefiting from the programmes established for the marketing teams.

Danone Belgium: training for all on situational leadership

In 2008 Danone Belgium developed a training programme for its employees entitled SSL (Situational Self Leadership). This two-day programme aims to provide an understanding of the principles of Situational Leadership and to help participants take greater initiative within the context their job functions.

The models and theories used are the same as those taught to managers. Thus a common language and common practices are being put in place.

Two pilot sessions (in Dutch and French) have been conducted and in 2009 a wider deployment is expected.

Performance Indicators

5.3 SOCIAL PERFORMANCE INDICATORS: employment, social relations and decent work

Danone Mexico: professionalizing "team leaders"

This 2008 initiative is intended to focus on the managerial skills of "team leaders" (managers and supervisors). The programme is structured into three modules: self-knowledge, management of teams, and negotiation and conflict management.

675 people attended the first module for Danone Fresh Products and Bonafont (Bottled Water). Deployment of the other two modules will take place in 2009.

Recruiting young managers attracted by the Danone values

In 2003, the International simulation game TRUST was designed for students in universities, management schools and engineering schools. TRUST offers them the opportunity to manage a fictitious Danone subsidiary; it is aimed at achieving economic performance objectives, while taking into account social and environmental imperatives as well as the Danone Way fundamentals. TRUST allows students to increase their knowledge and understanding of the Group, its business plan, its business management style and culture. It also facilitates identification of the profiles of future managers who share our culture and our values. In 2008, 12 countries participated in this competition, 5,000 students were enrolled, 1300 were selected to play, coming from 90 universities. 65 students from among the participants have since been recruited.

In 2008, a new international recruitment and development communications campaign promoting our employer brand was launched. The campaign "Something special inside", that Group companies may adopt locally demonstrates, through a series of visuals, just what it is that makes Danone unique: the dual economic and social plan, the health mission, openness to the world, and autonomy of its employees that allows them to take initiative and express their personality. This campaign is deployed both internally and externally, through the website danonepeople.com, various employment sites, student forums, etc.

LA10. Average number of training hours per year per employee by professional category

Average number of mean training hours	2008	2008 (1)	2007 (1)
Total	25	25 R	20
Staff, Supervisors & Workers	22	22	16
Managers	37	42	41

(1) Only FDP, Waters, Blédina and Central Functions

In 2008, the number of training hours per employee was 25 hours per year, an increase of 25% between 2007 and 2008. Strong growth was recorded in the category non-managers, the average number of hours per employee increased by 36%.

Average number of mean training hours (2008)	Waters	Fresh Dairy Products	Infant Nutrition	Medical Nutrition	Others
Total	24	25	24	31	24
Staff, Supervisor & Workers	22	21	23	37	25
Managers	46	44	28	17	24

Number of employees trained	2008	2008 (1)	2007 (1)
Total employees trained	70 458	60 656 R	50 458
Staff, Supervisors & Workers	59 966	52 534	43 179
Managers	10 492	8 122	7 279

(1) Only FDP, Waters, Blédina and Central Functions

The number of employees who received training in 2008 has increased (16%) primarily to the advantage of non-managers (workers, employees, technicians and supervisors: 19%).



Performance Indicators

5.3 SOCIAL PERFORMANCE INDICATORS: employment, social relations and decent work

2008	Average training hours	Number of employees trained
By Region		
Africa & Middle East	19	3 010
Asia Pacific	25	20 691
Eastern Europe	24	11 449
Latin America	27	19 968
North America	24	2 079
Western Europe	24	13 261

Proportion of employees trained

% Of employees trained	Total	Managers	Staff, Supervisors & Workers
Waters	97%	93%	98%
Fresh Dairy Products	85%	91%	84%
Infant Nutrition	76%	79%	75%
Medical Nutrition	78%	58%	87%
Group Total	88%	84%	89%

SUPP LA11. Life-long Skills Development and Training programmes aimed at ensuring the employability of employees and at helping them manage their career-end

Continued Employability

The EVOLUTION programme, launched in 2005, consist of several tools (notably, a diagnostic designed to determine the most suitable actions for each situation, from the development of literacy to obtaining professional diplomas and including organisational development, which improve collective performance and enhance individual skills, etc.) and five key points:

- an average of 24 hours of training annually for each employee,
- mastering basic skills (reading, writing, communicating, mastering basic safety rules, mastering basic quality rules)
- a skills passport for each worker and employee (that tracks the training path being pursued, and records the qualifications gained and changes in job positions),
- a professional performance review at least once every two years
- a change in position offered at least once every five years.

Since early 2008, and for the first time ever, the bonuses of managing directors have in part been based on achieving a set target of average training hours per employee.

At the end of 2008, the related performance indicators were as follows:

- 89% of employees (workers, employees, supervisors) had participated in at least one training course.
- the average number of training hours per employee was 25 hours per year but only but only 22 hours for the staff, supervisors, workers.
- 20% of employees currently have a skills passport,
- 99% of employees have acquired basic skills (reading, writing, counting, expressing oneself, understanding simple instructions on quality and safety in the workplace)
- 78% of employees have been offered a position change in the last five years.



Performance Indicators

5.3 SOCIAL PERFORMANCE INDICATORS: employment, social relations and decent work

81% of all employees received at least 24 hours of training, including 74% of those in the managers category and 83% of the non-managers.

The EVOLUANCE programme in France, intended for operators, supervisors and employees:

- since its launch in April 2004, 1044 employees have participated in various professional development courses, with 68% among them opting for the VAE (Validation of the Acquisition of Experience), a system that allows a national education diploma to be obtained on the basis of a professional experience dossier,
- employees who attended these programmes range in ages from 24 to 59 years (44% of them are over the age of 45) with 36% of them being women,
- 770 of those employees have already obtained their diploma, representing a success rate of over 95%. Moreover, nearly half of the graduates have developed professionally and 10% were involved in further training.

The diplomas obtained range from general education certificates to the Advanced Technician's Certificate and the vocational baccalaureate diploma, totalling more than 50 different diplomas.

The company Evian, under the framework of agreements signed on diversity, has established a training programme for women leading to technical qualifications, designed to help them access technical positions involving the operation of automated machines. This action which enabled 24 women to obtain a technical diploma was included in the first agreement on equal opportunities signed in Rhône Alpes.

To combat the stereotypes within this male dominated plant, an awareness campaign promoting gender equality was initiated last year, and has already reached over 200 employees.

Age management

Since the issue of demographics is a particularly sensitive one in European countries, a practical guide for identifying challenges and assisting with establishing action plans, entitled "senior hand book" was compiled in 2005 for use by plants. Based on field studies carried out in five European plants and developed in collaboration with the medical officer coordinating the Group's French subsidiaries, this manual tackles four areas:

- health and employment conditions,
- skills development,
- motivating senior staff,
- the cost of labour.

This guide, which allows the plant teams to develop an appropriate action plan suited to their local context is part of the EVOLUTION project, whose objective is to enable employees ensure their ongoing employability throughout their professional lives.

The Badoit plant, where the average age of employees is the highest (46 years), provides a good example of a multi-dimensional action plan (management of skills, changing the outlook on seniors and working conditions) that has an impact on the performance and ambience of the plant, by: giving a voice to employees, involving all the actors (occupational health officer, trade unions, management, ergonomists, etc.) and giving a voice to seniors so as to develop customised solutions.

All French companies have initiated a dialogue with their trade unions on the issue of seniors, within the context of mandatory negotiations in respect of the management of employment and skills, or as part of diversity agreements.

SUPPLA12. Percentage of employees receiving regular performance and career development reviews

PDR : Performance Development Review

IDP : Individual Development Plan

	2008	2008 (1)	2007 (1)
% Of Managers who had had a PDR	88 %	89 %	81 %
% Of Managers who had had an IDP	66 %	73 %	69 %
% Staff, Supervisors & Workers who received an IDP less than 2 years ago	42 %	39 %	23 %

(1) Only FDP, Waters, Blédina and Central Functions

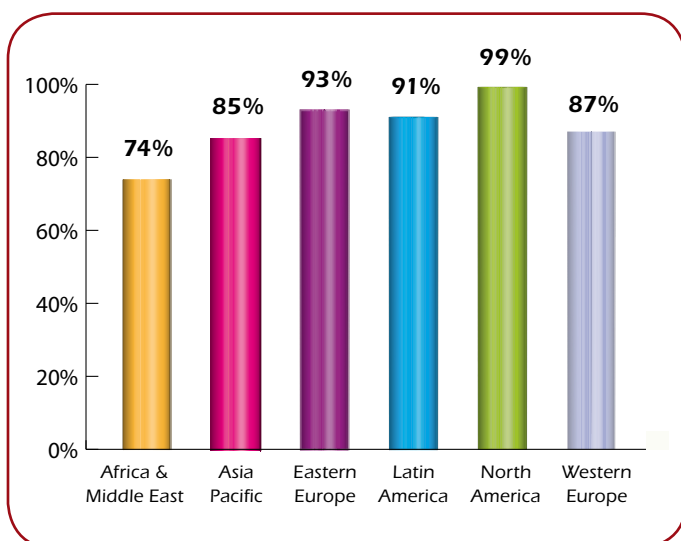


Performance Indicators

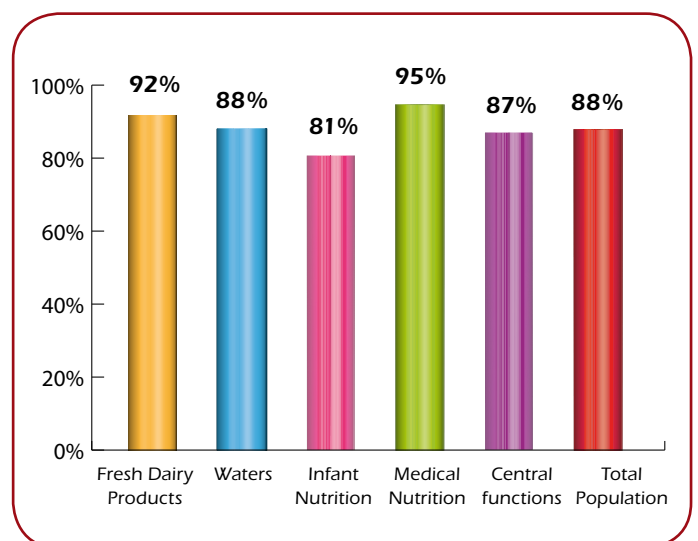
5.3 SOCIAL PERFORMANCE INDICATORS: employment, social relations and decent work

	RDP Managers	IDP Managers	IDP Staff, Supervisors & Workers less than 2 years ago
By Region			
Africa & Middle East	74%	49%	33%
Asia Pacific	85%	61%	56%
Eastern Europe	93%	67%	43%
Latin America	91%	73%	23%
North America	99%	74%	28%
Western Europe	87%	66%	54%
By Business Division			
Fresh Dairy Products	92%	78%	32%
Waters	88%	70%	42%
Infant Nutrition	81%	55%	65%
Medical Nutrition	95%	44%	64%
Central functions	87%	57%	86%

Percentage of Managers who received a PDR in 2008



Percentage of Managers who received a PDR in 2008





Performance Indicators

5.3 SOCIAL PERFORMANCE INDICATORS: employment, social relations and decent work

In 2008, the percentage of managers who received a performance individual review is 88%. On a comparable basis, an increase of 8 percentage points is reported between 2007 and 2008. Specifically, it is the North America and Eastern Europe regions (respectively 99% and 93% of their employees) and the Medical Nutrition and Fresh Dairy Products (95 and 92% of their employees) divisions that show the best results.

The percentage of managers who received a career development review (individual development plan) amounts to 66%, i.e., on a comparable basis, an increase of 4 percentage points between 2007 and 2008. Specifically, it is the North America and Latin America regions (respectively 74 and 73% of their employees) and the Fresh Dairy Products and Waters divisions (respectively 78 and 70% of their employees) who have made the most widespread use of these reviews.

The percentage of Staff, Supervisors & Workers who received an individual development plan less than 2 years ago is 42%. It is the Eastern Europe, Latin America and North America regions (with respectively 86, 65 and 64% of their staff) as well as the central functions (86% of staff) who demonstrate the most widespread use of this practice. It allows everyone to look to the future and to freely discuss career goals, with the reassurance that Danone will put in place the appropriate means to achieve it.

the International Union of Food & Allied Workers' Associations (IUFAWA). This agreement serves as a reminder that the fight against all forms of discrimination is an absolute prerequisite and focuses on equality of opportunity and equity in matters of recruitment, promotion and remuneration for all employees, whatever be their status,

- in 2008, Danone and the IUFAWA agreed on the content of a global survey to be launched in June 2009 to analyse the manner in which the subsidiaries are adapting the agreement in consideration of their local context (cultures, economic and social situations and special laws) and to collect best practices.

In 2008 several working groups, training sessions and meetings were held, bringing together dozens of employees from all levels, functions and companies, which provided the opportunity to interact with members of the Executive Committee, to further deepen the focus on the areas of work identified in 2006, to develop best practices and to consider new initiatives which are beginning to bear fruit:

- opening the recruitment process to diversified sources of qualified candidates,
- women's access to the highest positions within the hierarchy ,
- the inclusion of disabled persons in countries having relevant legislation.

Diversity and Equal Opportunities

Danone's approach to diversity is an integral part of the Group's human relations policy. It aims to:

- develop and upgrade the skills of everyone within the company, regardless of personal characteristics at the individual level,
- promote innovation and proximity to consumers through gender integration and equality, diversity, career pathways and labour organisations, at the collective level.

Groupe Danone's commitments:

- "Diversity is a source of wealth" is part of the Danone values (Opening,
- a global Diversity agreement was signed in June 2007 with the Group's international social partners,



Performance Indicators

5.3 SOCIAL PERFORMANCE INDICATORS: employment, social relations and decent work

> Opening up of recruitment sources

Opening of recruitment sources is ongoing, which will allow for employment to be opened up to different profiles, through partnerships and specific operations such as “our neighbourhoods have talent”, the “Universal Night” aimed at sales-marketing and “DANONE Explorer” aimed at technical trades.

In 2008:

- a partnership agreement was signed with the University of Villetaneuse, a university near the headquarters of Danone France, with the objective of offering internships to students, providing courses and enabling them to gain knowledge about the business lines and occupations at Danone.
- Groupe Danone has signed the Plan Espoir Banlieue (Suburban Hope Plan) proposed by the Ministry of Employment, which commits the company to a proactive initiative vis-à-vis youth from the areas coming under City policy. Within the context of this 3-year plan, Danone is committed to increasing the current rate of recruitment of these young people from these districts from 8% to 10%.

New methods of evaluation are also being used by several companies, which allow one to focus on candidate aptitude and personality rather than on the diploma. Thus, ROBUST, a Danone subsidiary in China, was awarded the internal trophy DANINOV “employees” section for its dual action involving opening its recruitment of sales & marketing positions to provincial universities and assessment of aptitudes by the above mentioned evaluation method.

> Women accessing higher positions

The number of female directors has increased again in 2008, a continuing 4-year trend. The functions in which they are best represented are communication, marketing, human relations and quality. There are fewer women in the functions of production and procurement, or IT. They are still somewhat struggling to access senior management positions. Several

training programmes dedicated to women have been developed including “Feminine Leadership”, networks are being established and mentoring experiences that took place in 2007 and 2008 have proved their effectiveness and will be expanded.

> The integration of disabled persons

The Group’s French companies, following the agreements they have signed and in line with the commitments undertaken by signing the Diversity Charter, made progress in the integration of persons with disabilities (4.17% of the workforce in 2008, against 3.1% in 2007). This continued growth over the last 3 years, is due in part to the negotiation of agreements and the establishment of dedicated positions responsible for monitoring issues related to the disabled.

Danone Spain has adopted an original Diversity initiative by setting up a multidisciplinary working group to conduct a qualitative and quantitative diagnosis before drafting a charter signed by all members of the Management Committee. An agreement has been signed with trade unions and an equal opportunities committee has been established to monitor its implementation.

Danone has also been involved for several years in various projects at the European level, particularly in the context of CSR Europe, where a Diversity Laboratory was established in 2007:

- collaborative efforts with other European companies and associations, led to a set of tools that are available online at the CSR Europe website www.csr.org
- Danone Belgium for its part hosted meetings on the topic of seniors attended by operational managers and HR managers of several Belgian companies.



Performance Indicators

5.3 SOCIAL PERFORMANCE INDICATORS: employment, social relations and decent work

LA13. Composition of governance bodies and distribution of employees by gender, age, minority status and other indicators of diversity

Overall, women represent 27% of the total workforce.

A woman was named on the Executive Committee in February 2008 – Muriel Penicaud was appointed as Executive Director of Human Resources.

As at December 31, 2008, there were no women on the Board of Directors.

	Women			Men		
	2008	2008(1)	2007(1)	2008	2008(1)	2007(1)
Total Managers	43%	39%	39%	57%	61%	61%
of which, Directors and	24%	23%	23%	76%	77%	77%
of which, Executives	11%	9%	14%	89%	91%	86%
of which, other managers	44%	41%	40%	56%	59%	60%

(1) Only FDP, Waters, Blédina and Central Functions

The share of women in management continues to grow, going from 39% to 43%, notably through the addition of the new baby food and medical nutrition divisions.

Distribution of employees by age groups, in percentage, all positions merged:

	2008	2008 (1)	2007 (1)
< 18 ans	0,04%	0,04%	0,07%
18 to 24 years	11%	12%	12%
25 to 34 years	43%	43%	43%
35 to 44 years	30%	30%	30%
45 to 54 years	13%	12%	12%
> 55 ans	3%	3%	3%

(1) Only FDP, Waters, Blédina and Central Functions

In 2008, approximately 84% of employees were under 45 years old. On a comparable basis, we have remained in the same order of magnitude: the integration of baby food and medical nutrition did not profoundly affect the age structure of the Group.

Performance Indicators

5.3 SOCIAL PERFORMANCE INDICATORS: employment, social relations and decent work

ALL	< 35	35 to 45	> 45
Africa & Middle East	55%	23%	21%
Asia Pacific	55%	24%	21%
Eastern Europe	56%	21%	22%
Western Europe	58%	25%	17%
Latin America	53%	15%	32%
North America	53%	15%	32%

MANAGERS	< 35	35 to 45	> 45
Africa & Middle East	52%	23%	25%
Asia Pacific	50%	16%	34%
Eastern Europe	51%	25%	24%
Western Europe	52%	26%	22%
Latin America	51%	18%	31%
North America	52%	22%	26%

STAFF, SUPERVISORS & WORKERS	< 35	35 to 45	> 45
Africa & Middle East	56%	24%	21%
Asia Pacific	55%	25%	20%
Eastern Europe	58%	21%	22%
Western Europe	59%	24%	17%
Latin America	54%	13%	33%
North America	53%	11%	36%



Performance Indicators

5.3 SOCIAL PERFORMANCE INDICATORS: employment, social relations and decent work

The distribution of employees by geographic region is rather balanced, in particular, for the <35 years age group. On the other hand, the Americas have the greatest number of employees aged over 45 years (32% of employees in Latin America and North America).

The distribution of employees by age and category (managers / staff, supervisors and workers) is also fairly balanced across the regions and the business divisions.

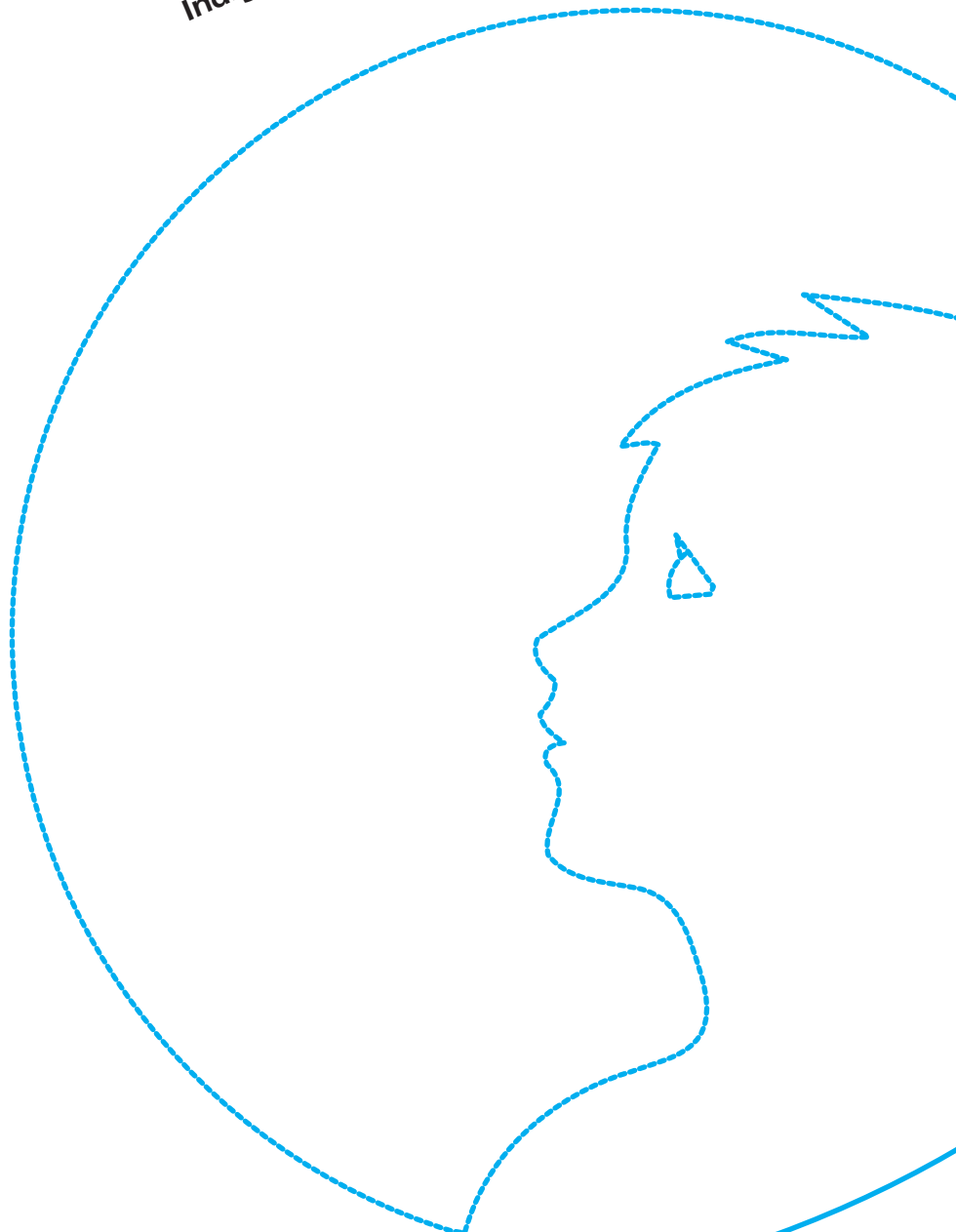
LA14. Report on the base salaries of men and of women by professional categories

Danone has set up a process of analysis of pay equity to compare the levels of remuneration by grade, by function, by gender, and status between the subsidiaries. The basis of comparison is provided using data from the market, the competition, the country and the economic context. The variances noted must be objective. For women an unfavourable variance of 3% on average is observed and is due primarily to the differences in age and seniority in the positions held.



5.4 Social performance indicators: Human Rights

Investment and procurement practices	104
Non-discrimination	107
Freedom of association and collective bargaining	107
Child labor	108
Forced and compulsory labor	108
Security practices	108
Indigenous rights	108





Performance Indicators

5.4 Human Rights

Investment and Procurement Practices

HR1. Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening

In light of the Group's increasingly international scope and growing presence in emerging countries, in October 2005, Groupe Danone and the IUF decided to revise the content of all six agreements⁽¹⁾ between them, with the aim of applying them across the world. The seven Fundamental Social Principles⁽²⁾, drawn from the recommendations issued by the International Labour Organisation (ILO), have also been incorporated into them and will serve as a platform for these and any future agreements

Beyond its subsidiaries, Group Danone was keen to extend these Fundamental Social Principles to all of its suppliers. This is why, in 2003, it launched the "Respect" agenda, to provide itself with the means to ensure that all suppliers comply with the Fundamental Social Principles. The RESPECT methodology was created in conjunction with an international firm with recognised expertise in the field of social audits. By taking these measures, Groupe Danone is seeking to strengthen, develop and disseminate its social culture within a context of rapid international expansion.

Danone Group deals with thousands of suppliers worldwide. Its links with these suppliers are therefore embedded within a context where the corporate responsibility of Group companies has expanded upstream of their activities, even though their influence may be only indirect: human rights issues must therefore be taken into account in investment and procurement decisions.

The proper application of these Fundamental Social Principles is controlled via the RESPECT programme, by means of:

- the signing of a specific clause incorporated into the General Procurement Conditions which commits suppliers to adhering to the 7 fundamental social principles and allows Danone to monitor the implementation of this clause, particularly through social audits ,
- a self-evaluation carried out using a dedicated questionnaire,
- inspections conducted by quality managers,
- external social audits.

The 7 fundamental social principles are:

1. CHILD LABOUR

The company does not, in any case, employ children aged under 15. If the law sets a higher minimum working age or compulsory schooling is to a higher age, it is this limit that applies. Educational programmes and training care not included in this limitation.

2. FORCED LABOUR

The company does not use forced or compulsory labour, meaning any work or service performed under threat or that is not consented to by the person concerned.

3. DISCRIMINATION

With due regard for applicable law, the company refuses to engage in any discriminatory practices. Discrimination means any distinction, exclusion or preference limiting equality of opportunity or treatment. It may be based on race, colour, sex, sexual orientation, religion, political opinion, age, nationality, family obligations or other considerations.

4. FREEDOM OF ASSOCIATION AND RIGHT TO COLLECTIVE BARGAINING

The company recognises and respects employees' freedom of association and their right to freely choose their representatives. The company also recognises employees' right to collective bargaining. The company ensures that employee representatives do not suffer any discrimination.

5. HEALTH AND SAFETY AT WORK

The company ensures that the workplace and its environment do not endanger the physical integrity or health of employees. Action to reduce the causes of accidents and improve working conditions is the object of ongoing programmes. Sanitary equipment, canteens and housing provided to employees are built and maintained in accordance with applicable legal requirements. As a minimum, the company must provide employees with drinking water, clean toilets in adequate numbers, adequate ventilation,

emergency exits, proper lighting and access to medical treatment.

6. WORKING HOURS

The company must ensure that applicable legal restrictions on working hours are complied with. The normal working week is 48 hours at most. Overtime is on a voluntary basis. Employees have at least one day off each week, except in exceptional circumstances and for a limited period.

7. PAY

The company ensures that:

- no wage is lower than the applicable legal minimum
- all employees receive a pay slip
- employees receive a decent wage relative to country
- wage rates for overtime are in all cases higher than for normal hours



Performance Indicators

5.4 Human Rights

The RESPECT initiative can be broken down into three levels, each with its own tools:

- **internal communication** with the various internal managers involved in this initiative. The latter may refer to the booklet “FSP at a glance”, which gives, for each Fundamental Social Principle, simple examples of risk situations that may be encountered in the plants,
- **information for suppliers**, using the Guiding Principles for Sustainable Purchasing. This document summarises all the major points with which suppliers must comply with regard to the Fundamental Social Principles, environmental legislation, business ethics and food quality and safety in the supply of foodstuffs,
- a process for analysing **the risk** of suppliers’ failing to comply with the Fundamental Social Principles.

The process for analysing the portfolio of suppliers is based on four major stages:

- **identification** of suppliers who could present risks of non-compliance with regard to the Fundamental Social Principles, according to two main criteria, namely the location of a plant producing for the Group within a country with a poor human rights record, and the weighting of unqualified workers,
- **an initial assessment** of the non-compliance risk in plants, carried out during supplier quality audits performed by Group managers,
- depending on the findings of this initial evaluation, an **external social audit**, carried out by a company specialising in this field,
- definition and monitoring of **corrective action plans** where necessary and the scheduling of a control audit.

Purchasing managers must now:

- ensure that their suppliers are informed of the Group’s requirements with regard to compliance with the Fundamental Social Principles,
- check to ensure that these Fundamental Social Principles are properly taken into account in all contracts (whether new or renewed),
- identify which of their suppliers pose risks in terms of non-compliance with the Fundamental Social Principles and monitor them using the methodology and tools defined and tested in the pilot phase,
- if an external social audit is carried out, ensure that corrective action plans are monitored.

At the request of purchasers, three other functions are called upon to intervene in the implementation of the initiative. These are the Quality, Human Resources and Legal departments.

The RESPECT committee, comprised of Purchasing Directors from the various divisions, the Sustainable Development Department and the Social Affairs Department, meets twice a year to ensure that the initiative is being properly implemented, and examines the consolidated results of the audits carried out annually.

Since early 2006, the RESPECT initiative has been deployed in all the Group’s subsidiaries, under the responsibility of the various local and central Purchasing Departments. All contracts concluded with suppliers include a clause on respect of Fundamental Social Principles (“FSP clause”).

In June 2007, Groupe Danone opted to sign up to the AIM-PROGRESS initiative along with other food industry companies, in order to:

- benefit from a common platform for accessing, with the supplier’s consent, existing audit results, which would help avoid duplication of audits,
- open up audit fields to include environmental and business conduct issues.

For the evolution of the RESPECT initiative linked to the Group’s membership in AIM-PROGRESS see chapter on supplier challenges (p. 22 of this report).

HR2. Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken

To date, all the suppliers of the Waters and Fresh Dairy Products divisions affected by RESPECT are being monitored and are subject to an analysis in the context of the mapping of suppliers at risk.

For suppliers presenting “risks”, depending on the nature of these risk, the purchaser can opt for: an inspection carried out by Danone quality-, purchasing- or human resources managers with the aid of an inspection guide; or, an extensive external audit conducted by an audit partner. Following this inspection or the audit, a report is prepared detailing any non-compliances. These non-compliances are then categorised on a scale of criticality. External audits are obviously more extensive and the results of each audited site are compared to the situations prevailing,

on average, within the sector of activity and the region concerned. Compliance with local social legislation is also incorporated in the audit. The action plan is jointly prepared by the Danone purchasing manager and the supplier, on a case by case basis.

A more structured system of monitoring of the results of audits is being developed on the basis of the Group's experience in terms of social audits.

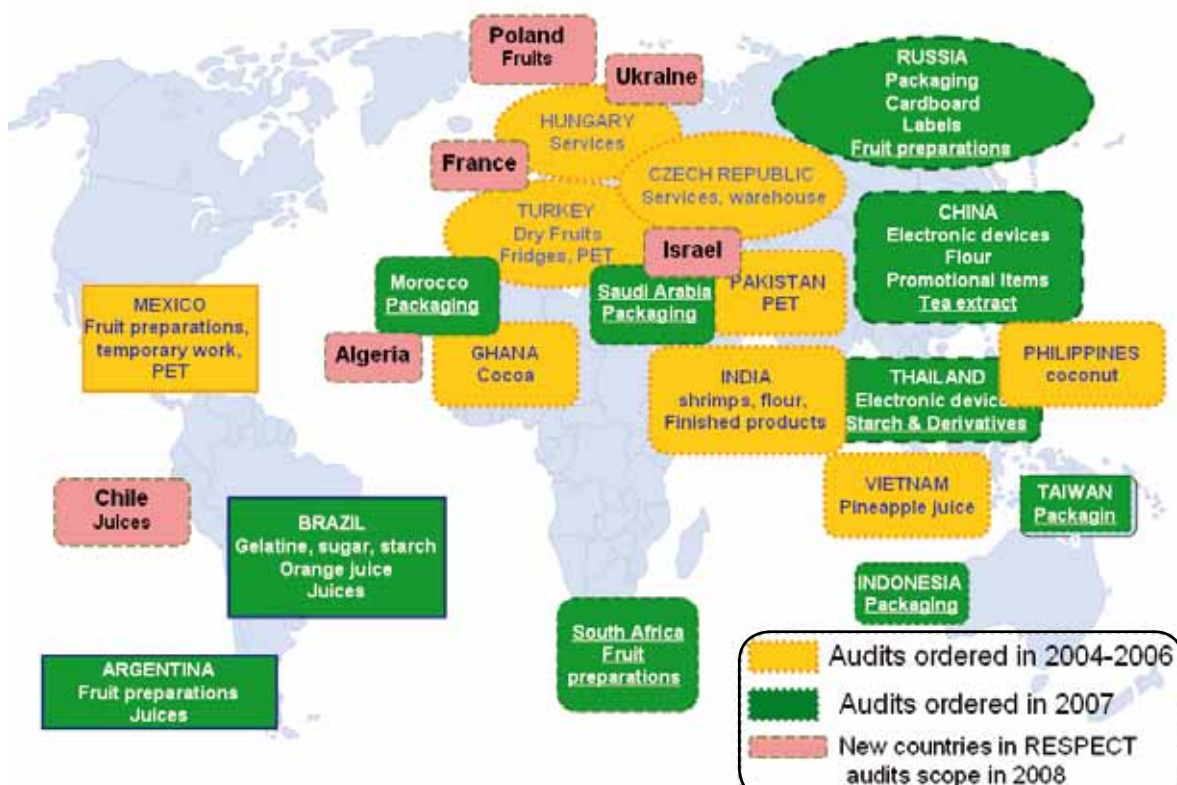
The action plan, depending on the nature of non-compliances detected, may provide for a follow-up audit to be conducted within a period of between 3 months and 1 year to monitor the implementation of corrective actions. Naturally, some instances of non-compliance will be easier to correct than others in terms of both cost and time, especially in the area of health and safety at work. However, for other issues, such as working time and wages, the cost of compliance may be significant and may pose issues of competitiveness for the plant concerned. Depending on the situation, the enforcement of compliance may be managed over a period of time so that the potential costs may be

better taken into account, or even avoided through better organisation.

The spirit in which RESPECT was built is essentially the principle of continuous improvement - for Danone, as for the supplier, with the aim of helping suppliers who need to, and are willing to do so, make progress. The detection of non-compliances on a site does not mean a sudden termination of all business relationships. However, if, after the necessary dialogue stage, the concerned supplier continues to refuse to put in place suitable corrective actions, Groupe Danone reserves the right to cease all activity with this supplier.

In 2008, 40 external audits were conducted within the context of the RESPECT initiative, including 38 initial audits and 2 follow-up audits. These 40 audits covered 17 countries and affected a total of 6,746 employees on the sites of various Danone suppliers. The first RESPECT audits were conducted in 6 countries: Poland, Ukraine, France, Israel, Algeria, Chile.

2004-2008: about 90 audits have been carried out

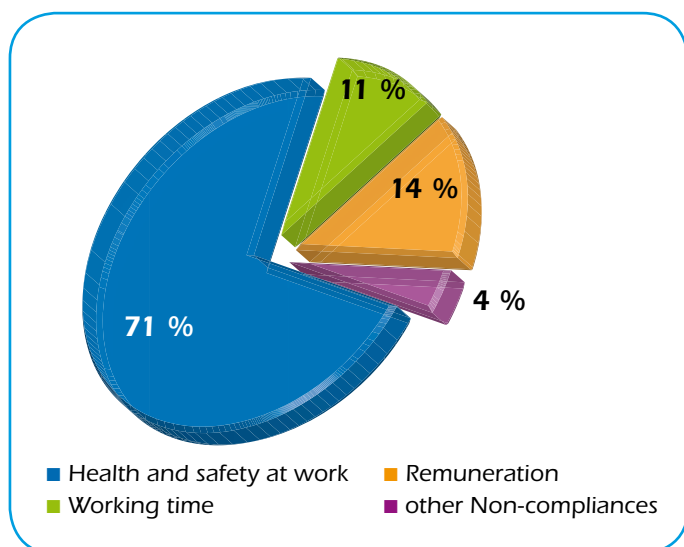


We have not yet established the follow-up of internal inspections, which remains an issue to be addressed if possible in 2009.

The evaluation of working conditions is based on a qualitative approach, which requires precision and intelligence relating to the situations. The themes assessed by means of these audits (the proper application of Fundamental Social Principles) also involve several human factors. This is why it is important to combine documentary reviews, site inspections and interviews with employees.

The main results obtained in 2008 are as follows:

Of all instances of non-compliance reported, the large majority pertain to health and safety at work (missing or uninspected fire systems, emergency exits not properly identified, lack of first aid training, etc.). These were followed by instances of non-compliance related to complying with local legislation on remuneration (lack of pay slips, partial payment or no payment for overtime, etc.) and those related to working time.



HR3. Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained

It is fair to say that 100% of the purchasers have had training related to the RESPECT initiative, either at its inception in a training session or during internal meetings.

Danone's adhesion to the Global Compact is communicated within the enterprise, as are the agreements it has signed with the IUF (International Union Food

workers), including the seven Fundamental Social Principles resulting from the international conventions of the International Labour Organisation.

The DanoneWay fundamentals communicated to all the management committees integrates an assessment on all matters relating to human rights in the workplace arising from the international conventions of the International Labour Organisation.

Non discrimination

HR4. Total number of incidents of discrimination and measures taken

No cases have been identified to date.

Freedom of association and the right to collective bargaining

HR5. Operations identified in which the right to exercise freedom of association bargaining may be a significant risk, and actions taken to support these rights

An alert procedure exists at the IUF/WFA, related to the Agreement on freedom of association negotiated with international social partners. In this context we have not had any critical feedback.

Note that two new subsidiaries have established trade union bodies in 2008.

Prohibition of child Labour

HR6. Activities identified as posing a significant risk involving the incidence of child labour; measures taken to prohibit this type of work

Adherence to this principle is controlled via the Danone Way Fundamentals initiative (see Chapter on Danone Way Fundamentals on pages 29 to 35 of the report). Danone requires its subsidiaries to implement all the procedures and requirements necessary to ensure the absence of any form of child labour at the sites. All subsidiaries that have performed an evaluation of the fundamentals in 2008 have a score of maximum compliance on this fundamental.



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5.4 Human Rights

Furthermore, the prohibition of child labour is included in the 7 fundamental social principles of the Respect agenda and compliance audits did not reveal any risk related to this issue.

Abolition of Forced Labour

HR7. Activities identified as posing a significant risk for the incidence of forced or compulsory labour; measures taken to help eliminate this type of work

This aspect is dealt with using the same approach as that for the indicator on child labour.

Safety-Security Practices

SUPP HR8. Percentage of security personnel trained in the organization's policies and procedures concerning aspects to human rights that are relevant to operations

This aspect is dealt with using the same approach as that for the indicator on child labour.

The Rights of Indigenous Peoples

SUPP HR9. Total number of incidents of violations involving rights of indigenous peoples and actions taken

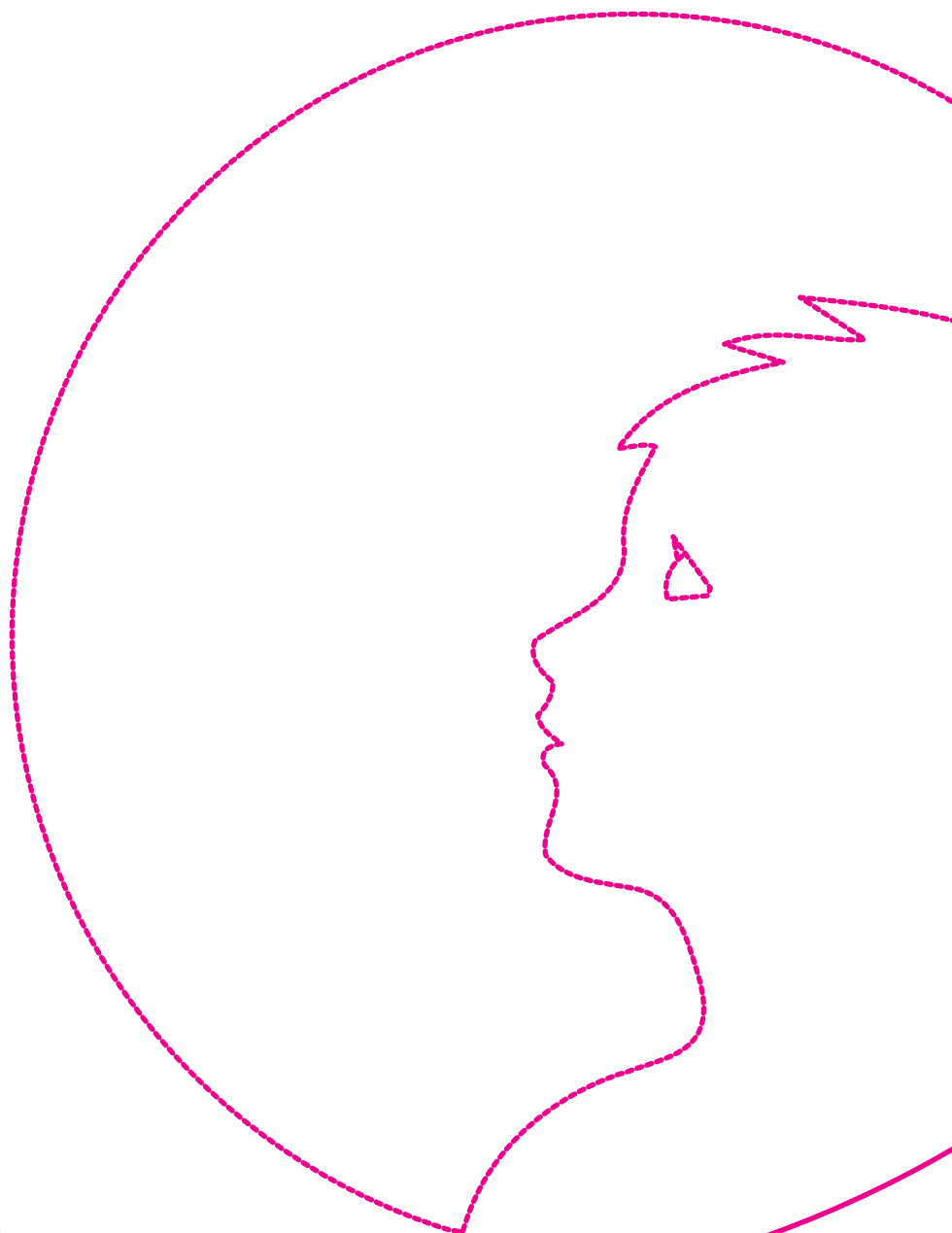
This criterion does not apply to Groupe Danone activities.



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Communities

A large enterprise is first and foremost local before it goes international. Factories, logistics bases and registered offices, all co-exist in harmony with the territories on which they are located.

The challenges are economic (wages paid out, procurement and subcontracting, local taxes, etc.) but also social (employment, provision of know-how, training, support for local initiatives, contribution to education in areas of expertise, initiatives of partnership with the environment, etc.).

The enterprise's ability to develop positive relationships with its local environment plays a significant role in its overall performance. The enterprise must find the appropriate balance between this social involvement and the economic purposes that constitute its aim.

> How does Groupe Danone respond?

Danone's commitment to local communities is entirely in line with the "dual economic and social project", namely:

- knowing the local players and developing long term links with them;
- participating in the economic and social development of its employment pool;
- leading initiatives to promote health through nutrition, particularly with regard to the most vulnerable populations (including children);
- being a key educational partner as regards solidarity and sustainable development.
- participating in the maintenance of economic activity and employment by reindustrialising those of the Group's sites that are being restructured.

SO1. Nature, scope and effectiveness of any programmes and evaluation practices and management of the impacts of activities at any stage of development, on communities

> Knowing the local environment

Since 2006, a manual for mapping local players has been made available to site managers. It defines existing good practices in the different countries in which the Group operates. In 2007, a decision was taken to recreate a training programme for plant directors about the local environment, which previously existed in France. This training was deployed in 2008 in Eastern Europe. It involved about fifteen plant managers and enabled:

- communication on the role and responsibilities of plant directors vis-à-vis the local environment,
- identification of key stakeholders,
- building the foundations for action plans for each plant.

In 2009, this training will be further revised to take into account the comments of participants from the previous session, before being extended to other regions where the Group operates.

Promoting the social development of its labour market area: Volvic, heavily involved in the region of Auvergne as its "ecosystem"

Integration into the local environment has always been a priority for Danone. Indeed, the first responsibility of a company as an employer is to participate in the development of its business activity area, but also go beyond its social responsibility towards its employees.

For example, within Groupe Danone, La Société des Eaux de Volvic, as a major employer in the Auvergne region, plays a key role as facilitator, and even an initiator of actions conducive to the economic and social development of the local labour market area.

For Volvic sustainable development in Auvergne entails adopting a proactive policy in association with other local partners who are equally involved, such as Michelin, Limagrain, EDF, Suez, CCI, etc. This policy has enabled the development and implementation of solutions such as a decision support tool and the sharing of experiences for entrepreneurs and SMEs in the region.





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Other examples: projects related to integrating and providing work-linked training for about 50 young people in 2008; projects to promote diversity amongst the youth in the sensitive neighbourhoods of Clermont-Ferrand within the framework of the Plan Espoir Banlieue (Suburban Hope Plan); the integration of 10 young people through interim contracts with la Fondation de la 2ème Chance (the Foundation for 2nd Chances); as well as, the commitment to disabled workers with the hiring of 68 workers with disabilities (13% above the regulatory threshold).

Volvic's involvement takes the form of collaboration with the towns and municipalities (including CEPIV *), institutions, cultural and sports associations (ASM) **.

All these initiatives contribute effectively to regional development in a sustainable manner.

In addition, the Volvic plant is strongly committed to environmental activities within the framework of protection of the Volvic catchment area, to projects promoting health nutrition education (51st edition of the nature cross with free registration which this year allowed the participation of 1000 children), as well to as activities related to the "1 Litre for 10 Litres" programme (see below).

* Comité Environnement pour la Protection de l'Impluvium de Volvic (Environment Committee for the Protection of the Volvic Catchment Area)

** Club de Rugby de Clermont-Ferrand, TOP14

> Danone AQUA Lestari: a participatory model promoting local development

The AQUA Klaten plant is located at the foot of a volcano in Central Java (Indonesia). It is at the heart of the rice granary of this island, which is the most populous in the world. With 700 employees, of which 85% come from surrounding villages, the plant has bottled 630 million gallons of water in 2008. Thanks to wages and taxes paid out, the various complementary activities generated by the production and transportation of this precious water resource, the plant has become a vital economic artery for this traditionally rural region.

However, the environment in which AQUA operates depends on a very delicate balance. The pressure on water resources long monopolised by intensive rice cultivation, the alarming deterioration of the natural environment, limited coordination amongst local actors, the daily difficulties faced by farmers, social changes, and political challenges are all factors that can disrupt the sustainability of its business.

Since 2006, Danone AQUA has striven to harmonise profit, environmental protection and social progress by investing with and for local communities and by developing sustainable solutions based on innovative participatory models. Reforestation (by community agro forestry models, of 80 hectares of degraded land in the catchment area), support for the integrated management of irrigation, development of organic agriculture, access to water and sanitation, environmental education (RAMSAR game, nurseries in schools), etc.

All these projects are dependent primarily on the ability of villagers to take over the management of these projects. Training and support for a community, right from design through to evaluation, are the key to success.

To implement such programmes, AQUA is working with partners ranging from local NGOs to CIRAD (International Centre for Agricultural Research for Development), and in close collaboration with the Indonesian Ministry of Agriculture. Engaging local authorities is a daily challenge. To achieve the objectives, more than 150 employees participate in the implementation and management of these programmes.

The project models are designed with a view to their adoption locally by other actors or by AQUA in other production sites. Nearly €800k has been invested in Klaten over 4 years. AQUA obtained permission in 2008 to increase its production by 30%.

Furthermore, Evian is continuing its collaboration with the launch of a programme of site visits to the Amphion plant that is addressing issues related to the protection of the catchment area and the various sustainable development initiatives. This site visit programme is open particularly to schools and universities in the region.

> Building sustainable social initiatives

Since 2004, a complementary initiative to the Danone Way process for evaluation of subsidiaries has been offered to subsidiaries who wish to learn more about the image projected by Danone in a given territory.

In 2007, the Danone Way initiative made available to subsidiaries the "sustainability mapping" tool that enables the subsidiary to perform an analysis of the issues and expectations of stakeholders of the company.

In late 2008, the group decided to bring together the various social initiatives of subsidiaries under the umbrella of a new ambitious venture called "Danone Supporting Life". This new initiative is described below.



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5.5 Society Performance Indicators

> Social initiatives: more than 90 active programmes across the various subsidiaries of the Group

Since the 2000s the group has stepped up its solidarity initiatives. Thus, the “children hours” programmes replaced by “children days” have been deployed in most of the subsidiaries. Furthermore, activities linked to products have also been developed as a means to engage the consumer in supporting social causes on the basis of the simple mechanism of contributing a portion of the sale price to a charitable institution or by committing Danone’s direct support to a project being run by a charitable institution. Thus the “1 Litre for 10 Litres” programme launched in 2005 by Volvic Germany, has subsequently been deployed in France, Japan, Indonesia, and Mexico.

These programmes are even carried over into the plants. As an example, to recap the experience of the Volvic France plant, it has hosted and trained 5 young Nigerians for a period of one year, in collaboration with the Agence de Formation Professionnelle en Alternance de Montluçon (Agency for Vocational Work-linked Training in Montluçon), with a view to helping them obtain a diploma and acquire skills that are directly usable in Niger in the area of water management and the operation of groundwater sources or springs.

In addition, local teams launched an awareness campaign “1 drawing - 1 school kit for Niger” at a rugby match at the Marcel Michelin stadium, before 15,000 spectators. For each drawing collected, one school kit was sent to Niger. The operation was conducted by employees of Volvic, Nigerian students in training in the plant, and representatives of Unicef Clermont-Ferrand. The plant plans to continue these initiatives in 2009.

> As of the end of 2008, the Group had identified 93 active programmes. 24 projects under development have also been identified.

As indicated in the table below, the main activities concern social solidarity, the environment, nutrition or the medical field. Many of these activities or projects are designed to benefit children. Some, however, carry multiple benefits for all of civil society.

Business Divisions and Regions	Total	Social Solidarity	Environmental Protection	Nutrition	Medical
Fresh products	50	23	2	21	4
Waters	19	5	5	9	0
Infant and medical nutrition	48	33	0	14	1
Total	117	61	7	44	5

Danone Supporting Life: a new approach, a new ambition

How to make the social actions of each subsidiary more sustainable and “impactful”?

In analysing the 93 active programmes, we find that the most successful are those that provide a triple win. Firstly, the programme contributes towards advancing an important cause in civil society. It also benefits the enterprise in terms of supporting its business. Finally, employee participation reinforces the commitment and support of teams while giving a special meaning and purpose to the programme.

Being able to measure each of these 3 wins by using the appropriate indicators is essential to sustaining the programme. Building partnerships with NGOs that have significant expertise is also an important factor for success.





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On the basis of this “triple win”, Danone launched in late 2008 the “Danone Supporting Life” initiative, to help further its nutrition / health missions and support the partnership with nature. This approach consolidates under one umbrella all the initiatives and programmes that support the mission of the Group. It consists of identifying the reference programmes and launching new initiatives such as The Cruceros in Mexico, Daniladies in South Africa, the “Share your meal” programme in Poland or Skrikandi for infant nutrition in Indonesia.

The Vice President of Human Resources for the Group supervises this programme and a Managing Director supports the initiatives within each of the 4 business divisions of the Group. The Committee for Social Innovation (see page 37) ensures the overall coherence and consistency of the programme.

The support of social innovation projects is ensured by the establishment of a specific organisation (see page 9). The tools that were developed to support the previous initiatives will be revised in 2009. An intranet site “Danone Social Innovation Network” brings together all the collective good practices. It is the first step towards creating an internal community of “experts” and contributors on these subjects. To date, 165 people have already been registered and listed on this site. The new state-of-the-art technological exchange platform based on a web 2.0 platform is currently under construction.

Moreover, Danone, anxious to develop “win-win” partnerships with associations and NGOs, has set up a training programme for the people responsible for these projects. This will incorporate the new “Danone Supporting Life” initiative in 2009. In 2008 about twenty marketing managers participated in this training.

Finally, the “Social Innovation Lab”, which brought together over 100 people in 2007, to discuss sustainable development issues and review the Danone strategy, once again, brought together in 2008, more than 220 Group employees. One of the themes of considered was devoted to the success criteria for social projects.

> An example of a “Danone Supporting Life”: infant and medical nutrition divisions

Since 2006, the infant and medical nutrition teams have developed and maintained a global partnership with the NGO “SOS Children’s Villages”, which supports more than one million families around the world. In 2008, over 700,000 euros were raised through this programme.

Today this partnership is evolving in order to meet the objectives of the triple win ambition: for existing programmes, this entails new initiatives in line with the nutrition and health mission of the Group, particularly with the participation of medical partners. The partnership with Danone in the fight against malnutrition in families, or helping young mothers, relies greatly on the effective pooling of the complementary expertise of both partners.

To support these programmatic thrusts, each subsidiary has appointed a “Danone Supporting Life ambassador” to lead the fund-raising initiatives and contribute to the commitment of employees in voluntary action. Two examples of programmes being modified: Switzerland, for the infant nutrition branch, and Brazil for the medical nutrition branch.

In addition, new projects being developed in Indonesia and France call for the involvement of new partners for the infant branch to develop nutritional solutions (products and educational programmes) adapted to the needs of families or individuals in difficulty. These projects will be confirmed in 2009

The Danone Supporting Life initiative is also described in the annual economic and social report.

> Creating opportunities for occupational and social reintegration through social programmes

Various initiatives exist on this theme in South Africa, Bangladesh and Mexico to create neighbourhood sales networks by integrating persons experiencing barriers to vocational integration.

These initiatives are dependent on the economic viability of these new distribution channels. In 2009, the programme “cruceros” will be relaunched in Mexico. Currently, 120 cruceros sell fresh products and also Bonafont brand bottled water, at the major intersections. The sales force needs to be developed



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through a home sales programme in the poorest of neighbourhoods with the support of the local sales communities that have originated from those same neighbourhoods. A programme of reintegrating the persons hired with the help of a member association of the Ashoka network contributes to the success of this programme.

> The Danone Nations Cup: an experience rooted in the Group's DNA

Each year, this initiative helps 2.5 million children from 40 countries to participate in the Danone Nations Cup, an international football tournament endorsed by FIFA and supported locally by each National Federation that brings together teams of juniors (boys and girls aged from ten to twelve years). This global programme is supported by the Danone brand, and is sponsored by Zinedine Zidane. All proceeds from the Nations Cup are donated to ELA (European Leukodystrophy Association).

Just like every other year, the 2008 competition went further than being a sporting event, by promoting the values of Danone: Humanism, Openness, Proximity and Enthusiasm, but also by promoting sports and, more generally, physical activity. The aim is to provide an opportunity for children and their families to realise their dreams and live a unique multicultural experience during the final at the Parc des Princes in Paris. In 2008 the final match was attended by 540 children, 21,000 spectators and more than 250 journalists. 5 new countries joined the adventure: Egypt, Guatemala, India, Mauritius and Qatar. The French team achieved their dream by winning this 9th edition, before their World champion Zinedine Zidane.

Strengthened by this experience, the Danone Nations Cup has decided to celebrate its tenth edition in Sao Paulo, Brazil, in October 2009.

> Danone World Cup, a real football world cup for Danoners

The Danone World Cup is a football championship held every 2 years and is open to all Group employees. This event is truly the biggest "Team Building" activity which brings together all participants by reuniting them in a unique experience around the sport, but also around the mission, values and products of Danone. This year 10,000 employees from 125 companies participated in the competition. The 2008 edition has notably helped to expose and orient the employees from the infant and medical nutrition divisions to the Group's culture, but also provided an opportunity for the teams from the fresh products and waters divisions to meet their new colleagues.

The international finals of the Danone World Cup was held in Miami from 14 to 16 November, 2008. 76 teams of Danoners from 45 countries were present, representing 900 employees. The 2008 edition created a new record in terms of participation with the arrival of 10 new countries: Chile, Greece, Austria, Finland, Sweden, the 3 Baltic countries, Thailand and the UAE (United Arab Emirates).



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Support for restructuring operations

Groupe Danone works constantly to improve its effectiveness on an ongoing basis, both to gain in performance terms, but also to anticipate the adjustments necessary, in terms of the organisation, employment and skills, to respond to changes in market conditions, in plans, and in the competition. This desire to marry the short and medium term vision sometimes entails difficult employment decisions, but for Groupe Danone, such decisions must be made when the company is doing well and has time and the means to prevent and responsibly manage the social and human consequences.

In implementing restructuring plans, Groupe Danone falls back on a certain number of principles and conventions which are at the core of the dual economic and social plans that have energised Danone teams for nearly 40 years, including:

- the implementation of a process for the forward management of jobs and skills in order to identify with staff representatives, according to various business scenarios, the measures necessary for the adjustment of the industrial organisations to respond to market developments while attempting to preserve the maximum employment levels possible,
- consultation with employee trade unions or failing that, with the staff representation in the event of restructuring, or any changes affecting employment or employment conditions (Danone/UITA Convention applicable to all Group companies); and this being for the purposes of explaining the reasons for the decision, and for considering all alternatives to layoff,
- finding solutions for redeployment internally within other Groupe Danone entities,
- taking into account the impact of decisions on the territory concerned, with an effort to find solutions together with local actors, for re-industrialisation, spin-off, retention of local employment, business creation, etc.

During 2008, the Group undertook the following restructuring measures:

Consequences of the difficulties encountered on the water market

Danone Waters UK:

51 positions were eliminated because of the difficulties encountered on the market. Half of the departures initiated were through voluntary departures, the other half occurred via internal mobility and end of fixed-term contracts.

Evian Volvic:

A plan for the recovery and reorganisation of Evian Volvic aimed at regaining its position in the bottled water market and safeguarding competitiveness and ensuring the development of brands for years to come. It involves refocusing the organisation around a single entity Evian Volvic, with an international scope, which is simplified and streamlined in its decision-making process. The implementation of the new organisational plan resulted in the elimination of 59 positions with the Société Anonyme des Eaux Minérales d'Evian (SAEME), half of these occurred through the permanent elimination of frozen positions, and half through internal mobility within Groupe Danone.

Moreover, Danone Eaux France has withdrawn from the operation and marketing of Arvie brand water, without any impact on employment.

Consequences of the acquisition of Numico

Following the acquisition by Groupe Danone of the Companies MILUPA/NUTRICIA, NUTRICIA Nutrition Clinique, SD France and NUTRICIA France in connection with the takeover of NUMICO Group NV, the European Commission gave its approval for this takeover bid on condition that MILUPA NUTRICIA and SD France whose activity is exclusively infant nutrition, be sold off in France by Groupe Danone.

After information and consultation with Staff Representatives of the Economic and Social Unit and validation from the European Commission and the DGCCRF (Directorate General for Competition, Consumer Affairs and Fraud Control), control of MILUPA NUTRICIA and SD France was transferred on June 30, 2008, to Groupe Lactalis, with the consequent withdrawal, effective July 1, 2008, of Milupa NUTRICIA and SD France from the Economic and Social Unit to which NUTRICIA France belongs.

The significant decrease in employees of the ESU and the end of the service provision agreement with Groupe LACTALIS effective June 30, 2009, led to the reorganisation of the support services department of NUTRICIA SA with the consequent elimination of 10 positions.

Restructuring Danone Brazil

Danone Brazil has sold its Guaratinguetá plant to the company LAEP in order to concentrate all its yoghurt production on the Poços Caldas plant, located 240 km away.

Danone made available 46 positions at Poços for employees who would accept internal mobility, and LAEP retained 120 of the 170 employees who were present at the time of the announcement.



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A cell to provide re-integration assistance was established to support the remaining employees. This solution has helped prevent the closure of the plant and to maintain a part of the employment.

Corruption

In 2005, the Danone Business Conduct Policies (BCP) were revised. They are once again being revised in preparation of a new version of the document being disseminated in 2009. The document already integrates the foundational texts such as the Universal Declaration of Human Rights, a recap of Danone's commitments vis-à-vis the Global Compact, the OECD guidelines and the Fundamental Social Principles, which make direct reference to the fight against corruption.

The Business Conduct Policies (BCP) have been distributed to all directors and managers (and more widely within some subsidiaries) by the Human Resources departments of subsidiaries, with specific informational/promotional activities so that all employees are informed thereof. This theme is integrated into the Danone Way self-evaluation process, through the internal biannual survey of opinions as well as through the internal audit process whenever these issues surface during the conduct of an audit in the subsidiaries.

Since 2006 all managers and directors are required to sign a special clause in their employment contract, indicating that they have familiarised themselves with the Principles for Conducting Business, that they undertake to abide by them and, where relevant, to ensure that their teams abide by them as well. Various tools and aids have been provided to enable the effective adoption of these principles (presentations, posters, books, Q & A, etc.).

In addition, a special programme to prevent fraud was developed in 2006 and expanded each year since then. An awareness creating booklet was distributed to the Management Committees of all subsidiaries recommending, inter alia, an annual assessment of the risk of fraud and corruption in the CBU.

A semi-annual reporting of allegations and proven cases of fraud is also undertaken, in which the corruption cases are classified as "significant fraud", regardless of the amount involved, in order to obtain all the information on this type of situation.

Finally, since 2005, DIALERT, a warning system open to all employees, has been established to enable them to confidentially and directly report to the Group management any violations of:

- the principles and internal control procedures in force within Groupe Danone,
- the financial and accounting rules, which may affect the reliability and accuracy of the accounts and the financial situation of their home company or of another Groupe Danone company,
- anti-corruption rules.

The visibility of this ethics alert mechanism is checked during each audit at a subsidiary. There is a internal point of control (within the reference DANgo) which pertains to this issue and on which each CBU is required to carry out a self-assessment each year.

Since 2008, the DIALERT system has been expanded to Danone suppliers (a letter sent by the subsidiaries to all their significant suppliers and its systematic inclusion in tender documents) to enable them to confidentially report any instance of a breach of the BCP vis-à-vis themselves (in particular, possible cases of corruption).

SO2. Percentage and total number of areas of strategic activity subject to an analysis of risk regarding corruption

All CODI of subsidiaries must conduct an annual assessment of the risks of fraud, which includes the issue of corruption (see text above)

SO3. Percentage of employees trained in the organisation's anti-corruption policies and procedures

All employees must be informed about the Business Conduct Policies (BCP) and DIALERT each year (see text above). The Management Committees of subsidiaries play a permanent advocacy role.

SO4. Measures taken in response to incidents of corruption

Danone strongly condemns all corrupt practices.



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Public Policy

SO5. Political campaigning, participation in the formulation of public policy and lobbying

The Group considers lobbying as a positive action meant to provide policymakers and legislators the information they need to deal with current issues and develop a legislative and regulatory context that is adapted to an environment of increasingly complexity. To this end, the Group has established a small team responsible for External Affairs, which coordinates the activities undertaken both directly and through the competent professional associations.

SUPP SO6. Total contributions in cash and kind to political parties, politicians and related institutions, by country

As indicated in the Business Conduct policies (BCP), any use of funds or other assets of the Group, whether directly or indirectly, to benefit political entities or institutions, should only be considered within the framework of existing laws and regulations in each country and based on the principle of transparency. The formal approval and consent of management shall be required prior to any such use of Groupe Danone funds or assets. In 2009, this rule will be made more restrictive.

By contrast, Danone encourages its employees to become actively involved in local and community life.

Anti-competitive Behaviour

The reminder about the ban on anti-competitive practices has been strengthened in the Business Conduct policies (BCP). Danone Group expects its employees to comply with applicable rules on competition. No agreement or arrangement designed to restrict free competition may be entered into with competitors.

The Business Conduct policies (BCP) have been distributed to all directors and managers (and more widely within some subsidiaries) by the Human

Resources departments of subsidiaries, the latter having also confirmed that the dissemination of the document was adequately supported with specific informational/promotional activities and tools such that all employees are well informed thereof. Since then, not only all directors but also all managers are required to sign a special clause in their employment contract, indicating that they have familiarised themselves with the Business Conduct policies (BCP), that they undertake to abide by them and, where relevant, to ensure compliance by their teams as well.

Specific awareness enhancing campaigns are carried out, whereby a more detailed Code specific to the procurement function is regularly disseminated to purchasers, and to the managers of major accounts who directly liaise with the large-scale distributors. Concurrently, training programmes are conducted on a regular basis for procurement managers and CODI members.

SUPP SO7. Total number of legal actions for anticompetitive behaviour, breaches of the anti-trust and monopolistic practices laws; results of these actions

To date no legal action is underway.

Regulatory Compliance

SO8. Amount of significant fines and total number of non-financial penalties for non-compliance with laws and regulations

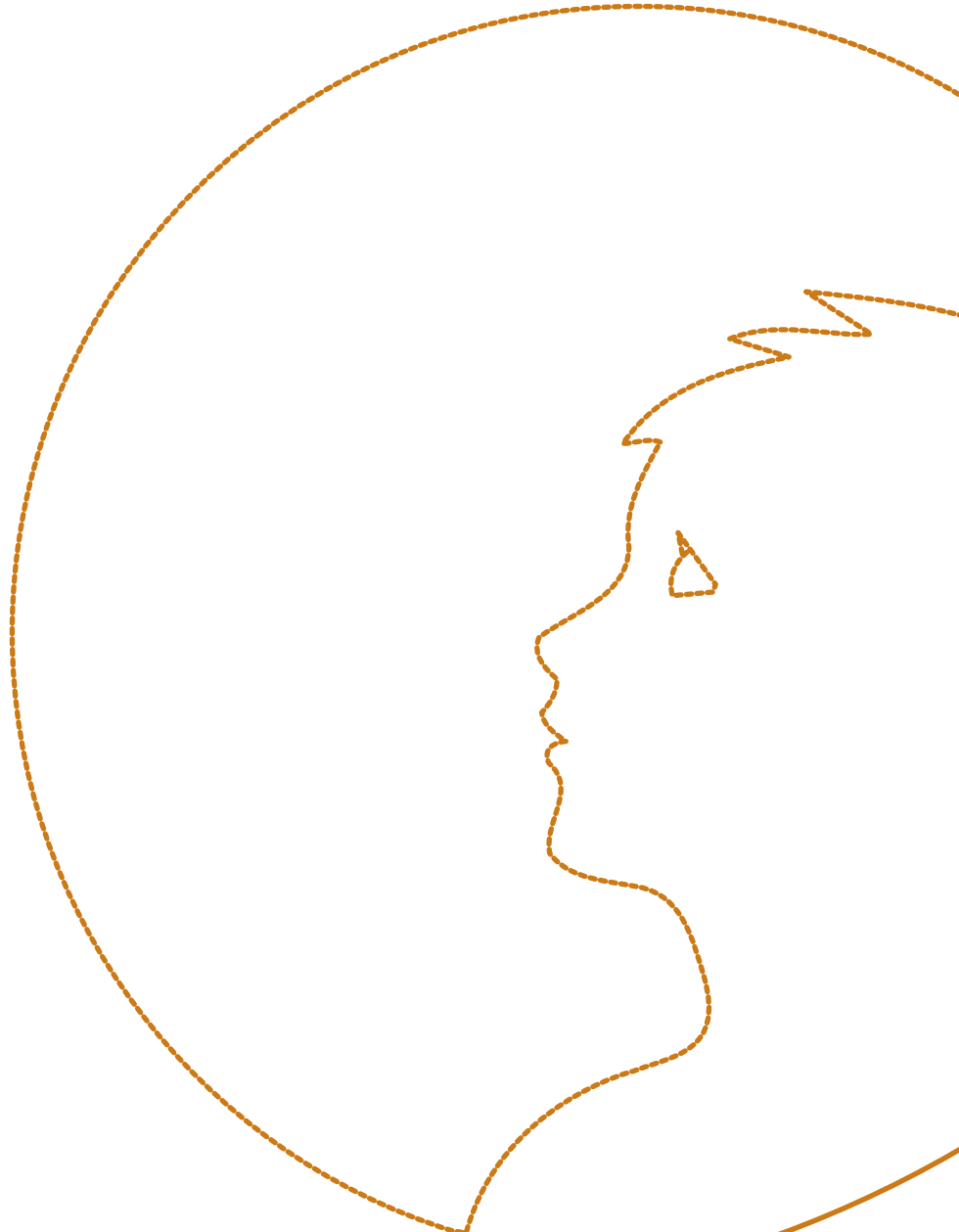
At Group level Danone no significant fine and / or non-financial penalty has been recorded for non-compliance with laws and regulations.



5.6 Product responsibility performance indicators

- Customer Health and safety
- Product and service labeling
- Marketing communications
- Customer privacy
- Compliance

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127
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Performance Indicators

5.6 Product responsibility performance indicators

Consumer health and safety

PR1. Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subjects to such procedures

Safety

Groupe Danone has established a Food Quality and Safety policy that is shared by all employees in charge of quality. Quality management is organised according to ISO 9000 and ISO 22000 international benchmarks which have the distinction of being applicable to the entire production chain, from raw materials to finished products. At the Corporate level, the Quality department defines the Group's quality policy: defining standards, systems and consistent performance indicators amongst the various divisions.

The Fresh Dairy Products, Waters, Baby Food and Medical Nutrition Divisions reflect this policy in terms of the specificity of the business lines (manufacturing process, number of ingredients, sources of supply, etc.). Each subsidiary enforces the policy in accordance with national laws and is responsible for the translation of consumer expectations into product development.

In addition, Groupe Danone must guarantee consumers healthy and safe products. To do this, it must be beyond reproach in terms of the evaluation and management of real and potential risks, as well as in communication in terms of the safety of food. Within the Group, this task is entrusted to the Directorate of Food Safety, which has a triple role:

- defining Groupe Danone Food Safety Policy,
- identifying, evaluating and contributing to the management of emerging and existing risks,
- coordinating the management and measurement of food safety levels at Groupe Danone.

This policy is expressed in the reference documents (or Directives) that define the Group's position on key issues, clarifying the rules and regulations or defining good practices amongst the Divisions.

Food safety at Groupe Danone involves the Group Food Safety Department (integrated into the Group Quality Department), the Food Safety Centre (CSA), the Division Quality Departments and the Plant Quality Departments. The CSA is responsible for matters upstream of risk controlling.

Groupe Danone has put in place a method for managing risks that is common to all of the Group's Divisions. It allows for the effective management and control of all the risks that are likely to be carried by products in any phase of their lifecycle, from design to production.

The Centre for Food Safety (CSA) is the centre of expertise for the Group to anticipate and assess the biological, chemical, physical and allergen related risks. Its mission is to:

- identify and assess risks,
- contribute to the control of risk,
- make available and disseminate the knowledge acquired by the CSA,
- participate in crisis management.

In collaboration with each Division, the CSA ensures that risks are ranked in order of seriousness and frequency. This stage means that major risks can be identified that are specific to each Division.

Risks are classified into four categories: chemical, physical, microbiological and allergen. Active scientific monitoring, with the assistance of international experts, allows emerging hazards to be identified and characterised as early as possible and developments in scientific knowledge to be assimilated. The Division quality directors determine the objectives and measures taken to bring risks under control. Subsidiaries adopt the control plans and reinforce them where necessary to meet the specifics of their activity and their local environment. To do this, they use tools designed by each Division's quality department.

The objectives and methods of managing risks are defined globally by Groupe Danone (foreign objects, allergens, etc.), then specifically defined within the Division (good manufacturing practice, etc.) and finally within the subsidiaries (cleaning and disinfection of plants, identification of critical points). All of the food safety control measures are regularly audited to ensure that they are effective and relevant.



Performance Indicators

5.6 Product responsibility performance indicators

Health

Health is part of the history of the biggest Danone brands, exemplified by its motto: “bringing health through nutrition to as many people as possible”.

Its requirements in matters of nutrition and health are established as true principles of governance. These are based on 3 principles: rigorous scientific approach, self-discipline, and consultation with other stakeholders. These commitments are set out in the “Food, Nutrition & Health” Charter which guides the daily work of each Danone employee. It is regularly updated to take into account the latest scientific and societal developments. It revolves around 4 main areas:

- the ongoing adaptation of products to meet the needs of each consumer segment,
- the relevance and reliability of health benefits of the products,
- transparent communication, responsible and easily accessible,
- promotion of food education and healthy lifestyles.

Compliance with the “Food, Nutrition & Health” charter is evaluated at the level of each subsidiary through the Danone Way self-evaluation process, of which, one of the 16 fundamental is entirely devoted to consumer health. Each subsidiary is evaluated in terms of policy in this area and of indicators showing the concrete implementation of local programmes.

The implementation of the commitments on nutrition and health are based on a set of tools developed by experts from Danone Research. A rich community of 1,200 people, including 500 scientists from a wide variety of disciplines (nutrition, epidemiology, biology, microbiology, biochemistry, food science, sensory analysis etc.). In 2008, 100% of research projects were focused on objectives related to nutrition and / or health.



Performance Indicators

5.6 Product responsibility performance indicators

Tools developed by Danone to address its commitments within Health and Nutrition

1. Development of nutritional guidelines

In strict compliance with international, regional and national regulations for each category of food (common foods, foods intended for a specific population), and on the basis of recommendations issued by official organisations (WHO, FAO) and the requirements of Groupe Danone, Danone Research has developed frameworks for the introduction and utilisation of ingredients and the nutritional composition of product categories (dairy products, products for seniors, children, babies, etc.), such as:

* **International Nutritional Frameworks:** this tool shows, for example, that dairy products must contain at least 70% milk (the regulations require that dairy products contain a minimum of 50% milk). Dairy products for children over 3 years must provide at least 120mg calcium per 100g.

* **Baby Nutrition Standards:** these guidelines shows, for example, that prepared meals for babies contain a maximum of 150 mg sodium/100g (i.e. 25% less than the regulatory maximum), and those intended for infants under 6 months do not contain added salt, so as not to develop the babies' appetite for salt. In desserts for everyday consumption, the amount of added sugar is limited according to the age of the child (5g/100g after 6 months, 6.5g/100g for 8-10 months, 7g/100g after 12 months) to develop their sensory stimulation without getting them accustomed to very sweet tastes. Grow-up milks are designed to specifically meet the needs of children 12 months to 3 years with a lower protein level (2.0-2.5g/100kcal) than cow's milk (3.5g/100kcal) and iron content that is 25 times higher.

Guidelines for nutritional composition (Brand Nutritional Guidelines) were also developed for the Group's major dairy products brands (Actimel, Activia, Danonino, Vitalinea, Danacol etc.). For example, dairy products in the Vitalinea range (Taillefine in France) should be at least 30% lower in energy content than an equivalent standard product, does not contain fat and contains a maximum of 2g added sugars per 100g.

2. Identification of local nutrition and health challenges

In order to offer products tailored to consumer needs, the Danone Research Nutrition Department, based on bibliographic data and expert opinion, regularly undertakes the mapping of nutrition and health issues, taking into account the gender (male, female), age (children, adolescents, adults, seniors), health status (pregnant women) and so on. At the end of 2008, these "Nutripacks" were available in 24 countries in which Groupe Danone is established, and achieves nearly 75% of its turnover.

When no data is locally available, Group Danone can support local scientific studies: thus, in 2008, Danone Brazil, conducted a study in collaboration with 12 Brazilian research institutions, on nutrient intakes of 4-6 year olds, involving 3000 children. This study showed inadequate nutritional intake in a majority of the children, especially with respect to calcium (57%), vitamin D (63%), fibres (90%) and vitamin E (25%).

3. Nutritional evaluation of products

The Danone Research Nutrition Department conducts ongoing nutritional evaluation of the portfolio of products (especially dairy products in 2008) and of competing products ("Nutriprogress" programme). The objective of this study is to develop, if necessary, action plans for the adaptation of the nutritional quality of the Group's products to meet the evolving challenges of nutrition and / or health and to ensure the nutritional superiority of these products compared to competing products. In 2008, nearly 2,000 recipes for fresh dairy products representing over 80% of the turnover of the division were analysed and more than 400 action plans were defined, aimed at the reduction of sugar and fat, and / or enrichment in vitamins and minerals. For example, 1400 tons of fat and 5500 tons of sugar were removed from fresh dairy products in 2008.



Performance Indicators

5.6 Product responsibility performance indicators

4. Formulation / reformulation of products

The nutritional reformulation action plans are implemented by the R & D centres of Groupe Danone subsidiaries based on the action plans previously outlined in Section 3. In 2008, Danone Brazil accomplished the important task of reformulating Danonino, the milk product for 3-6 year-olds, by enriching it with calcium (340 mg/100g, i.e. 50% of recommended daily intake), and vitamin E (1.5 mg, i.e. 15% of the recommended daily intake), retaining its vitamin D content, and discontinuing the enrichment in vitamin A, while preserving the organoleptic qualities of the product that is appreciated by children. Danonino exists today in 9 different forms, offering nutritional content specifically adapted to the challenges of the country in which it is sold.

5. Identification and demonstration of the health benefits of products

The potential health benefits that the Group's products may carry are identified by Danone Research based on the major health issues identified in the Nutripacks and from specific studies and / or opinions of independent experts. In the field of infant nutrition, a research team has been dedicated for the last 30 years to understanding the composition and benefits of breast milk.

Studies (in vitro, in vivo, clinical) are conducted on the products to assess their efficacy. In the case of baby formulas and medical nutrition products. Protocols for these studies are defined in collaboration with leading external scientific experts. Their implementation is carried out by CROs (Contract Research Organisation) recognised in accordance with Good Clinical Practices (international standard of scientific and ethical quality). The results are analysed in collaboration with the experts who participated in the development of protocols and usually published via peer reviewed international scientific journals. In 2008, 52 clinical trials were launched by 4 divisions of Groupe Danone in twenty countries. These studies have helped to build / strengthen the scientific dossiers pertaining to product related claims. As part of the implementation of the new European regulations concerning the use of nutritional and / or health claims on food products, Groupe Danone submitted 7 dossiers to the European Food Safety Agency (EFSA).

6. Quality control of products to ensure their efficacy until the end of shelf life

All of the quality criteria (amount of active ingredients such as ferments, fructo-oligo-saccharides, minerals, vitamins, etc.), and the conditions of consumption (quantity, frequency) necessary to ensure the efficacy of products carrying nutritional and / or health claims is contained in the "Brand Nutritional Platform" defined by Danone Research and translated by each subsidiary.

The Quality department of each subsidiary regularly measures the content of active ingredients of products at the end of life and ensures that conditions of use are properly communicated to consumers.

> An offer of products intended for as many people possible

In 2008, in line with the project launched in Bangladesh with Muhammad Yunus, Nobel Peace Prize winner, inventor of microcredit and founder of the Grameen Bank, Groupe Danone expanded its product offering intended to bring health through nutrition to as many people, in particular, to the poor or disenfranchised and low income population groups. Thus, two new initiatives supported by the Danone Communities Fund have been instituted: a project in the water sector in Cambodia, and a project in the dairy products sector in Senegal:

- "1001 Fontaines" allows remote villages of Cambodia to access safe drinking water, so as to prevent their inhabitants from drinking water directly from ponds, which is responsible for causing excessive infant mortality and diarrhoeal diseases. This programme uses a procedure for the treatment of water with ultraviolet powered by solar energy to purify the water from these ponds. 20 fountains exist today. Water is treated and distributed at a price of less than 1 euro cent per litre to over 15,000 villagers in late 2008,
- the Senegalese company "la Laiterie du Berger" (Shepherd Dairy) is a dairy processor who processes (value-adding) the fresh milk from Fulani herders. In a context where imported milk powder accounts for the bulk of the country's milk consumption, this initiative promotes the relocation of livestock breeding farms in Senegal. Quality products providing all the nutritional benefits of dairy products (pasteurised milk, curd, yogurt) are sold at a competitive price on the Senegalese market.



Performance Indicators

5.6 Product responsibility performance indicators

Danone Research

The Group's Research & Development is an essential element of the Group's policy for growth. The 2008 fiscal year was characterized by the integration of two new global business activities with very intense research and development requirements, namely Baby Nutrition and Medical Nutrition. This integration allowed for the addition of new research teams, the implementation of a new organization, the defining of new priorities and the reaffirmation of a unique ambition in the food world. Henceforth, Danone Research, the organization that brings together all of the Group's research and development resources throughout the world, defines its role in relation to two major scientific hubs: the Daniel Carasso research center located in Palaiseau in the outskirts of Paris, France, and the research center located in Wageningen in the Netherlands' "Food Valley". In remaining attentive to the various satellite organizations located on several continents, the Group's research and development relies on the expertise and the additional abilities of more than 1,200 employees throughout the world.

Danone Research is geared toward future innovations in the area of health, and participates in putting together scientific backing to support the health allegations made with respect to its existing products, while improving their nutritional profile and ensuring their quality at an organoleptic level. This process is carried out while respecting an uncompromising food safety policy and while designing innovative production processes in line with the Group's global cost reduction policy. The mission assigned to local teams is a triple mission: (i) adapt products (in terms of texture, flavour, size, packaging, etc.) in order to meet, in the best possible way, the local consumption habits, and (ii) develop specific products targeted for their markets. The Group has developed scientific expertise in the following areas:

- the research on ferments and probiotics, made possible due to a collection of strains of 4,500 lactic and vegetable bacteria and which confers a considerable potential to the Group with respect to product innovations. Research & Development is fully invested in this endeavour, by in particular using recent techniques in genomics and robotics in order to identify and select the probiotic strains of tomorrow;
- research on prebiotics, which are non-digestible nutrients that support the growth of bacteria in our intestinal microbiote, like for example bifidobacteria. Numico has conducted research on prebiotics, which represents a strong strategic focus in its development, in particular with respect to Baby Nutrition;

- nutrition and human physiology: the goal is to translate, within the Group's products, the general rules of nutrition pertaining to food, which are in constant evolution. This also covers the study of the role food plays with respect to health and its impact on body functions: digestion, bone growth, immune system defences, cardio-vascular system, and brain performance. The goal is also to identify the nutritional and public health contexts in the various countries in which Danone operates, in order to develop adapted products that can as such contribute to rectifying certain deficiencies and correcting excesses, but also to having an influence on dietary behaviours;
- the validation of health allegations, which rests on the implementation of clinical studies carried out with respect to finished products in accordance with standards equally as rigorous as those used in the pharmaceutical industry;
- consumer science, which is aimed at analyzing the consumer's behaviour and to immerse oneself in these habits in order to develop innovative products. To establish a close relationship between consumers and researchers, a dedicated space was created in 2006 within the Daniel Carasso center.

In order to conduct its research, the Group regularly collaborates with outside entities such as universities and specialized public research centers. The Group benefits from the expertise of external scientific committees on strategic themes, such as probiotics or Water, as well as health brands (such as Activia, Actimel, Danacol, or Vitalinea). Furthermore, the Group maintains permanent relations with the scientific community in order to better understand health and nutrition issues and to stay informed of the latest developments in research. This permanent dialogue with scientists and the support of research constitutes two of the commitments made by the Group in its Food, Health and Nutrition Charter.



Performance Indicators

5.6 Product responsibility performance indicators

In 2008, the Group's Research & Development teams have in particular carried out the following actions:

- the launching of clinical studies on the benefits of mineral water, in particular with regard to elimination and the role of hydration on physiology and well-being,
- for the 5th consecutive year, the continuation of the partnership with the Institut Pasteur in Paris, dedicated to the study of probiotics,
- the signing of research partnership agreements with the Washington University in the United States regarding the interactions between the human genome and intestinal bacteria.

Within the framework of contributing to research regarding nutrition, 17 Danone Institutes (non-profit independent institutions) were furthermore created throughout since 1991 the world with a goal of contributing to the development of knowledge on the relationships between food, nutrition, and health. Their programs go from supporting scientific research, to informing and training health professionals, as well as to overall public awareness and education. The Danone Institutes regroup independent experts with strong reputations (researchers, doctors, dieticians) covering all aspects of food and nutrition (biology, medicine, and human sciences, such as psychology and sociology).

Lastly, Danone has established in 1997 an international prize to reward research in nutrition or major contributions to public health.

In 2008, the Group invested € 198 million in research and development activities, representing 1.3% of its net sales (€ 121 million in 2007).

SUPP PR2. Total number of incidents of non-compliance with regulations and voluntary codes concerning the impacts on health and safety of products and services, by result type

Performance indicators related to food safety (Food Safety Index) are monitored daily at the production sites and are consolidated and analysed at the level of each division (FDP, Waters, Baby, Medical) by the Quality Departments concerned. Wherever there is a serious and immediate threat to consumer health, Groupe DANONE initiates product withdrawals.

The "incidents" are not consolidated at corporate level. Only significant events, classified as "crises" are subject to a critical review. Only two or three "crises" directly and effectively linked to the Group's products have been recorded in the last three years.

Labelling of products and services

PR3. Type of information on products and services required by procedures and percentage of products and services subject to these significant information requirements

All products manufactured by Group Danone are labelled in accordance with regulations. Dairy products and beverages (excluding natural mineral waters) also provide consumers with nutrition information as defined in the Group Danone Nutritional Information Charter:

- on the front of the packaging an icon is displayed providing the amount of energy per serving (in kcal) as well as the contribution of one portion of the Guideline Daily Amounts (GDA) in energy expressed in %,
- on the back of the package a table is displayed showing the amount of energy, protein, carbohydrates including sugars, lipids including saturates, fibre and sodium per 100g and per portion (expressed in kcal for energy and mg for the rest), and the contribution of one portion to the Guideline Daily of which including sugars, fats of which saturates, fibre and sodium, expressed in %,
- the same information is also available via the consumer services department (mailing address, call centre), a website and / or printed materials.



Performance Indicators

5.6 Product responsibility performance indicators

By late 2008, across the EU countries, nearly 90% of eligible products (fresh dairy products and beverages) of Groupe DANONE included on their packaging nutritional information conforming to the Nutrition Labelling Scheme defined by CIAA (Confédération Européenne de l'Industrie Alimentaire / Confederation of the Food and Drink Industries of the EU), and adopted in Europe by many players in the food supply chain.

Groupe Danone also encourages its subsidiaries outside the EU to deploy this model of nutritional information provided no local regulations object to the same.

SUPP PR4. Total number of incidents of non-compliance with regulations and voluntary codes concerning information about products and services and their labelling, by result type

The "incidents" are not consolidated at corporate level. Only significant events, classified as "crises" are subject to a critical review. Only two or three "crises" directly and effectively linked to the Group's products have been recorded in the last three years.

SUPP PR5. Practices relating to customer satisfaction including results of customer satisfaction surveys

Promoting listening and proximity to consumers

The main mission of the Danone consumer service / consumer advice centre is to develop and maintain relationships with consumers. It is a tool for providing information about the company and for offering advice. It allows comments, suggestions and reactions to be collected from consumers. Danone considers the centre to be a proximity service. Its purpose is to give rapid responses to questions, and to create added value for the brands through the service provided.

This service answers all kinds of questions regarding products and brands and, more generally, questions on nutrition and dietetics. It deals with claims linked

to product quality. Danone Conseils has been faced with changes in the types of questions consumers ask. There are comparatively fewer questions about product quality now, whereas those concerning the company's corporate responsibility or advertising are on the increase.

In France, the Danone Conseils consumer service generates around 80,000 contacts a year, by telephone, post or email. Its scope of responsibility covers all Groupe Danone products sold on the French market.

Danone Conseils may be reached by calling its telephone no. (0810 11 12 13) which appears on the packaging or via the internet, 24/7. The postal addresses of Group subsidiaries' consumer services are also printed on the packaging.

Danone consumer services in France accessible to the deaf

The French CBUs of Danone (Fresh Dairy Products, Waters, and infant nutrition) joined forces in December 2008 with the company GuideCaro to facilitate the access to their consumer services by the deaf and hard of hearing. These consumer groups now enjoy all the services offered to all consumers, via one of the 6 communication media (webcam, chat, sms, fax, email, etc.) available on the websites www.danoneetvous.com and www.bledina.com.

A first in Europe!



Performance Indicators

5.6 Product responsibility performance indicators

Marketing communication

PR6. Programs to ensure compliance with laws, standards and voluntary codes relating to marketing communications, including advertising, promotion, and sponsorship

Groupe Danone's ambition to be an influential actor and make a practical contribution to public health means that stakeholders have high expectations of it, particularly in terms of advertising.

Groupe Danone, as a food company, believes it is essential for advertising messages to be consistent with the reality of products, in terms of nutritional composition and health benefits. It has set itself the objective of ensuring that its advertising communications are reliable, relevant and easily understood by the consumers at whom they are targeted, and has adopted tools and specific procedures to that end.

Tools and procedures implemented by Danone to develop, relevant, reliable and easy understandable marketing communication

Procedure for validating advertising content including claims

The Group undertakes to issue communications regarding nutritional or health benefits, only if these are based on proven scientific arguments. Any communication carrying a health and / or nutritional claim is the subject of an internal validation process, involving many functions (marketing, R & D, quality, regulatory, legal, etc..) with a view to:

- ensuring correct information for consumers,
- raising awareness of nutrition issues and social challenges among the teams at marketing, quality, regulatory affairs, etc.,
- protecting the Group's reputation and ensuring consistency in messaging,
- putting in place rules of good conduct for the Group, even if the appreciation is partly subjective and local.

This procedure concerns all forms of communication: TV spots, radio, packaging, brochures, websites etc.

Communication guidelines: strict controls and justification for translating science into benefits for consumers

These communication guidelines, intended for local marketing teams and advertising agencies, are used to prepare product communications. They present, for the Groupe Danone's major brands (Vitalinea, Actimel, Activia, Danonino, Danacol, etc.), the scientific foundations for the products and tips and rules to comply with for translating them into benefits for consumers (the claims, visuals and graphic representations illustrating the benefits, description of the scientific arguments, etc.). They are prepared by multidisciplinary teams including notably, research, development, health, scientific and regulatory affairs.



Performance Indicators

5.6 Product responsibility performance indicators

For example:

- the image (drawings, films, etc.) depicting the way Actimel acts on the intestinal wall's defence capabilities or even a graph indicating how Danacol tackles cholesterol may be expressed in various creative ways, although they must respect the instructions given in the guidelines, and faithfully represent scientific realities,
- the ways in which product benefits are expressed are strictly controlled: thus, communication guidelines for Activia reiterate that it is possible to enhance the action of Activia on intestinal, in any case on the digestion, purification or detoxification processes, for example.

Specific communication programmes

The Infant Nutrition division develops communications programmes for parents to provide advice on infant feeding for each stage of their development, thus contributing to the development of health capital of children while helping parents in their nutrition education.

The "Feeding for Life" programme also includes the principles of product labelling (symbolic) meant to explain in simple, and understandable fashion the specific benefits of products, according to the age of children.

In addition, infant nutrition and medical nutrition products communicate regularly with health professionals by using multiple tools (documents, websites, conferences, etc.), in order to systematically inform them about the specific strengths of products on the basis of the most recent scientific evidence.

Compliance with codes of good practice recognised by stakeholders

In all forms of communication (packaging, advertising, brochures, etc.), the Group is in favour of the principles of self-discipline and applying codes of practice recognised by stakeholders, such as those of the International Chamber of Commerce (worldwide), the CIAA (in Europe) or the PAOS (in Spain) or ARPP (in France).

Any advertising communications by its brands must particularly comply with the following principles:

- not to mislead the consumer on benefits linked to consumption of the product,
- not to encourage excessive consumption or to eat irresponsibly throughout the day,
- not to encourage inactivity or poor lifestyle,
- not to devalue or minimise parental authority or advice in terms of product consumption.

In 2005, Blédina established a Marketing Charter concerning the commercialisation and marketing of infant products and baby formula. As stated in this Charter, Blédina fully supports the recommendations of the WHO Code of "Marketing of Breast-milk Substitutes". Blédina follows the recommendations in accordance with the implementing rules laid down by local regulations, or in the absence of regulation.

During 2007, Blédina raised the recommended age from 4 months to 6 months for starting consumption by infants of all complementary foods (cereals and baby foods) marketed by it in all countries outside Europe. To ensure compliance with the Blédina Charter throughout the Supply Chain, appropriate means of control have been set up via external audits by SGS ICS.

In 2008, following the takeover of Numico, Danone launched a significant outreach and awareness-creating effort to all of its teams on issues of compliance with the WHO Code. This resulted in the implementation of action plans for each entity that will align the different practices in different countries.

In addition, specific training and measurement mechanisms have been deployed to ensure that the issue will be taken into consideration at the level of each country and each team.



Performance Indicators

5.6 Product responsibility performance indicators

Commitment on advertising aimed at children

Aware of the role that advertising can play in children's dietary choices, in December 2007 Groupe Danone made a commitment under the framework of the **EU Pledge** to reducing advertising for its products aimed at this segment of consumers in all EU countries.

For media (TV, radio, press, internet) and campaigns for which the target audience is mainly comprised of children from 3 to 12 years - and where no voluntary restraint programme recognised by national authorities (such as PAOS in Spain) exists - Groupe Danone has decided to limit its communication to products whose formulation and portions are adapted to the needs of children in this age group, in line with established public health priorities (based on the TheFoodProfiler criteria).

Concurrently, Danone has also committed to refrain from the following: advertising in schools; using real or fictional characters from films, cartoons, television shows or books; distributing promotional items in schools; and posting advertising material/displays near schools.

In 2008, as part of the **Children's Food** and **Beverage Advertising Initiative**, Groupe Danone extended to the U.S. its commitment to limit advertising to children on the basis of nutritional criteria recognised by local stakeholders.

Groupe Danone has also undertaken to fully honour this commitment in EU countries and in USA with effect from January 1, 2009. In EU countries, independent agencies have been mandated by the EU Pledge to verify compliance with these and the results will be made public during 2009.

Danone Institutes committed to information and education

Since 1991, Danone has supported the creation of the Danone Institutes, independent non-profit entities, whose mission is to develop knowledge about the links between diet, nutrition and health through research support, information and training of health professionals and public education.

During 2008, a new Institute was created. It reunites 3 Latin American countries (Argentina, Chile, Uruguay) around its flagship projects concerning education for professionals in the field of child nutrition.

Also in 2008, through the network of 18 Danone Institutes, over 70 research projects were funded (for a total contribution of about 1 million euro), about fifteen scientific conferences were held (some of which are available online) and about ten publications (conference proceedings, books, etc.) have been edited and published and offered for free (www.danoneinsitute.org)

SUPP PR7. Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by result type

The "incidents" are not consolidated at corporate level. Only significant events, classified as "crises" are subject to a critical review. Only two or three "crises" directly and effectively linked to the Group's products have been recorded in the last three years.



Performance Indicators

5.6 Product responsibility performance indicators

Respect of Privacy

Consumers expect Danone to provide them with the keys to understanding nutrition, advice on ensuring a daily diet that meets their needs, and finally information about the Group's own products. Danone has various tools designed to enable it to build relational communications with consumers. In managing these tools, it ensures the protection of consumers' privacy and, in all countries, complies with national laws governing personal data protection.

1 - The consumer database

A database of subscribers contains all the names and addresses of consumers who are sent information and offers from the Group and brands, in paper or electronic versions.

At any time, consumers can suspend their subscription by informing the administration centre indicated in the messages that are sent to them. In France, the database covers some four million households and is regularly updated. The answers to the questions put to consumers are based on their volunteering the information and allow offers to be tailored to meet their preferences. Only the minimum of information (name and address) is collected as obligatory data. Socio-demographic information (composition of household) and information about consumption habits are optional. Sensitive information such as credit and bank card numbers is not requested.

2 - The Internet site

Within Groupe Danone, there are around a hundred brand Internet sites. In most cases, these are promotional or commercial sites.

The **Danoneconseils.com** site was created in France ten years ago, and is unique in the way it has developed general information on nutrition. In 2007, it received over 3.4 million hits.

The site works according to the opt-in system: consumers decide whether to add their details to the database. Consumers must also tick a box formally authorising Danone to communicate with them. In 2006, it was replaced by the site **Danoneetvous.com**.

3 - Print

These studies allow Groupe Danone to gather more detail on information such as the quality of Danone products as perceived by consumers; expectations in terms of new products; opinions on information tools, such as the "Danone et vous" magazine; opinion and understanding of advertising. The research companies guarantee the anonymity of the responses. Only the overall results are forwarded to Danone..

4 - Consumer studies

These studies allow Groupe Danone to gather more detail on information such as the quality of Danone products as perceived by consumers; expectations in terms of new products; opinions on information tools, such as the "Danone et vous" magazine; opinion and understanding of advertising. The research companies guarantee the anonymity of the responses. Only the overall results are forwarded to Danone.

5 - The call centre

The call centre's main task is to develop and maintain relations with consumers. It is a tool for providing information about the company and for offering advice. It allows comments, suggestions and reactions to be collected from consumers. Danone considers the call centre to be a proximity service. Its purpose is to give rapid responses to questions, and to create added value for the brands through the service provided.

This service answers all kinds of questions regarding products and brands and, more generally, questions on nutrition and dietetics. It deals with claims linked to product quality. Danone Conseils has been faced with changes in the types of questions consumers ask. There are comparatively fewer questions about product quality now, whereas those concerning the company's corporate responsibility or advertising are on the increase.

In France, the Danone Conseils consumer service generates around 80,000 contacts a year, by telephone, post or email. Its scope of responsibility covers all Groupe Danone products sold on the French market. Danone Conseils may be reached by calling its telephone no. (0810 11 12 13) which appears on the packaging or via the internet, 24X7. The postal addresses of Group subsidiaries' consumer services are also printed on the packaging.



Performance Indicators

5.6 Product responsibility performance indicators

Consumers can choose whether or not to leave their details. Their details are used with their agreement, to send documentation, brochures (dietary advice, recipes, etc.) or coupons in the case of a complaint. There is no follow-up system. Any consumer may ask for their details to be removed from the database at any time. Consumers are reminded of this in every letter they receive from Danone Conseils.

SUPP PR8. Total number of substantiated complaints for violation of privacy and loss of client data

This indicator is not consolidated at Group level.

Regulatory Compliance

PR9. Amount of significant fines incurred for non-compliance with laws and regulations concerning the provision and use of products and services

At Group level Danone no significant fines have been recorded for non-compliance with laws and regulations governing the use of its products and services.



This report has been designed, coordinated and compiled
by the Social Responsibility department.

This report is the product of a permanent dialogue
with our stakeholders. You are invited to share your comments and ideas
with us so that Groupe DANONE can improve its approach,

Via our website:

www.danone.com

Or by post:

Groupe DANONE

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