



DA NO NE 14

SUSTAINABILITY REPORT

STRATEGY AND
PERFORMANCE

—

BRINGING HEALTH
THROUGH FOOD
TO AS MANY PEOPLE
AS POSSIBLE

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Editorial

At Danone we believe that what we do is as important as how we do it.

So in order to fulfill our mission to bring health through food to the largest number of people, we embarked on a passionate journey towards a socially responsible growth model for a long time now.

This journey started in 1972 when Antoine Riboud set the parameters of Danone's dual economic and social project. Since then, many years went by. We have grown and profoundly transformed our company while always honoring our dual commitment to business success and social progress.

Looking back, we have many reasons to be proud of what we have accomplished in all these years but we are also conscious of the great challenges that lie ahead. Indeed, in a world that is growing increasingly complex, volatile and fragmented, today more than ever before we need to resync economic performance and social development.

We need to transform Danone while remaining Danone

That is why in 2014 we have reaffirmed our mission, enhancing our profound conviction that food is health's most significant partner. This mission is embodied in our Danone 2020 plan which will enable us to strengthen our foundations for the years to come. Finally, both this mission and plan are supported by a new governance where us, the Chairman and the CEO of the company share the same passion for the Danone way of doing business

Because we believe that our mission is uniquely positioned to address health issues in today's society, we have put in place a Product Compliance Board, whose mission is to supervise Danone's engagement on health and nutrition. Also, in order to systematically assess the relevance of our local offers, we have reinforced our three major research programs: Nutriplanet, Nutriways and Nutri-Impact.

Because we believe that healthy food can only come from healthy nature and that the energy and raw materials that we consume change the nature of our planet, we continue our efforts to reduce our environmental footprint, reaching a -41,6% reduction in CO₂ intensity since 2007. And because we cannot do it alone, we hold regular meetings with our Nature Key Opinion Leaders Board, a panel of environmental external experts that inspire and challenge us.

Because we believe our employees are Danone's best competitive advantage, and the key to long-term value-creation and since safety at work is our first priority, lost time injuries frequency rate has dropped for the 10th year in a row, dividing by 5 since the inception of the WISE program. We have also extended our Dan'Cares program, which standards now cover 70% of the company's total headcount. Also, we have launched the One Learning a Day program, thus enabling the experience of digital learning for all of our workers around the world. Finally, two employees have been appointed to sit at our Board of Directors.

Because we believe that a company cannot thrive in isolation from its community and its ecosystem, we have continued our investments through our three social business platforms: Danone Communities, Livelihoods Fund and Ecosystem Fund, reaching today almost 4 million beneficiaries. Especially regarding our supply chain, we published a Sustainable Agriculture White Paper, the objective being to kick start an open discussion with civil society on the issues that matter most on this field. Finally, we have carried out a materiality analysis, consulting more than 20 stakeholders, with the objective to ensure the topics we address through our strategy are also the most relevant and material to society.

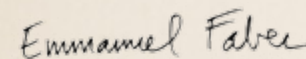
We believe in our mission and in the power of the solutions that arise from co-creation processes between Danoners and the communities that surround us. So we invite you to join us in this exciting journey.

See you on the road!

Franck Riboud

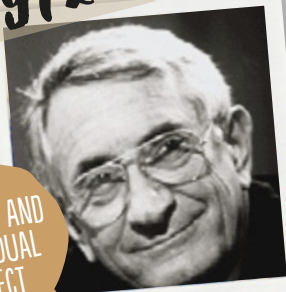


Emmanuel Faber



Key moments

1972



ECONOMIC AND SOCIAL DUAL PROJECT

Antoine Riboud's speech in Marseille

1985

First meeting at the European level with the IUF, opening an international social dialogue within Danone

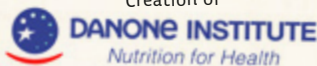


1992

Creation of the 1st network for collection and recycling of packaging - Eco-Emballages

1991

Creation of



1996

Appointment of Franck Riboud as Chairman and CEO of Danone

Publication of the Environmental Charter

Creation of Danone Conseils, consumer relations department in France



1997

Refocusing on businesses with high health positioning

Publication of the Business Conduct Policy

Formalization of Danone's values: Openness, Enthusiasm, Humanism and Proximity

1998

First Annual Social and Environmental Responsibility Report

Support for the Ramsar International Convention on the protection of wetlands

1999

Creation of the Managers' barometer, an opinion survey measuring adherence to Danone's strategy and values

2005

Publication of the Food, Nutrition and Health Charter

Comprehensive global policy on protection of underground water resources

Launch of the Blédina Charter about commercialization of Baby nutrition products

2003

Membership in the Global Compact of the United Nations

Danone founding member of the Sustainable Agriculture Initiative

2001

Launch of Danone Way
Formalization of the Fundamental Social Principles



2014

Appointment of Emmanuel Faber as CEO of Danone

Publication of the "White Paper" on Sustainable Agriculture

2013

Publication of the Danone Policy for the Marketing of Foods for Infants and Young Children ("Green Book")

Diffusion of the Danone Management System Manual for the Marketing of Foods for Infants and Young Children ("Blue Book")

Nature's engagements for 2020

2012

Danone listed as n°1 in the food sector in the ATNI Index, launched for the 1st time in 2012

Reduction of Danone's carbon footprint by 35.2% for the 2008-2012 period

Publication of the Danone's Forest Footprint Policy

Diffusion of the Public Affairs Policy

First inter-enterprises Octave seminar

2011

→ Danone Fund for Nature to external partners: creation of the Livelihoods Fund

→ Launch of the Danone Charter for Breastfeeding Substitutes



2010

Launch of the Dan'Cares program

First EVE seminar

Safety charter signed by all General Managers

CODE launching: formalization of the leadership styles and attitudes

2007

Creation of danone.communities fund

Acquisition of Royal Numico NV, specialized in Baby Nutrition and Medical Nutrition

Creation of the Social Responsibility Committee of the Board of Directors



2006 REFOCUSING OF DANONE'S MISSION AROUND HEALTH: "BRING HEALTH THROUGH FOOD TO AS MANY PEOPLE AS POSSIBLE"

IMPLEMENTATION OF THE SUSTAINABLE PROCUREMENT INITIATIVE (RESPECT) IN ALL SUBSIDIARIES

2008

Creation of the Danone Fund for Nature with the International Union for the Conservation of Nature

Commitment to reduce Danone's carbon footprint by 30% between 2008 and 2012

2009

Creation of the Danone Ecosystem Fund





Strategy and Organization

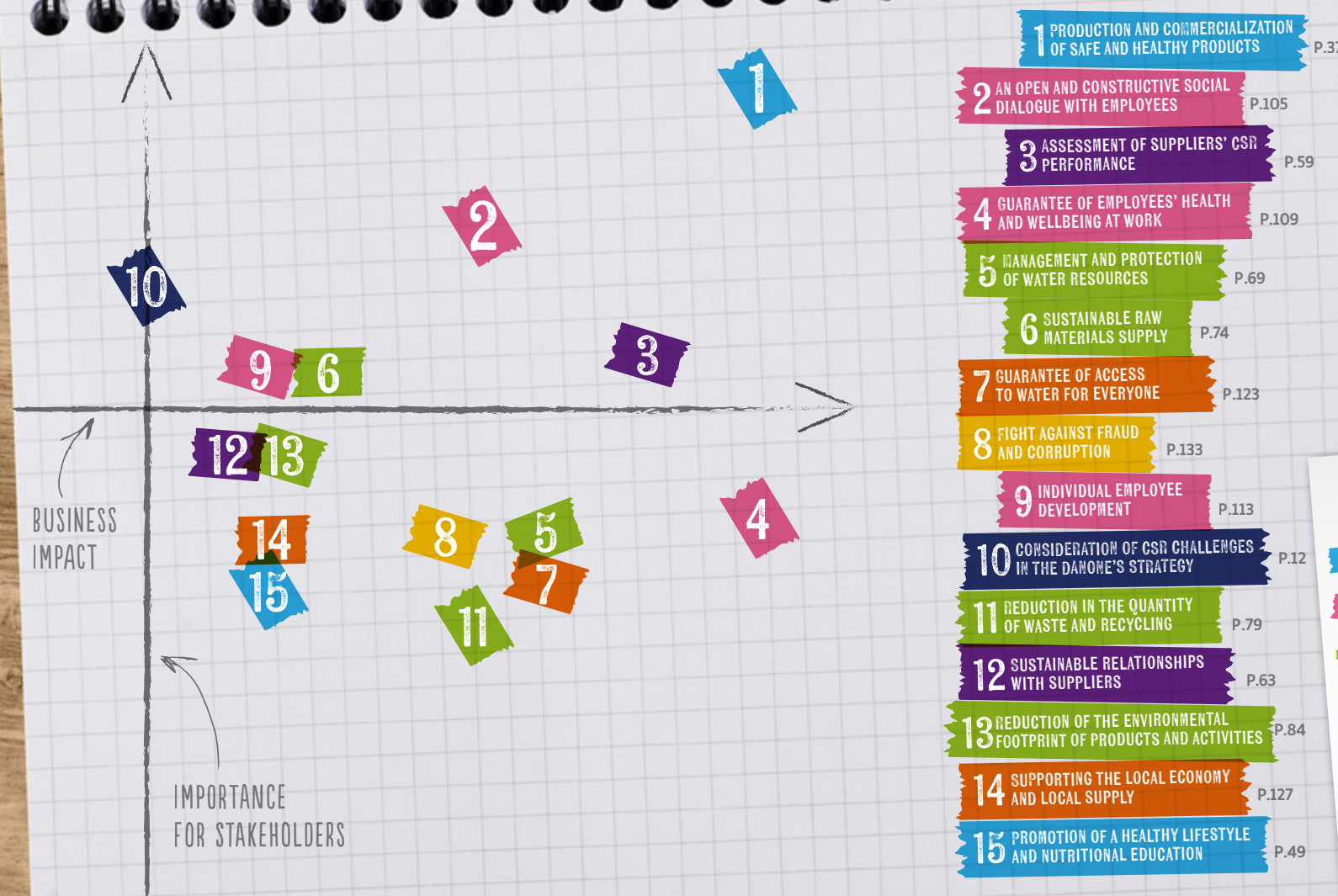
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material aspects



Danone reports on its impacts and performance based on internationally recognized standards.

Danone has developed its Sustainable Development report so as to comply with the guidelines of the Global Reporting Initiative 4. The GRI reaffirms the importance of communication on the relevant challenges of the business, reflecting the economic, environmental, social and societal impacts of the organization and influencing the assessments and positions of stakeholders towards the company. In order to refine its understanding of the key challenges and confront them strategically, Danone has conducted a materiality assessment using the following contributions:

- analyzing the available documentation about Danone and its environment in order to identify relevant challenges;
- sharing these challenges with a representative sample of stakeholders (nine internal and 13 external);
- ranking them according to their potential impact on the activity and their importance for the stakeholders questioned. This impact is assessed according to several criteria: regulatory impact, financial impact, impact on reputation, on the confidence of investors, customer loyalty and employee satisfaction. The fight against forced labor, child labor, all types of discrimination, the limiting of the number and seriousness of workplace accidents and the promotion of Human Rights within the company have not been included in these priorities since these are considered to be fundamental challenges.

Key

- NUTRITION & HEALTH
- SOCIAL
- ENVIRONMENT
- COMMUNITIES
- RESPONSIBLE PROCUREMENT
- STRATEGY
- FIGHT AGAINST FRAUD AND CORRUPTION

Value chain

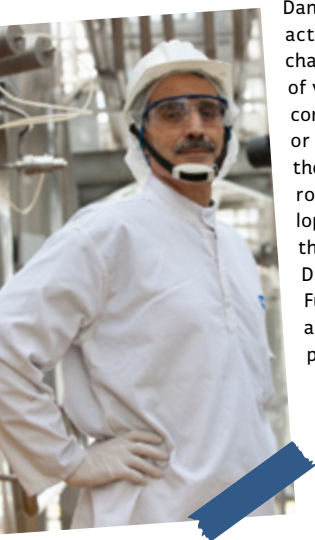


Dialogue with stakeholders, governance and organization

DIALOGUE WITH STAKEHOLDERS

Listening to stakeholders is a key component of Danone's sustainable development strategy in order to understand the expectations of its customers, consumers, employees, suppliers, scientists, the populations living near its sites, representatives of public authorities and non-governmental organizations. Taking into account stakeholders' expectations is a foundation of the Danone Way approach initiated in 2001, and is firmly anchored in Danone's culture and social policy approach.

In 2014, the key topics and concerns that have been raised through the dialogue with stakeholders are shown in materiality analysis.



Danone's goal is not only to develop active listening with regard to the changing situations and expectations of various stakeholders, but also to commit the company to partnership or co-development processes with these players, as illustrated by numerous initiatives and projects developed in partnership with NGOs, with the support of Funds established by Danone: the Danone Ecosystem Fund, the danone.communities fund and the Livelihoods Fund (see details page 24).

Identifying the stakeholders

A Public Affairs kit was distributed in the subsidiaries. This tool presents an explanatory overview of the field of action of a Danone Public Affairs correspondent. It defines the expected practices in communicating with stakeholders (elected officials, public authorities, opinion leaders, etc.) and provides practical guidelines for supporting correspondents in their day-to-day activity.

THE KIT CAN THUS BE USED TO:

- > *make an inventory of local issues;*
- > *qualify those issues with a view to prioritizing them;*
- > *identify the players involved;*
- > *map them based on their position and influence;*
- > *determine the best watch mode for monitoring changes to these issues and players' positions.*

The implementation of this tool has been supported by training sessions dedicated to Public Affairs managers ("PROUD" seminar).

Danone has also the goal of encouraging all subsidiaries to integrate stakeholders into their own strategic thinking. To achieve this, methodological tools for this purpose have been developed since to firmly include stakeholders' expectations in subsidiaries' medium-term strategic planning at local level.

These methodological materials are integrated into the Danone's training programs for the Executive Committees and expert working teams: Sustainability Land and Credibility Land. Regarding Credibility Land, this program aims to define a nutrition and health strategy for the subsidiaries based on in-depth analysis of its stakeholders (consumers, public agencies, NGOs, employees, etc.).

The dialogue may take various forms in each subsidiary (regular 'Advisory board' meetings on nutrition-health topics, for example), and the frequency depends on local situations. The company does not centrally consolidate all the actions carried out by its subsidiaries in this area.

Meanwhile, at central level, regular meetings (five times a year) are held with certain organizations such as representatives of the IUF (International Union of Food workers) on social issues or with an Advisory Board consisting of experts on environmental issues, meeting twice a year.

DANONE'S APPROACH IS TO ENCOURAGE THE DIALOGUE WITH STAKEHOLDERS WITHIN SUBSIDIARIES IN ORDER TO PROVIDE THE BEST ANSWER TO LOCAL ISSUES.



Governance:

MANDATORY INFORMATION ABOUT THE COMPANY'S GOVERNANCE ACCORDING TO GRI GUIDELINES (INDICATORS 4.1 TO 4.10) IS AVAILABLE IN DANONE'S REGISTRATION DOCUMENT. REFERENCES TO THE RELEVANT PAGES ARE INDICATED IN THE GRI INDEX PUBLISHED ON PAGES 148 TO 154 OF THIS REPORT.



COMMITMENTS FOR GOVERNANCE

Economic, environmental, and social charters and principles

Danone's commitments, as defined in its Business Conduct Policy, are based on certain principles referenced in the following international texts:

- the Universal Declaration of Human Rights;
- the core conventions of the International Labor Organization;
- the guiding principles defined by the Organization for Economic Cooperation and Development for multinational companies;
- the United Nations Global Compact.

In addition, the Seven Fundamental Social Principles defined by the agreements of the International Labor Organization (ILO) were integrated into the Danone - IUF worldwide conventions in 2005.

These commitments apply to all employees of every company controlled by Danone throughout the world. Danone is committed to promote these principles in all the companies in which it holds shares.

Danone wished to extend these Fundamental Social Principles beyond its subsidiaries to all its suppliers through implementation of its RESPECT program (see page 59). Since 2009, this program has been expanded to include Environmental and Ethical Principles to which all suppliers must commit.

Memberships in associations

Danone or its subsidiaries are members of all national food industry associations in European Union countries where the company has operations, as well as of Food & Drink Europe, which represents the industry at European Union level.

The company encourages its managers to actively take part in the work of these associations at both local and central level.

Consumer protection

Consumer protection is based on a rigorous risk management at Danone, which relies on a team of in-house scientific experts and an external network of international experts.

A periodic review of risks involved in the key processes of most subsidiaries ensures that all proper precautions are taken to reduce the impact and/or the probability of risks identified. This issue is also addressed in the section 'Nutrition and Health', indeed this principle is the very purpose of food safety (see page 36).

*These commitments
are anchored in
Danone's values
and in
the foundations
of the Danone
Way approach.*

*Danone is a member of more
than 100 industry
associations*





ORGANIZATION

Danone's culture and key practices employed in subsidiaries to ensure sustainable development of activities

The Danone Way approach was implemented in 2001, to address the goal of disseminating the culture of the dual project and the basics of sustainable development throughout the company. Every year, the Danone's subsidiaries measure the maturity of their policies and corresponding performance levels against sixteen 'key practices' contained within five themes: human rights, human relationships, environment, nutrition and health and governance.

This assessment systematically includes, for each of the practices, the level of inclusion of stakeholders in the subsidiary: consumers, suppliers, environmental protection associations, employees, shareholders and local communities. Several years ago, Danone developed specific dialogue tools to assist subsidiaries in their interaction with the various stakeholders on a local level: they are invited map their stakeholders in order to identify issues, expectations and priorities in collaboration with them.

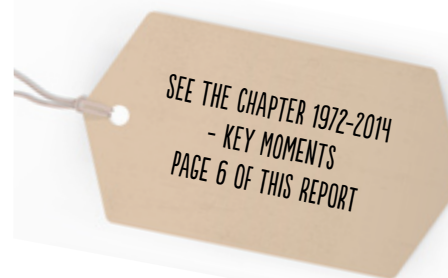
Danone Way constitutes a lever for continued improvement for subsidiaries, by:

- allowing the dissemination of the culture of Danone's dual project;
- disseminating guidelines to newly created subsidiaries, particularly in emerging countries, enabling them to include Danone's strategic priorities in respect of sustainable development;
- facilitating the progress of subsidiaries through a framework built on four levels of maturity.



Subsidiaries are assisted throughout the year thanks to the new collaborative platform "2.0", hosted on Danone's internal social network, the 'Danone Social Network', which gives straightforward and funnier access to information.

This approach encapsulates the mission, company values and internal codes that Danone has formalized over the past years through various documents.



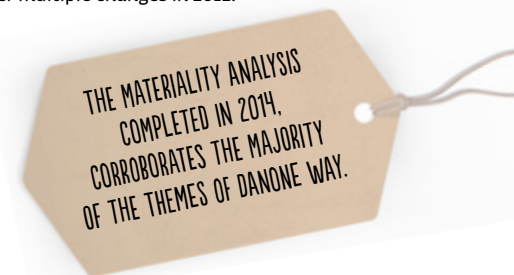
It is important to note that Danone Way brings together all the initiatives and approaches that have been put in place in the environmental, social and societal domains, thus providing subsidiaries with a global vision of the Danone's practices. For more information on these initiatives, see the chapters on the challenges of the environment (page 66), social challenges (page 104), Human Rights and suppliers relationship management (page 58).

Evolution of the approach in 2014

Danone's ambition is to define a referential that addresses two essential points:

- being sufficiently stable to enable a clear reading of continued progress within the subsidiaries over several years;
- taking into account the growing requirements of stakeholders, the evolution of Danone's strategy on these themes and the characteristics of subsidiaries (size, maturity and nature of their activity).

In 2014, the Danone Way referential remained stable after multiple changes in 2012.



External audits to verify the reliability of the approach

Danone Way referential and the reliability of results from this approach for all stakeholders of the company have been subject of audits carried out by an independent third-party since 2002.

The evaluations of eight subsidiaries, accounting for 23% of the consolidated turnover of subsidiaries having participated in Danone Way, were audited between November 2014 and January 2015. Coupled with the review of the method of consolidation of all subsidiaries' results, the independent third-party confirms the 2014 results of Danone Way with a "moderate level of assurance". The report is published in pages 146 -147.

2014 Results

Scope of the evaluation

Of the 147 subsidiaries included in the approach, 26 followed the 'Danone Way Light' referential, tailored for small subsidiaries and composed of a smaller number of practices assessed. It is worth noting that certain subsidiaries do not self-assess on all of the key practices of the Danone Way approach, as certain evaluation criteria do not apply to them. Danone undertakes to systematically verify the conditions of non-applicability.

Subsidiaries that apply 'Danone Way Light' are the same ones that apply the "fundamental points" of the internal control benchmark, i.e. very small, or newly acquired subsidiaries.

Furthermore, the inclusion of Danone Russia in 2014 in the Danone Way approach should be highlighted. As a reminder, this subsidiary is the result of the acquisition in 2010 of Unimilk by Danone. Because of the size of this subsidiary (10,691 employees across seven divisions, as of 31st December 2014, i.e. 11% of the total Danone workforce), Danone

147 IN 2014.
SUBSIDIARIES PARTICIPATED
IN THE DANONE WAY APPROACH,
COVERING
93% OF DANONE'S
TURNOVER (89% IN 2013).

Way represents an opportunity for Danone Russia to deploy the culture and standards of Danone, to be aware of the Sustainable Development challenges and to put in place the tools to manage them.

From 12th to 17th September 2014, Danone Russia organized 'Danone Way Days', bringing together more than 450 participants across 45 working groups, and also included the directors of each region, to share their results and their action plans.

Detailed results

Note on methodology: where results are presented in the form of evolution between 2013 and 2014, they are calculated on a constant scope in order to facilitate the comparison of results. They do not include subsidiaries entering or leaving the scope of Danone Way during 2014.



Global scores

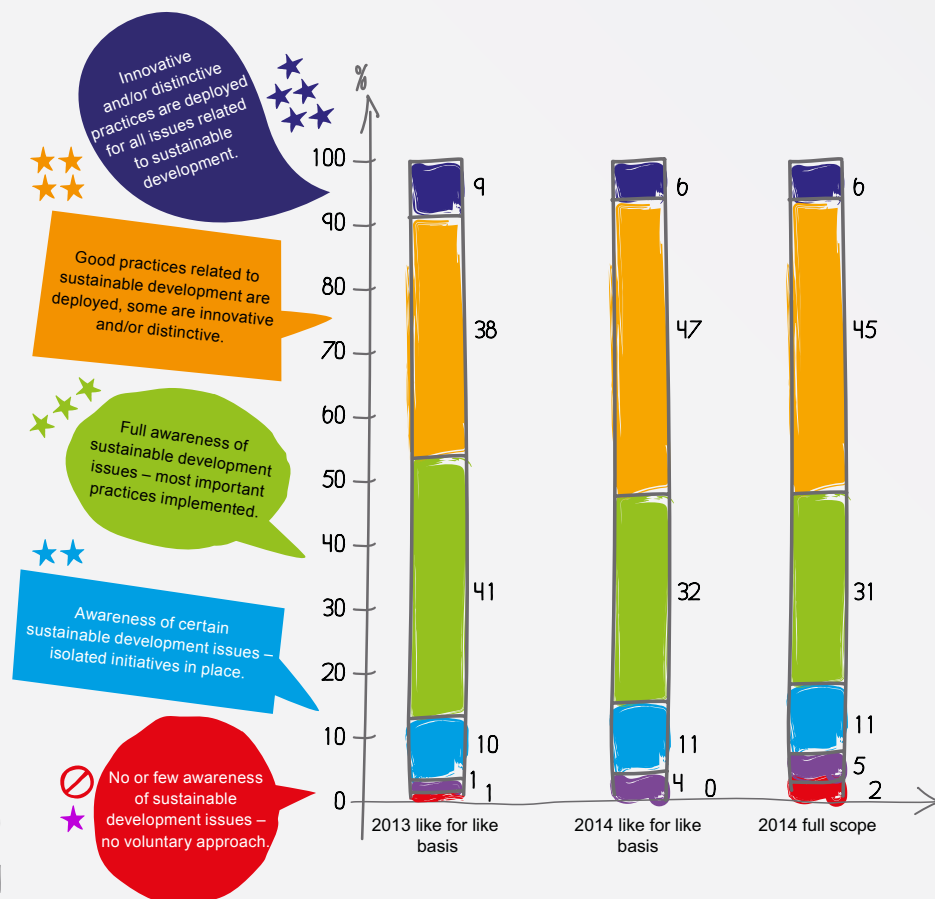
In conformity with Danone Way methodology, subsidiaries are given a number of stars corresponding to their performance, according to the scale below:

It is clear that a significantly larger number of subsidiaries have achieved four stars or more: these are very satisfactory results, showing that more than half of the subsidiaries put in place innovative practices on issues related to sustained development.

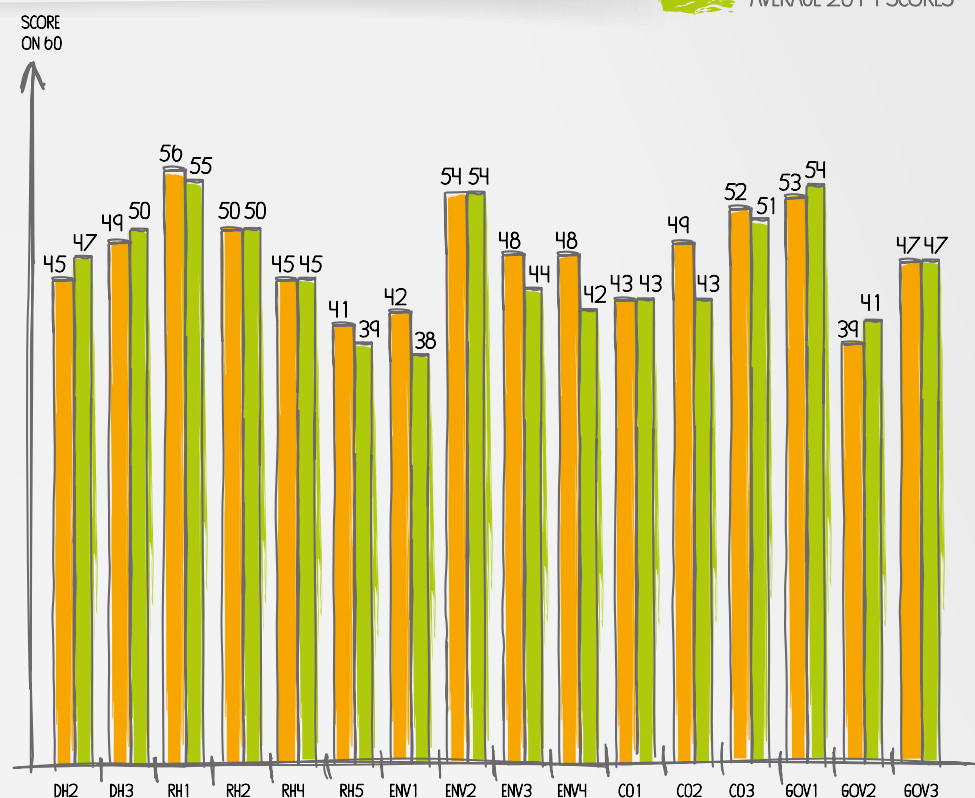
There is, nevertheless, an inflexion in the number of subsidiaries having achieved a score of three stars or more. These sub-

diaries that have regressed will be focus of particular drive and monitoring in 2015 to enable them to recover the three stars that Danone considers being a minimum standard.

The various divisions now have similar levels of maturity, the Medical Nutrition division having continued to progress well this year. However, there are large geographical deviations, the African and Asian zones being behind the European and American zones.



Evolution between 2013 and 2014 OF THE 16 KEY PRACTICES OF DANONE WAY AVERAGE SCORES



DH2 Diversity	RH5 Individual Development	ENV4 Packaging Impacts	GOV1 Business Ethics
DH3 Safety, Health and Working Conditions	ENV1 Environmental Footprint	CO1 Food Safety & Quality Management System	GOV2 Suppliers' and Business Partners' Corporate Social Responsibility
RH1 Employees Involvement and Social Dialogue	ENV2 Environmental Risks	CO2 Nutrition & Health Standards for Products	GOV3 Shared Value Creation through Community Involvement
RH2 Working Time and Organization	ENV3 Raw Materials Production / Supply	CO3 Standards on Nutrition and Health Marketing and Communication	

In 2014, the topics of Diversity and Suppliers' and Business Partners' Corporate Social Responsibility progressed the most. Progress regarding diversity is most apparent in executive committees; Danone is convinced that the setting up of teams with varied profiles represents a key lever to performance.

Social responsibility of suppliers has progressed for the 2nd consecutive year thanks to a stronger drive of the RESPECT program (see page 58 of this document). 'RESPECT Champions' are now in place in all subsidiaries that have a Procurement department, training buyers and participating in the anchoring this program as one of the fundamentals of the business.

On the other hand, it should be noted a decrease in performance on the topics of Environmental Footprint (ENV1), Environmental Impact of Raw Materials Production/Supply (ENV3) and Packaging (ENV4), and Nutrition and Health standards for products (CO2).

On the three Environmental topics, it is evident that the subsidiaries have had more difficulty in developing innovative solutions with external partners. Equally, these results reflect changes in the Danone Way referential on two indicators whose objectives have been reviewed upwards this year:

- the increase of the cover required for the FaRMs benchmark for milk (from 75% to 100%) - see page 63 of this document for an explanation of this program;
- the bringing into conformity of subsidiaries with the company undertaking to use only paper and cardboards from sustainably managed forests.

On the topics of Nutritional and Health Standards of products, this year Danone introduced an objective for subsidiaries to publicly declare their nutritional commitment into Danone Way, a step which requires some time to be completely integrated. Subsidiaries will be assisted in this direction in 2015. ✕

Danone Way in 2015

IN 2015, THE DANONE WAY APPROACH WILL EVOLVE TO SYNCHRONIZE THE REFERENTIAL WITH THE MATERIALITY ANALYSIS RESULTS.

social innovation platforms

DANONE SUPPORTS THREE FINANCIAL FUNDS:

danone.communities,
the **Danone Ecosystem Fund**
and the **Livelihoods Fund**,
which anchor the inclusion
of the challenges
of sustainable development
in Danone strategy, thereby
giving even more meaning
to the company mission:
to bring health through food
to as many people as possible.

SOME PROJECTS SUPPORTED
BY THESE FUNDS ARE SET OUT
IN THIS REPORT.

danone).communities

The danone.communities Fund is the incubator of Danone's social business and brings finance and skills to local companies aiming to address social problems: malnutrition and access to clean drinking water. Today, companies supported by danone.communities change the daily life of one million people in seven countries (Bangladesh, Cambodia, China, France, India, Mexico and Senegal).

Furthermore, employees of Danone and its French subsidiaries participate in the danone.communities project by investing in the SICAV (an open-ended collective investment scheme), through the danone.communities FCPE (Employee Shareholding Fund), in the framework of Danone Saving Plan. On 31st December 2014, employees of Danone in France had subscribed to the FCPE danone.communities in a total cumulative amount of 12.5 million Euros (an increase of around 10% compared to 2013).



Supporting Entrepreneurs

danone.communities also accompanies companies by bringing skills, particularly those of Danone employees who choose to get involved: sharing knowledge and apprenticeships between social entrepreneurs and Danone's teams constitutes a powerful lever to enrichment. From the core business (nutrition, water filtration) to crosscutting problems (micro-distribution social marketing, training of entrepreneurs, etc.), the companies being supported by danone.communities collaborate and co-build solutions to their challenges. This dynamic of collaboration is also expressed during meetings that prioritize collective intelligence. In November 2014, danone.communities organized a 'learning expedition' to Mexico with three social entrepreneurs from danone.communities. 40 employees from Danone and other companies were present on the ground to stimulate their own initiatives and contribute to the development of EcoAlberto, supported by danone.communities since 2011 in Mexico.

Promoting Social Business to inspire future generations

In order to develop social entrepreneurship, danone.communities promotes entrepreneurs and policies, which make it possible: awareness and commitment, open-mindedness and passion, creativity, etc. Events enable exposure to new aspirations and enrichment through important meetings. In this way, danone.communities actively participates in the dynamic of social business by mobilizing pioneering participants in economic and social innovation and collaborates closely with communities of social enterprise: Ticket for Change, MakeSense, SOS Group, Global Social Business Summit, etc.





Description of the Danone Ecosystem Fund

Created in 2009, the Danone Ecosystem Fund is an endowment fund of 100 million Euros.

The aim of the Fund is to generate social and economic value for the small players in the local economy and Danone. The Fund addresses a challenge of general interest and transforms the long-term practices of the company and its partners.

Significantly, the Fund strengthens or sustainably creates employment for small players in the local economy, which constitute its ecosystem, i.e.:

- small producers and farmers (milk and fruits);
- small distributors and street vendors;
- waste-pickers;
- caregivers (midwives, nutritionists etc.);
- micro entrepreneurs.

To achieve this, the Fund contributes, through its projects, to the development of skills and autonomy - with a particular focus on women, and contributes to the creation of long-lasting independent economic structures, which ensure sustainable action (institutes, schools, cooperatives).

These small players in the local economy see their revenue increasing, in particular, as well as improvements in their working conditions, and, consequently, their quality of life as does that of their family. In some cases, the projects can help people recover their self-esteem and their dignity while (re)joining the formal economy.

To do this, each "Ecosystem" project is the fruit of co-creation between several players:

- initiated by local subsidiaries of Danone;
- co-built with non-profit making organizations such as NGOs (Care, Askoka...) and small players in the local economy who are the 'beneficiaries';
- financed and assisted by the Danone Ecosystem Fund.

Projects supported by the Danone Ecosystem Fund

Today the Danone Ecosystem Fund works in partnership with more than 42 Non-profit Organizations on 54 projects, eight of which were new projects introduced in 2014. They are spread across 25 developed and developing countries.

The Fund has already delivered long-lasting economic and social solutions to more than 30,000 people, around the five main themes related to Danone's activity: sustainable production of milk and fruits, local distribution, protection of territories where Danone is present, recycling and personal services. Conceived as a laboratory of experiences and mindful of measuring the social and economic impact of projects it has co-created, the Fund has put in place, with the help of experts (researchers, academics, sociologists, economists, etc.), the assessment tools which will help lessons to be learned



from its successes, in order to build new models of socioeconomic businesses that are viable and ongoing. Projects will therefore be audited, their impact studied (William Davidson Institute, ESSEC, etc.) and monitored by a coordination team.

On December 31st, 2014, the total sum employed by the Fund for projects implemented by non-profit organizations and for activities of general interest led directly by the Fund, audits, impact studies and monitoring by coordination teams was 60 million Euros. Partners co-financed the projects in the sum of 40 million Euros.

Thanks to the Fund, Danone transforms its practices and has developed an immediate competitive advantage (through the strengthening of the business, new distribution networks, development of new sustainable milk supplies or recycled plastic, for example) and in the long term (through the creation of sustainable solutions, rooted in the territory and social domain whilst also addressing the sustainability goals of our activity).

This competitive advantage is based on:

- a **'license to operate'**, i.e. the economic and social legitimacy of Danone to operate in the territories where it is established;
- a **positive differentiation** between Danone and its competitors.

This is how the Danone Ecosystem Fund participates in the development of an inclusive economy, which reconciles the long-term development of an international company such as Danone with that of small players in the local economy who make up the 'reinforced ecosystem'. It is a modern and open illustration Danone's dual social and economic project which is part of its DNA since 1972, because, as F. Riboud said when the Fund was created, "It is in the interests of a company to take care of its economic and social environment, which we can call, by analogy, its 'ecosystem'." ✕



Danone
Ecosystem
Fund





LIVELIHOODS
A WORLD OF OPPORTUNITIES

Creation of the Livelihoods Fund

Danone has joined forces with nine other large companies in support of the Livelihoods Fund whose mission is to invest in projects with a great environmental and social impact, particularly the restoration of natural ecosystems. These projects contribute to the fight against climate change by capturing large volumes of carbon.

The Livelihoods Fund also aims to have a significant impact on local communities (food safety, development of new revenue streams, etc.) and on the environment.

The constitution of the Livelihoods Fund comes within the framework of the reduction, by Danone, of its carbon and environmental footprint, through the development of actions compensating emissions of the Evian brand (see page 95). Indeed, projects of this Fund allow CO₂ credits to be obtained whilst generating a significant environmental and social impact within the community in which the projects are located.

The purpose of the Livelihoods Fund is to invest in three types of project, which will fulfill environmental and social criteria in Africa, Asia and Latin America:

- the restoration and preservation of natural ecosystems;
- the agroforestry and soil restoration through sustainable agricultural practices;
- the access to rural energy, reducing deforestation.

Investments of Danone and co-investors in the Livelihoods Fund

As a sponsor, in 2011, Danone brought together a first group of investors, including Crédit Agricole (Crédit Agricole CIB and Delfinances), CDC Climat and Schneider Electric Industries, joined, in 2012, by La Poste, Hermès International and Voyageurs du Monde, in 2013 by SAP and Firmenich and in 2014 by Michelin. Therefore the Fund now has ten investors.

On December 31st, 2014, all of these investors had pledged to invest a total of 40 million Euros in the Livelihoods Fund, 18 million Euros of which have already been paid into the Fund. Of these amounts, Danone pledged to bring 13.8 million Euros, 6.6 million of which had already been paid into the Fund as at December 31st, 2014.

Carbon credits generated by projects developed by the Livelihoods Fund are certified to the highest market standards and are allocated to investors prorated to their investment. Investors can use these credits to compensate their carbon emissions or sell them on the market.

Delivery of Carbon Credits

In 2014, the Livelihoods Fund delivered its first carbon credits to investors, thanks to two projects, verified by independent auditors: Oceanium in Senegal and Naandi in India. These two projects provided a total of 141,941 credits to the Fund in 2014, which were distributed in full to the investors in the same financial year. As a result of this initial distribution, Danone received 51,641 carbon credits.

Livelihoods Fund for Family Farming

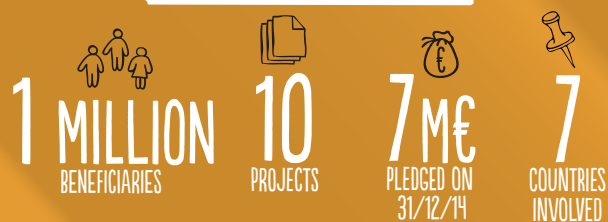
In February 2015, Danone and Mars, Incorporated, announced the creation of an innovative investment fund, Livelihoods Fund for Family Farming (Livelihoods 3F), aiming at helping companies to learn how sustainably source the materials they need from smallholders farmers while at the same time delivering large-scale social and economic impact to those farmers and their communities.

Livelihoods 3F aims to invest 120 million euros in the next 10 years to implement projects in Africa, Asia and Latin America, with the goal to help more than 200,000 smallholders farmers and two million people and boosting the sustainability of their crops. The projects will simultaneously restore the environment and put degraded ecosystems back on track while improving the productivity, incomes and living conditions of small rural farmers. X

Social Innovation Funds

supporting Danone's dual economic and social project

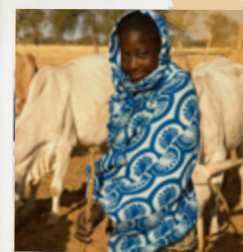
danone).communities



DANONE ECOSYSTEME



LIVELIHOODS



LAITERIE DU BERGER - SENEGAL



MILK COLLECTION COMMUNITIES EGYPT



OCEANUM - SENEGAL



ECOALBERTO - MEXICO



KLATEN - INDONESIA



TIIPAALGA - BURKINA FASO

LEGEND

- = danone. communities
- = Danone Ecosystem Fund
- = Livelihoods



Key issues and performance

FOOD TO THE BENEFIT
OF HEALTH P.34

SECURED AND VALUED
STRATEGIC RESOURCES P.56

HUMAN AT THE HEART
OF DANONE CULTURE P.100



Food to
the benefit
of Health

→ NUTRITION & HEALTH P.36



→ Nutrition & HEALTH

PRODUCTION AND COMMERCIALIZATION OF SAFE AND HEALTHY PRODUCTS

PROMOTION OF A HEALTHY LIFESTYLE AND NUTRITIONAL EDUCATION



USA
CENTRAL PARK
PHYSICAL EXERCISE AND HYDRATION

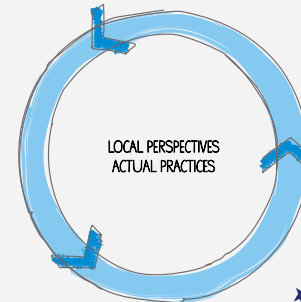
HEALTHY PRODUCTS

*Danone's mission remains unchanged:
"Bringing health through food
to as many people as possible"*

THE LOCAL RELEVANCE GUARANTEED BY THE THREE NUTRI-PROGRAM



UNDERSTANDING
the local environment
related to alimentation
and nutrition



MEASURING
the impact on diet,
nutrition, health



FOLLOWING
the product quality
and the market dynamics

This mission is continued and detailed in the "Food, Nutrition & Health Charter", which sets out Danone's commitments in respect of Nutrition and Health. The Charter is currently being updated to make the commitments more precise and more ambitious.

Danone's strategy in respect of Nutrition and Health is long-term and is based on a central pillar: focusing on virtuous product categories and products relevant to local contexts. This relevance is documented by the tools provided by the three major Research and Development Programs of Danone: Nutriplanet, Nutriways and Nutri-Impact.

A strategy based on virtuous products categories

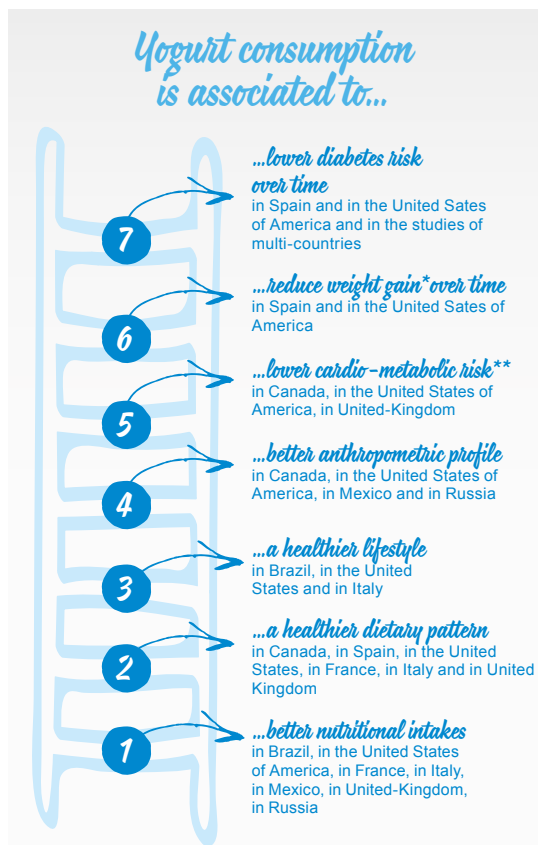
The objective: demonstrating the positive contribution towards health of Danone's main categories. This contribution occurs:

- because these categories are supported by positive recommendations of health authorities (water, fresh dairy products);
- because the products in these categories have to comply with stringent regulations (infant food, medical nutrition);
- because Danone is able to show that the category in question is a preferable alternative to others (for example, aquadrinks compared to market-leading sugar drinks).

The challenge for this principle is the very idea of a “category making a positive contribution”, because this has not been established; it is, for example, unknown to rating agencies, which do not take it into account in their evaluations. The challenge for Danone is, therefore, to provide scientific arguments supporting this idea and to make stakeholders aware of it.

That is why, in 2014, 86% of Danone’s sales were made in virtuous categories, namely: dairy products containing more than 50% milk, water and sugar-free drinks, infant food (not including biscuits, rusks, juices and teas) and medical nutrition. This figure has fallen slightly from 2013 (89%) for two reasons: the “traditional” portfolio of Unimilk, in particular butter and cream, which Danone Russia inherited, was included for the first time in the calculation; and the growth of the aquadrinks portfolio, which Danone does not consider to be a “virtuous category”, even though they represent a low-sugar alternative to market-leading sugar drinks.

Danone is committed to demonstrate the positive contribution of these categories. For yogurt, the Fresh Dairy Products division carried out a systematic study of data available from 10 countries to show the link between consumption of yogurt and improved diet/health. Such studies do not show a causal link but do confirm that yogurt is a positive element in diet quality.



1. Data from 2014 Scorecard on a scope of 45 subsidiaries covering 76% of Danone’s sales in the four divisions

*BMI or waist circumference/waist-hip ratio or risk of becoming overweight,
**including hypertension.



Nutriplanet program:
a comprehensive understanding of local contexts on all aspects of alimentation

The objective of this program is to cover the major markets of Danone, with a dual approach:

- the quantification of nutritional benefits compared to population needs (“Nutripacks”);
- the understanding of practices and representations in respect of food (“Food Styles”).

At the end of December 2014, 52 countries or regions were covered by the Nutripack approach. Furthermore, 11 countries had been subject to a study concentrating on the elderly population, and 15 countries had been subject to a specific study on fluid consumption (Fluid Intakes).

This data was shared with the scientific community through publications or conferences, carried out by Danone’s researchers or their academic partners.

Currently the focus is on studying food styles: at the end of 2014, eight countries benefited from a “Food Style” Study, two of which were carried out in 2014 (Early Life Nutrition - Poland, France). Work carried out in the previous year in Africa was validated by scientific communications at the RANI Congress in November 2014 (African Meetings on Infant Nutrition). An internal network of “Food Styles” experts is being set up, with 12 people already trained in the methodology and, progressively with the studies, contacts are being established with academic experts.

52

Countries covered by Nutripacks

15

Countries covered by Fluid Intakes

For the coming years, the primary challenge will be updating the oldest data of the Nutripack program, which started in 2003. For example, in 2014, Fluid Intakes data was updated in Poland. Next “Food Styles” studies will need to be multiplied bearing in mind that these studies require very specific socio anthropological skills and that each study is an ad hoc survey determined on the basis of a unique local problem.



African Meetings on Infant Nutrition





Nutriways Program: products of a nutritionally superior quality

The NutriProgress approach is part of the Nutriways Program. The goal of the NutriProgress approach is to drive, in the long term, the nutritional quality of the portfolio of products, to offer them to specific targets determined on a scientific basis. Furthermore, the aim is to drive their nutritional quality compared to competing products, by regularly re-evaluating their nutritional positioning compared to internal standards and competing products to be sure to always be one of the best, nutritionally-speaking, in a given market.

In 2014, 66% of Danone's sales were products complying with demanding nutritional standards²:

- fresh dairy products complying with Danone's nutritional standards for daily consumption;
- sugar-free water and drinks;
- infant food products complying with Danone Infant Nutrition standards;
- medical nutrition.

This figure is stable (67% in 2013) despite changes in scope (entry of Danone Russia) and short-term factors (growth of sugared drinks and indulgent dairy products) - which shows that with a constant scope, nutritional quality has continued to improve on daily dairy products and infant nutrition, as defined by Danone Nutrition and Health standards.

In parallel, the improvement of products is a **continuous process**: in 2014, 30% of products sold had been improved nutritionally over the previous three years³ (reduced fat, sugar, salt and/or addition of desirable nutrients such as vitamins and minerals in accordance with needs identified in the country, and/or improvement in the quality of nutrients [fats and sugars]). This figure shows continuity from previous years (31% in 2013 and 2012 on an identical scope in terms of product categories).

The following examples illustrate this trend:

- Fresh Dairy Products in Argentina: 57% of sales in 2014 correspond to products

which have been nutritionally improved since 2012;

- Waters in China: 38% of sales of aquadrinks in 2014 correspond to products which have been nutritionally improved since 2012;

- Early Life Nutrition in France (Blédina): 24% of sales in 2014 correspond to products that have been nutritionally improved since 2012, like the "Idées de Maman" range which has seen its salt content reduced by 30% whilst retaining the same taste acceptance.

30%
of products
sold have been
improved
nutritionally
during the past
three years.

66%
of products
comply
with demanding
standards.

*The challenge
is to reconcile nutritional
requirements with
consumers' taste preferences*



The second objective of the Nutriways program is to be able to identify alternatives for consumption within, but also outside its category, to demonstrate that Danone is a preferable alternative. Indeed, products from one category are sometimes consumed as a replacement for products in another category (for example, yogurt consumed as a snack is not necessarily eaten to replace another yogurt), which complicates nutritional comparison.

This is why Danone worked in 2014 to develop a new tool, Nutrichoices, which allows to identify alternatives to a given product outside its category and ensures that the Danone product is better than the product replaced. Pilots were carried out in three countries in 2014 (Argentina, France, Poland) and will be continued in 2015 to finalize the tool before a wider deployment. Scientific validation of the methodology is planned for publication in 2015.

The challenge is to reconcile nutritional requirements and taste preferences of customers in a competitive world where Danone is faced with competitors in local markets who have not made commitments as demanding as the Company. Additionally, in the current economic gloom, which prioritizes 'pleasure' products for which consumers do not value nutritional attributes.



2. Figures from Scorecard 2014 of 45 subsidiaries covering 76% of Danone's sales in the 4 divisions
3. Figures from Scorecard 2014 for Fresh Dairy Products + Early Life Nutrition + sugared aquadrinks)



The Nutri-Impact Program: long-term investment on impact measurement

The objective of this program is to develop scientific tools, which allow subsidiaries to measure the effective impact of their products and their actions both on dietary quality and on the health of their consumers. This is achieved by accessing data relating to food as a whole and analyzing it in a global manner, in different consumption contexts, in order to understand the effect of our products on diet and the effect of diet as a whole on health; with a dual difficulty: the effects of a single food product are modest and difficult to highlight, and this effect may change depending on the dietary context.

In 2014, Danone continued its work on developing methods intended to quantify the impact of its products and its actions on the diet and health of consumers. This research focus takes up the major proportion of efforts of the Global Nutrition Department over time, as well as several external academic partners. It is organized into three sections:



How to measure the diet and assess its quality

“Dietary records”

A person’s diet can be precisely measured through dietary record tools, of which there are several types suited to various uses. Expertise in this area within the Global Nutrition Department at Danone is renowned: its tools are currently used in three countries, within the “Metacardis” research project (part-financed by the EU in the framework of the 7th Framework Program for Research and Development). This expertise allowed subsidiaries of Danone, in 2014, access to a tool to assist in choosing the most suitable method to use, depending on the information sought.

« PANDiet »

This diet quality index, developed in 2013 by Danone Research in collaboration with AgroParisTech, allows to assess the adequacy of the whole diet compared to , in a single score. In 2014, several studies were carried out in Danone subsidiaries. For example, in France and Italy, adult yogurt consumers had a higher PANDiet Index than non-consumers of yogurt (in other words a better-quality diet).

Some academic research teams already use PANDiet, sometimes as a comparison to other indices, to measure diet quality; the relevance of this tool will thus be reinforced through independent publications in 2015.

How to quantify the impact of a change in diet

Two different tools, based on mathematical modeling, are currently being developed or used by Danone Research, notably in collaboration with INRA (National Institute for Agricultural Research) and Aix-Marseille University. Both tools are based on real consumption data, obtained during consumption surveys on large populations, which make the results relevant in a given local context.

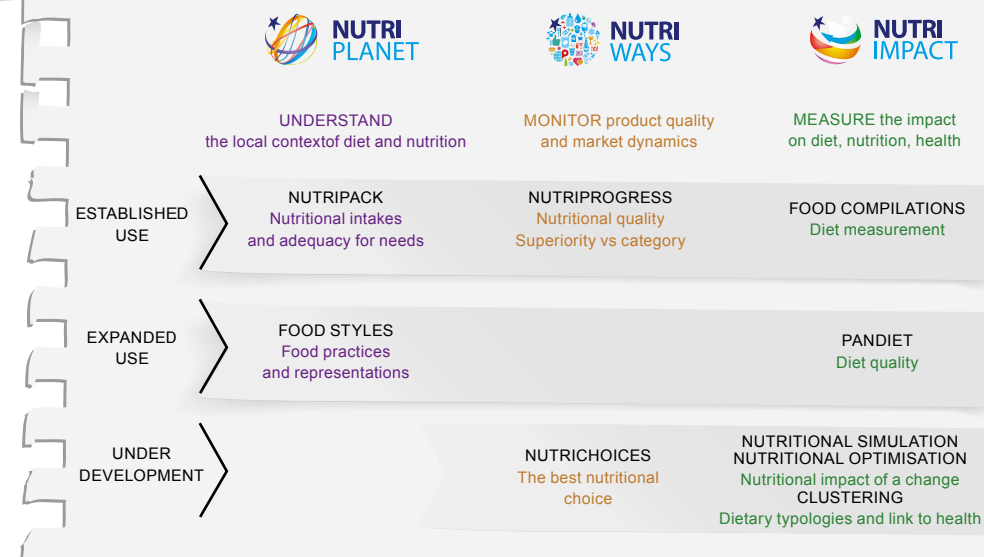
- By **nutritional simulation**: intervening virtually in the diet of one or more individuals in a population to estimate whether nutritional intakes are improved or impaired in the simulation compared to the baseline diet;
- By **nutritional optimization**: mathematical modification of the diet to respect nutritional recommendations, whilst (for example) changing as little as possible dietary habits.

Make a connection between food and health/ quality of life

Establishing a connection between certain dietary consumption schemes and health or quality of life parameters is possible thanks to global analysis approaches such as “clustering” classifications.



SUMMARY OF THE THREE NUTRI-PROGRAMS:





SAFE PRODUCTS

A dual assessment process

Subsidiaries' respect of commitments under the Charter is documented in a dual process of annual evaluation:

- key indicators are measured for all subsidiaries using the Danone Way approach;
- complementary indicators are measured in a dedicated process, the "Nutrition & Health Scorecard" for 45 subsidiaries in the four divisions in 2014, i.e. 76% of Danone's sales. These two processes are subject to verification by an independent third party.

In 2014, a multi-function committee was put in place at central level, the "Product Compliance Board". Among its areas of expertise is the supervision of Danone's commitments in respect of Nutrition and Health. Similar committees have been set up in each of the four divisions.

Setting up a specific governance to ensure consumer safety

As of January 1st 2014, Danone decided to reinforce Food Safety by creating a Corporate Food Safety Department, "FS @Danone", under the responsibility of a Chief Food Safety Officer (CFSO). This new department is part of the General Secretary of Danone and the CFSO reports directly to the General Secretary, member of the Danone Executive Committee. The Food Safety policy and governance are global and apply to all Danone businesses. Danone's food safety policy and governance are implemented in all the divisions and in all the regions where the company operates.

THIS SYSTEM IS BASED ON A SET OF CRITERIA TO ENSURE THAT PRODUCT SAFETY STRICTLY RESPECTS COMPLIANCE WITH:

- > laws and regulations enforced by local authorities and,
- > the Danone Food Safety Compliance (Policy, Governance and Directives) at each stage in the distribution chain, from product design to consumption, everywhere and all the time.

At central level, the Food Safety@Danone Department defines the Food Safety Policy, Governance and Directives to implement. The Directives are translated into Instructions, specific to each division (manufacturing, processes, ingredients, etc.). The Quality and Food Safety Plan is then consolidated and executed under the responsibility of each Division Quality & Food Safety organization. The Food Safety Management System, Food Safety indexes and the Key Performance Indicators are then consistent across the different divisions.

This policy is scientifically based and includes best practices published by WHO (World Health Organization), the CODEX and on Danone's own expertise in its products and manufacturing processes.

Each Division is responsible for policy implementation in compliance with local legislation and for integration of consumer expectations into the products development process.

Danone implements a Food Safety policy developed to focus its attention on consumers.

To bring all Danone's operations into line with a recognized food safety standard, wherever they are based, Danone has chosen the FSSC 22 000 standard. The percentage of plants in each division having FSSC 22 000 certification is given in the following table; the figures reflect acquisition of new factories and cession of some others.

Performance indicators relating to consumer needs

Some performance indicators are monitored daily at the production sites. The indicators below are analyzed at division level by the Quality departments and at a central level for overall governance:

- Food Safety Index, to guarantee product safety based on a set of relevant indicators such as good hygiene practices, good manufacturing practices, HACCP, control and monitoring plans, biovigilance and traceability;
- product compliance Index, to make sure that Danone delivers products in line with expectations, in every country where it does business;
- feedback from consumers, to evaluate their level of satisfaction.

To continue improving the results of these indicators, divisions carry on different projects focused on the specific needs of each particular business.

	FSSC 22 000
MEDICAL NUTRITION	40 %
FRESH DAIRY PRODUCTS	52 %
EARLY LIFE NUTRITION	18 %
WATERS	30 %



During 2014, Fresh Dairy products division continued to run the “We Love Danone Yogurt” program in subsidiaries and at corporate level, reaching an overall 14,000 Danone employees trained.

The “Storechecks” project relies on analyzing consumer experience on the purchasing decision moment in order to ensure fulfillment of 100 % of their expectations (not only product compliance, but also products availability, presentation and position versus competitors). An on-shelf audit information system has been developed to simplify the process, make the information instantly available and enhance reporting capability.

Additionally, 24 subsidiaries performed the “Storecheck” in 2014. The roll-out of a new app on mobile devices allowed the capture of the data directly on the spot, starting a consolidated worldwide database.

Early Life Nutrition division continued the deployment of the FOQUAL “Focus on Quality” program, in order to consolidate knowledge and spread the Quality culture. Quality & Food Safety culture remains a key pillar of the program to ensure sustainability of the actions implemented. Those actions have led to an improvement of our Quality Excellence score of 40% in 2014.

Waters improved division the store check results, notably by a 30% reduction in non-compliant suppliers. At the same time the subsidiaries worked on FSSC 22000 accreditation to achieve the target of 100% accreditation by 2020 (excluding the “HOD” sites in Mexico).

The Storechecks

PROJECT RELIES ON ANALYZING
CONSUMER EXPERIENCE ON THE
PURCHASING DECISION MOMENT IN ORDER
TO ENSURE FULFILLMENT OF 100%
OF THEIR EXPECTATIONS

Medical Nutrition division focused on developing a comprehensive food safety risk map and a division wide action plan to mitigate a number of identified risks. The development of an end-to-end quality management approach has been continued, with particular focus on strengthening risk analysis of innovation & renovation projects, implementing quality procedures and standards for logistics, warehousing and transportation, as well as defining the scope and developing quality procedures for subsidiaries.

In addition, improvements are driven by DaMaWay approach (Danone Manufacturing Way, Danone own industrial production model) in all factories what helps in spreading a Quality culture within the teams.

In 2014, 33 incidents related to food safety were recorded. Among them, eight were turned into crisis⁴. Danone’s crisis management procedure includes blocking, withdrawing or even recall of products in some cases, in collaboration with the relevant institutions, where there is a serious or direct risk for consumer’s health.

4. In the classification used by Danone, the concept of «incident» concerns the subsidiaries. Being of limited scope, as they do not lead to formal litigation or sanctions of any type, they are not consolidated. «Crises» however, as defined by Danone, can extend beyond the subsidiary’s scope of responsibility and have repercussions for the entire company; they are thus consolidated at central level.



ENSURING THE QUALITY AND QUANTITY OF MILK: IMPROVEMENT OF SKILLS FOR SMALL PRODUCERS

Since its creation in 2009, the Danone Ecosystem Fund, through its 22 milk-supply projects, has assisted, trained and strengthened the skills of around 19,000 people, principally small local farmers, in 18 countries, in order to ensure the quality and quantity of milk bought by Danone.

For example, Danone Egypt buys significant quantities of milk from local producers to make its fresh dairy products. In Egypt, 85% of milk is produced by small producers who only have one or two cows and limited access to the market; and the milk quality is often unsatisfactory, due to a lack of suitable structures and agricultural training.

With the support of the Danone Ecosystem Fund, Care Egypt and Danone Egypt launched the “Milk Collection Communities” project (“MCC Egypt”). The objective is to support small milk producers through training, which will enable them to improve the quality of their milk and the productivity of their operations, thereby increasing revenue and improving their living conditions. In parallel, the project contributes to the development of collection centers where farmers can sell their production. These MCCs ensure the refrigeration chain and quality controls necessary for the milk. Indeed, as soon as the milk arrives it is first weighed and analyzed in order to guarantee its freshness and quality before being accepted.

MCCs also propose complementary services, which contribute to the quality of milk and the development of the farmers (vets, animal feeding, training, etc.). ✕

MCCs created in
8 countries:
UKRAINE, TURKEY, EGYPT, ALGERIA,
MOROCCO, MEXICO, BRAZIL AND INDIA.





In the framework of its mission, Danone is committed to exercising a positive influence on behaviors in order to encourage favorable changes in the quality of diets and lifestyles and as a result, the health of populations - whilst respecting local characteristics and always mindful of consultation and alignment with academic researchers, experts and health authorities.

2 obligations for every Danone subsidiary:

Detailed nutritional information on their products

Responsible communication particularly in terms of advertising aimed at children and for infant nutrition, the marketing of breast milk substitutes

IN ADDITION TO THESE OBLIGATIONS, DANONE HAS A THREE-PART PROACTIVE STRATEGY:

- the identification, in local contexts, of priority causes;
- the availability of nutritional education services or programs for consumer and/or health professionals;
- commitments, alongside other actors, in education and awareness platforms.

AVAILABILITY OF DETAILED NUTRITIONAL INFORMATION ON ALL PRODUCTS

Danone has committed to providing detailed nutritional information on all of its products, respecting local regulations. Danone includes, notably, in its commitments, to systematically indicate the recommended size of a portion.

For Fresh Dairy Products and Waters divisions, this commitment is set out in the "Nutritional Information Charter", an internal guide intended for subsidiaries, updated in 2014 to take into account changes in European regulations. This information includes, amongst others, a table of nutritional values per 100g and per portion and an icon on the front of the packaging indicating the contribution of one portion of the product to the recommended daily energy intake. Application of this Charter is obligatory for subsidiaries in the EU; other subsidiaries have to apply this unless it would contravene local law. Natural mineral water, being subject to its specific regulations, is excluded from this commitment.

At the end of 2014, 99% of Danone's sales carried nutritional information on the packaging⁵. Furthermore, 81% of sales indicated a portion size (products packaged in individual portions and/or the recommended portion size indicated on the packaging).

In Europe, 96.1% of sales of dairy products and aquadrinks carried an energy icon on the front of the packaging, complying with commitments made under Food & Drink Europe⁶.

PRACTICING RESPONSIBLE COMMUNICATION

Danone is committed to practicing responsible communication on several themes.

Focus of advertising expenses on the most virtuous products in the portfolio

In 2014, 65% of advertising costs were spent either on promotional actions in the category or on the healthiest products in the portfolio (dairy products and infant food complying with internal nutritional standards, water and sugar-free drinks, and medical nutrition)⁷.

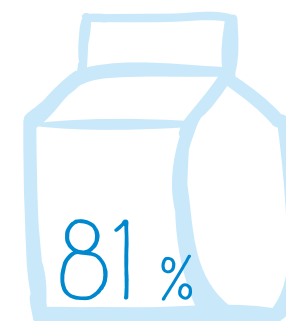
Systematic validation of health and nutrition claims

Since 2002, Danone has had an internal procedure in place to guarantee the coherence, credibility and scientific validity of health and nutrition claims in their communications. This procedure, inspired by European regulations, applies to all subsidiaries of the company, except in countries where local regulation is even stricter. It applies to all commercial communications, including nutritional or health claims and which are addressed to the public, consumers and health professionals. This validation procedure includes all functions concerned within the company (Research and Development, Regulatory Affairs, Legal Affairs, Marketing, Sales, Medical Affairs and Public Relations).

Advertising that complies with relevant codes of ethics

Danone is committed, for its Fresh Dairy Products and Waters divisions, to complying with the prescriptions of the ICC Code ("International Chamber of Commerce Code for Responsible Food and Beverage Communication") as well as local codes when these are more stringent. The Code forbids, for example, advertising that shows or promotes behavior that is contrary to a healthy lifestyle, particularly a lack of physical exercise and excessive consumption of food. Food for infants and medical nutrition comply with specific, very strict regulations.

Globally, advertising expenses for the Fresh Dairy Products and Waters divisions were 99.7% compliant with the ICC Code in 2014.⁸



81% of products with a portion size guidance

99%

of products have nutritional information on the packaging



5. Figures from the 2014 Scorecard for 45 subsidiaries of the four divisions, all products except for mineral water

6. Figures from Scorecard 2014 for 11 subsidiaries in the Fresh Dairy Products and Waters divisions in Europe

7. Figures from Scorecard 2014 for 45 subsidiaries in the four divisions

8. Figures from Scorecard 2014 for 24 subsidiaries in the Fresh Dairy Products and Waters divisions

Limiting advertising aimed at children

Danone is committed to limiting advertising aimed at children between 3 and 12 years old to those products that are tailored to their nutritional needs, in line with Public Health priorities. To this end, Danone is a member of local and regional “pledges”. In most countries, respect for these “pledges” is verified by an independent auditor and the results of the audit are published.

In the Fresh Dairy Products and Waters divisions, advertising expenses aimed at children under 12 represented, in 2014, 12% of total advertising expenditure for these two divisions.⁹

Danone’s commitment to limit advertising aimed at children under 12 in the EU is audited every year by external auditors in the framework of the “EU pledge on advertising to children”:

- regarding of television advertising in 2014, the audit covered seven countries and a total of 1,016,983 televised advertisements were verified in the first quarter of 2014 for all actors;
- regarding of websites, in 2014, the audit covered 10 countries: a total of 326 websites were verified over a two-month period. Out of the 14 Danone sites verified, 12 were considered compliant and two not compliant to the Pledge commitments. Corrective actions were implemented to deal with those that did not comply.

Responsible marketing for breast milk substitutes

Danone understands the challenges faced by parents in raising their children and believes they should have access to the right information to allow them to make appropriate and informed feeding choices for their children. In support of this, Danone acknowledges the importance of the International Code of Marketing of Breast Milk Substitutes and subsequent relevant WHA resolutions and support the WHO’s recommendation calling for exclusive breast-feeding for the first six months after birth and continued breast-feeding along with the introduction of safe and appropriate complementary foods thereafter. Danone works alongside committed partners, mobilising stakeholders to promote the long term benefits of ensuring the right nutrition during the first 1,000 days.

The Early Life Nutrition division continues to strengthen its tools and governance procedures, and published key documents in 2013: the “Green Book” (“Danone Policy for the Marketing of Foods for Infants and Young Children”) and the “Blue Book” (“Management System Manual for the Marketing of Foods for Infants and Young Children”). The Green Book clarifies the standards of behaviour that are expected of Danone employees in the performance of their duties and supports ELN’s mission “Stand by Mums to Nurture New Lives”, by: a) ensuring we contribute to the provision of safe and ade-

IT IS NOTEWORTHY THAT NOT ONE OF THE NONCONFORMITIES LED TO CONSUMER COMPLAINTS OR CONTESTATION BY A PUBLIC AUTHORITY.



IDENTIFICATION OF PRIORITY CAUSES TO BE ADDRESSED IN LOCAL CONTEXTS

quate nutrition, b) both protecting and promoting breast-feeding, and c) ensuring the proper use of breast milk substitutes, when necessary, via the provision of adequate information and appropriate marketing and distribution practices.

The Blue Book, used in conjunction with the Green Book, helps create robust processes and consistency in application for all the Early Life Nutrition businesses. One commitment detailed in the Blue Book, is to manage and report on allegations of non-compliance with the Green Book. Danone has published a report in 2012 and will shortly publish similar reports for both 2013 and 2014. In addition, a report has been published in response to complaints from external stakeholders (of non-compliance with the International Code of Marketing of Breast Milk substitutes) over the period January 2011 to December 2013.

To ensure that the Danone’s Green Book and Blue Book have been effectively and correctly implemented, an independent third party conducts external audits yearly. Danone has honoured its commitment of a minimum of five audits each year in 2012, 2013 and 2014 and will continue this practice for the foreseeable future.

Each subsidiary, after having done some research about its local (see Nutriplanet program page 39), can then identify a priority cause to which it can legitimately commit itself, because its portfolio of products is relevant to the chosen cause. The subsidiary may choose several causes: for example one cause per population group.

The initial challenge is to research the cause using factual and quantified data; when published data is insufficient, the advice of local experts must be sought and sometimes ad hoc studies may be needed to obtain missing data. The second challenge is that the cause should be locally recognized by stakeholders and, in particular, by health authorities: this is an essential condition so that the actions of the Danone subsidiary for the cause are understood and recognized as legitimate, and not as just marketing insight.

At the end of 2014, in the Fresh Dairy Products, Early Life Nutrition and Waters divisions, 29 subsidiaries within the Scorecard had identified at least one such priority cause in their local context¹⁰.

98,8 %
COMPLIANCE TO
THE EUROPEAN PLEDGE
ON TELEVISION
ADVERTISING AIMED
AT CHILDREN

9. Figures from the 2014 Scorecard on 24 subsidiaries of the Fresh Dairy Products and Waters divisions”

10. Figures from Scorecard 2014 on 37 subsidiaries of these three divisions.



COMMITMENTS ALONGSIDE OTHER PARTICIPANTS, IN EDUCATION AND PUBLIC- AWARENESS PLATFORMS

Danone is committed, alongside other participants in collaborative platforms to contribute to increasing understanding and promoting good dietary practices and recommended behavior.

PROVISION OF NUTRITIONAL EDUCATION SERVICES AND PROGRAMS

At the end of 2014, in the scope of the Scorecard, 39 of 45 subsidiaries had such programs in place, for example:

- Russia/Fresh Dairy Products = “The ABC of Nutrition”;
- UK/Easly Life Nutrition = “Ten Steps for Healthy Toddlers”;
- Indonesia/Waters = Practical guide for doctors “Hydration during physical exercise”;
- Brazil/Medical Nutrition = “Cuidar é viver”, program for caregivers for the elderly.

Globally, there are 199 programs active worldwide at the end of 2014, with a potential impact on 490 million people¹⁰.

Some of these programs are communicated externally like Diet Physic Activity & Health.

GLOBALLY, THERE
ARE **199** PROGRAMS
ACTIVE WORLDWIDE
AT THE END OF 2014, WITH
A POTENTIAL IMPACT ON
490
MILLION PEOPLE

FOR EXAMPLE:
5 of them
were declared
as commitments
in the European
Platform

These actions are not limited to promoting Danone’s products but include, on a wider basis, the promotion of a balanced diet and a healthy lifestyle, in line with the recommendations of health authorities.

For example, “Hydration for Health” is an initiative launched by Danone Nutricia Research to increase public awareness of healthy hydration, by sharing scientific results and providing educational material and practical tools.

When local platforms already exist, created by other actors, which address the same cause, it is appropriate that the subsidiary joins the existing initiative. For example, Dannon Company in the USA joined “Partnership for a Healthier America”, an independent organization, of which Michelle Obama is the honorary president, which brings together public and private actors and NGOs to make extensive commitments and develop shared strategies to fight child obesity.

ACTIONS DEVELOPED IN THESE PLATFORMS
MAY TAKE DIFFERENT FORMS:

- > *scientific consensus meetings, scientific publications or events to encourage debate and recognition of the cause by the academic world;*
- > *submissions to health authorities to encourage the issue of new recommendations for the population;*
- > *training and educational programs aimed at healthcare professionals;*
- > *themed information for the media;*
- > *educational programs and practical tools for the public or certain groups (for example pregnant women, children) or intermediaries (schools, nurseries).*

10. Figures from the Scorecard 2014 on 45 subsidiaries in the 4 divisions.



BEYOND DANONE ACTIVITIES, THESE PROJECTS ARE SUPPORTED BY THE DANONE ECOSYSTEM FUND...

The Danone Ecosystem Fund assists in the implementation of training projects for people providing services to individuals as well as those in charge of distribution of Danone products, so as to better fulfill the company's mission to promote a healthy lifestyle and to encourage nutritional education tailored for each life stage.

With this in mind, 13 local subsidiaries work in partnership with caregiver associations, home helps, midwives, health professionals' institutions and local health Ministries to help members of the health services as well as those working as individual caregivers increase their skills, particularly in terms of suitable nutrition. To this end, Danone, via the Ecosystem Fund, is working with these participants to co-develop accredited training provided through independent training organizations (schools, institutes etc.) and/or e-learning schemes. These allow local needs to be addressed, particularly in terms of nutrition tailored for babies, children, mothers, the elderly and people in fragile family situations.

TODAY THIS ACTION INVOLVES
*13 projects in 13 countries and
affects around 2,000 people*

In Romania, there is a lack of doctors and midwives. Pregnant women have little information, or are even misinformed about pregnancy, motherhood and suitable infant nutrition. This is why Danone Baby Romania, in partnership with the Red Cross and Crucea Alba (a local NGO) have co-created the 'Stand by Mums' project. The aim is to establish a network of perinatal assistants to accompany mothers throughout pregnancy and birth. Approved training has been co-created and given to nurses and midwives who are trained in tailored nutrition and perinatal care. They are also assisted in the creation of their independent activity to provide this service, which brings them additional income.

To improve child nutrition in Indonesia and educate mothers on suitable nutrition, the "Warung Anak Sehat" project, which means "healthy child kiosks", has been launched in essentially urban areas. Women already active in local care centers benefit from access to micro loans, as well as training on suitable nutrition, to enable them to manage a kiosk, which will not only give access to healthy products in urban areas, but also enable them to give information to neighboring women on healthy eating habits and suitable nutrition.

TO DATE,
*more than
200 people have
benefitted from
this program*

*This project has directly
and indirectly benefitted
more than
16,000 people*

danone).communities

...AND BY DANONE.COMMUNITIES

The "Programme Malin"

From conception to age three, children go through a unique development period, both physically and physiologically. It is a crucial period during which their future health is shaped. However, every year in France, one in five children is born in a family living below the poverty level. For families in hardship, products tailored for infant nutrition weigh heavily on their budget and advice is not always tailored to their material, economic or emotional situation. The "Programme Malin" brings practical help and educational support for parents in situations of hardship, which have children under three. The "Programme Malin" has two approaches aimed at target families: education and support in good nutritional practices and discount coupons enabling them to purchase Blédina products tailored for babies' needs at a rate of 25 to 50% off.

Since 2012, more than 2,600 children have benefitted from the "Programme Malin", through 150 local partner organizations. In 2015, Malin will continue to develop in five towns in France.



NutriGo

In China, anaemia affects 45% of children between six months and five years old in rural zones. This is essentially due to poor dietary practices for children. To combat infant malnutrition in rural China, NutriGo has set up educational programs aimed at parents and healthcare professionals, and has made available the "YingYangBao" nutritional supplement, a powdered milk enriched with vitamins, minerals and protein tailored to children's needs. This product can be consumed as a drink or added to daily meals. The formula was co-developed with the Chinese government and has had a proven effect on the reduction of child anaemia.

NutriGo was launched through the joint actions of Dumex (a Chinese subsidiary of Danone), the Chinese NGO NIP, Chinese health experts and danone.communities. The educational campaigns have reached 250,000 people and in 233 villages, 2,400 babies use the product today. This is a pilot phase aiming to reach 1,500 villages and 40,000 baby beneficiaries over the next three years. ✕

Secured and Valued Strategic Resources

→ RESPONSIBLE PROCUREMENT P.58

→ ENVIRONMENT P.66



INDONESIA
DAIRY FOR MERAPI PROJECT



→ Responsible Procurement

ASSESSMENT OF SUPPLIERS' CSR PERFORMANCE

SUSTAINABLE RELATIONSHIPS WITH SUPPLIERS

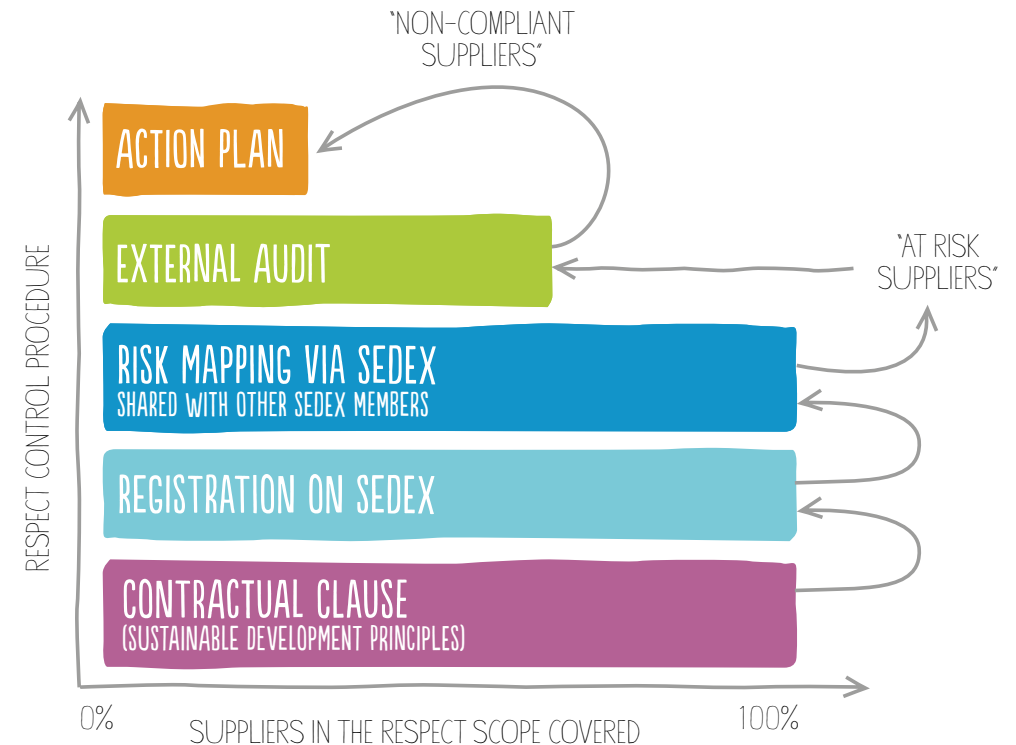


THE RESPECT PROGRAM

The RESPECT program launched in 2005 extends Danones' 'dual economic and social project' to its entire supply chain, except milk producers (addressed in the FaRMs program) following a specific process of:

- contracting with suppliers within the framework of the signature;
- contracts and/or general terms of procurement about the respect of the Sustainable Development Principles (social, environmental and ethics);

- sharing information through supplier self-declarations concerning their Corporate Social Responsibility performance, using the SEDEX platform shared by all consumer goods industry players, in the AIM-progress association;
- external CSR audits using the SMETA benchmark for suppliers viewed as at-risk based on this information exchange, with a view to implementing an appropriate action plan (see diagram below):



ASSESSMENT OF SUPPLIERS' CSR PERFORMANCE

THE SEVEN FUNDAMENTAL SOCIAL PRINCIPLES:

1. CHILD LABOR

The company does not employ children 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 programs (as work-linked training) are not included in this limitation.

2. FORCED LABOR

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

3. NON-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, color, sex, sexual orientation, religion, political opinion, age, nationality, family obligations or other considerations.

4. FREEDOM OF ASSOCIATION AND RIGHT TO COLLECTIVE BARGAINING

The company recognizes and respects employees' freedom of association and their right to freely choose their representatives. The company also recognizes 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 integrity or health of employees. Action to reduce the causes of accidents and improve working conditions is the object of ongoing programs. 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, including overtime work. 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.

FOCUS ON ADHERENCE TO FUNDAMENTAL SOCIAL PRINCIPLES

Danone's commitment to comply with and promote human rights principles has been defined, implemented and promoted to suppliers.

The Seven Fundamental Principles are the basis for the RESPECT program launched in 2005, which aims, among other things, at ensuring the application of these principles to Danone's suppliers.

In the framework of the RESPECT program, to ensure that all suppliers comply with these principles, Danone has integrated a specific 'Fundamental Social Principles' clause into its General Terms of Procurement. This clause is included in all contracts and is compulsory for all suppliers.

Since 2009 the scope of supplier responsibility has been expanded to include Environment and Business Ethics related to:

- practices regarding remuneration;
- protection of resources;
- chemical products;
- climate change and greenhouse gas;
- environmental management.

These principles are thus integrated into all agreements involving key suppliers.

BY ACCEPTING THE GENERAL TERMS OF PROCUREMENT, THE SUPPLIER UNDERTAKES TO:

- *comply with the Fundamental Social Principles ;*
- *promote respect for these principles among their own suppliers, subcontractors and partners ;*
- *give Danone the right to verify the application of these principles, in particular through audits;*
- *if non-compliance by a supplier is identified during an audit, draft a corrective action plan targeting all identified non-compliance issues for approval by Danone;*
- *if a supplier refuses to draft a corrective action plan, or if recurring non-compliance issues are raised in several audits, recognize Danone's right to terminate the contract with this supplier.*

RESULTS FROM THE RESPECT APPROACH 2014

Danone determines the suppliers concerned by the RESPECT program using the following criteria:

- all suppliers of raw materials and packaging, except for suppliers of fresh milk, who are covered by the FaRMs program;
- all call centers and temporary employment agencies;
- all suppliers of publicity articles and gifts (of rank 1 and 2);
- all suppliers working within Danone premises with a multi-year contract;
- all other suppliers with whom Danone spends over 500,000€ per year.

In 2014, 4,128 suppliers' sites were included in the program. 89% complied with the requirements of the program set out above. This conformity rate is increasing since 81% of suppliers complied in 2013.

This table shows the distribution, by division, of the number of suppliers' sites having completed a SEDEX self-assessment questionnaire in 2014, in a sufficiently detailed manner to be able to conclude whether a risk required an audit or not.

	Waters	Easy Life and Medical Nutrition	Fresh Dairy Products	Total
Africa	2	3	48	53
Amérique	168	65	647	880
Asia	324	301	310	935
Europe	299	677	819	1795
Total	793	1046	1824	3663

On the basis of the self-assessment of these 3,663 sites, 65 sites were 'SMETA' audits by external auditors having been assessed as 'at risk'. These audits allow the risks identified by the pre-analysis (made via SEDEX and the Maplecroft tool) to be confirmed or not, and actions plans to be put in place, if necessary. Of these 65 audits, 61 were able to be closed as the risks were not confirmed or action plans to address non-conformities were put in place.

RESPECT OUTLOOK

In 2014, the RESPECT program's governance was strengthened. Two steering committees were formed:

- an operational committee meeting four times per year whose purpose is to resolve operational problems, monitor the performance of the four divisions and draw up action plans required for improvement of indicators;
- a strategic committee meeting twice a year, whose purpose is to share program results, discusses and validates strategic directions. This committee agreed to update the ambitions of the program in line with Danone's strategy and so as to better integrate the different approaches regarding suppliers.

The implementation of a sustainable relationship with suppliers is a key component of Danone's activity, within its own business and throughout its ecosystem. The supply of sustainable materials is an integral part of responsible buying, however this challenge is dealt with in the Environment section (see page 74).

THE FARMS PROGRAM

In the domain of agriculture and milk collection, the Fresh Dairy Products division implemented, in 1997, in conjunction with all of its farmer partners, the FaRMs program. This program aims at improving and auditing their environmental practices (water and energy consumption, use of fertilizers and manure, waste, wellbeing of animals, etc.).

It allows for producers to be helped to deploy good practices that are respectful of the environment and ensures systematic monitoring of agricultural operations according to nine key environmental criteria, such as waste management, use of plant health products or water and energy consumption. For example, it encourages farmers to leave hedges and grass bands on their land, particularly close to water, so as to preserve biodiversity.

The FaRMs program (Farmers Relationship Management Software) had been strengthened throughout 2014 in the Fresh Dairy Products division with the deployment, in Morocco and Algeria, of an audit methodology tailored for collection centers for small milk producers.

A GUIDE TO SUPPORTING MORE SUSTAINABLE AGRICULTURE

A guide has been drawn up and published in partnership with a panel of international external experts to support practices for more sustainable agriculture.



A NEW CONTRACTUAL APPROACH WITH FARMERS

Numerous initiatives in the United States, Mexico, Brazil or Europe have reinvented the contractual relationship between Danone and its farmers, in order to offer greater visibility and price stability in the long-term. This innovative approach applies not only to increasingly volatile milk market prices but also to the production costs of the operation.

For example, for of the four McCarty brothers, third generation milk producers in the USA, the Dannon Company Inc. is now part of the family. The company has helped them meet the two challenges that confronted their Kansas farm: price volatility and scarcity of water. Prices are now fixed according to the evolution of their production costs rather than the market, which guarantees them stable profit margins. the condensed milk factory built with the help of The Dannon Company Inc. recycles enough water to address almost all the farm's needs. The brothers have been able to develop their operation, going from 3,500 to 8,000 cows and to consolidate their sustainable approach. McCarty Farm has created one hundred jobs. The latest product of the Dannon Company Inc. range, the Dannon Company Inc. Creamy is exclusively produced from McCarty milk.

2014, the McCarty Farm won the US Dairy Sustainable Award and the Validus Certified Responsible Producer, an American certification, which is strenuous in terms of security, environment and animal wellbeing.



EDUCATIONAL FARMS AND COLLECTION CENTERS

Today around 40% of projects supported by the Danone Ecosystem Fund concern the revitalization of agricultural upstream of Danone through innovative practices. These projects, real laboratories for studying the obstacles, as well as the opportunities for change, implement new, more sustainable models, through co-creation with our stakeholders: farmers, cooperatives, applied research centers, union organizations, specialized NGOs, associations, inter-trade bodies, academia, etc. By promoting rooting operators in their local region and helping them develop a long-lasting agricultural activity that is profitable, respectful of the environment and that creates social value, the Danone Ecosystem Fund's projects try to give producers the means to build tomorrow's agriculture. In parallel, these projects create new sourcing opportunities for fruits and milk whilst strengthening and securing Danone's long-term supply.

For example, in Mexico, 86% of milk comes from family farms, which face difficult market conditions. Danone Mexico, in partnership with Technoserve and with the support of the Danone Ecosystem Fund, developed project 'Margarita' to promote a model of sustainable milk production involving small farmers who could thereby improve the quality of their milk and increase their revenue.

40%

OF PROJECTS SUPPORTED BY THE DANONE ECOSYSTEM FUND CONCERN THE REVITALIZATION OF DANONE'S AGRICULTURAL UPSTREAM THROUGH INNOVATIVE PRACTICES.

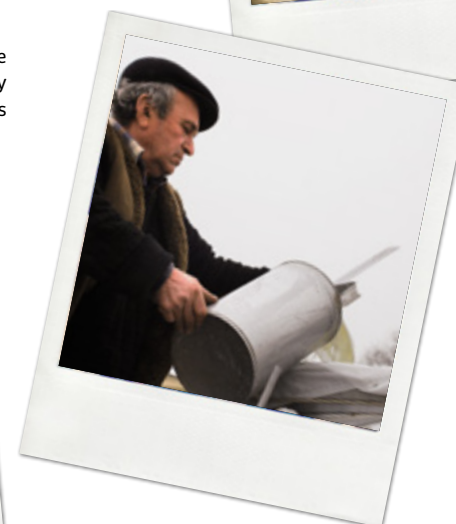
The subsidiary Danone Produits Frais France (Fresh Dairy Products-France) initiated the Reine Mathilde Project, a program aim at developing the production of organic milk in the Basse-Normandie region, one of whose flagship actions is to put in place an experimental organic host farm.

In countries where milk production techniques are still undeveloped, such as Ukraine, China, Morocco or Turkey, educational farms (seven in total) or buying cooperatives (13 projects underway) have been set up with the help of the Danone Ecosystem Fund, in order to help producers to improve the quantity and quality of their production.

In Costa Rica, Stonyfield Farm and the Sustainable Food Lab launched the CAPE project (Cellular Aseptic Processing Equipment) whose objective is to design an organic fruit transformation unit tailored to small and medium operations. This project should allow farmers from the APPTA cooperative (Association for the Small Producers of Talamanca) to reduce their losses, which amount to 40% of today's production of cocoa, bananas and other organic tropical fruit and which arise due to the distance between farmers and the production factory.

The Danone Ecosystem Fund has been able to transform the way in which a company such as Danone works with these local actors who are traditionally excluded

from business relationships with large companies (subsistence farmers, rag pickers, street sellers, home helps etc.). In fact, the relationship client/supplier is evolving towards a relationship between partners, which moves around a co-creation approach with mutual benefits and shared risks in a spirit of economic and social development of the regions where Danone operates.



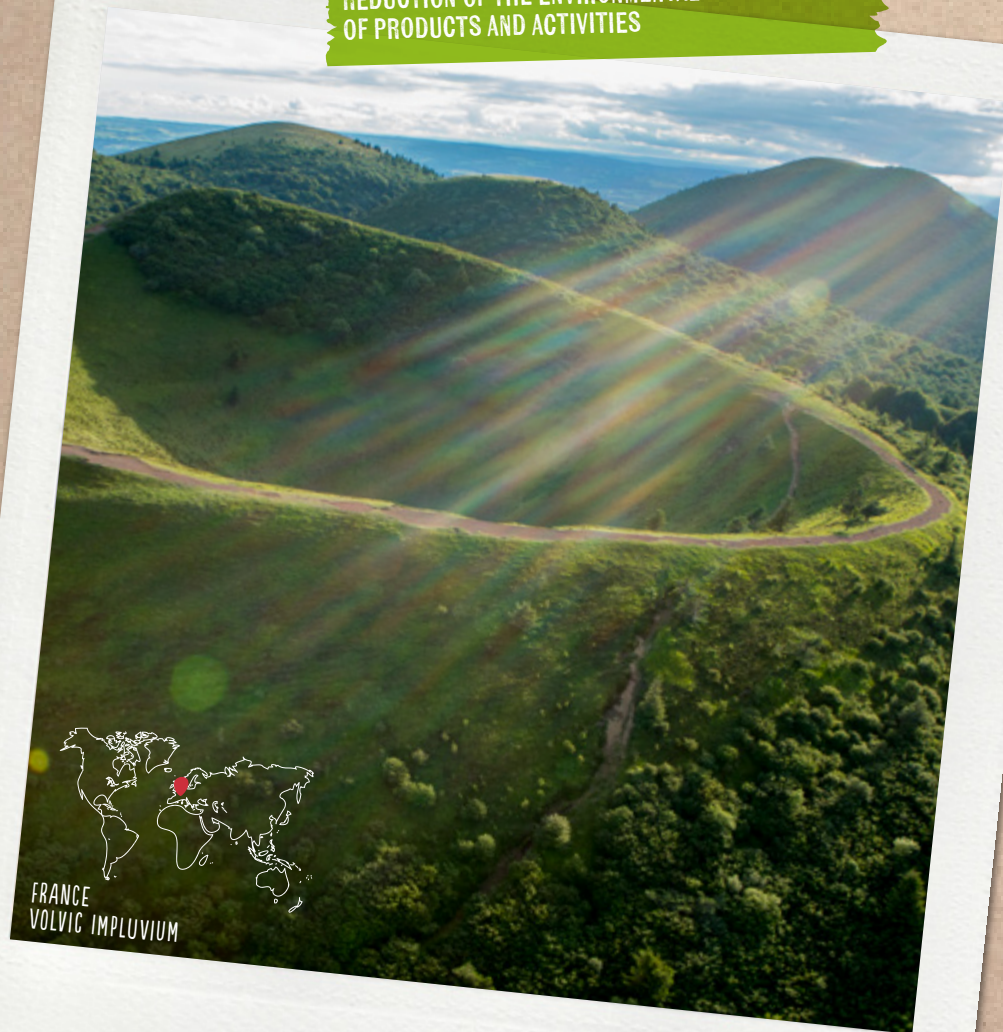
→ Environment

MANAGEMENT AND PROTECTION
OF WATER RESOURCES

SUSTAINABLE RAW
MATERIALS SUPPLY

REDUCTION IN THE QUANTITY
OF WASTE AND RECYCLING

REDUCTION OF THE ENVIRONMENTAL FOOTPRINT
OF PRODUCTS AND ACTIVITIES



NATURE 2020: NATURE AT THE HEART OF THE FOOD CHAIN

For Danone, healthy eating starts with healthy nature. Danone's action has the nutrition chain at its heart. This extends from the production of raw materials from agriculture and use of water, to end of life products, passing through their industrial transformation, their packaging, their transportation and their distribution.

In 2000, Danone set objectives as well as a market plan for 10 years. In 2008, the company stepped up the pace by setting an objective to reduce the intensity of greenhouse gas emissions by 30% over five years within its direct scope of responsibility, an objective it exceeded at the end of 2012.

Since then, Danone has identified four essential domains around which it built a plan for 2020: climate, water, packaging, and agriculture). Each of these domains brings together ambitious initiatives: for some, Danone is already committed, others open new frontiers and set new targets; and still others set ambitions, the objectives for which Danone has given itself the next few months to finalize and make operational. Solutions will come through innovation.

Nature
2020



GOVERNANCE ADAPTED TO GOALS

Danone's environment strategy is rooted in governance in accordance with the company's decision-making processes. The Nature plan is managed at several levels, beginning with a Nature Committee comprising some of the company's key decision-makers (Managing Directors, VPs for operations, research and development, procurement, etc.). The Nature strategy is sponsored by the company's CFO, member of the Executive Committee. In addition, every division has a Nature Committee and there are Nature managers in every subsidiary.

Since 2010, Danone has involved a panel of experts and external stakeholders to organize its strategic thinking and help define its long-term road map. This panel will continue its work as the plan is rolled out. Danone also designed a Nature training module in 2013 to raise awareness on the strategy within Danone. This module will be expanded and made available to all staff in 2014.

Lastly, to strengthen the connection between nature and business, Danone released a Guide to Environmental Claims in 2011 in collaboration with the Futerra agency, to encourage responsible communication by the different subsidiaries and brands. This tool is now available to Danone's teams via a new interactive website.

Protect water resources, particularly when scarce, and use them in harmony with local ecosystems and communities

Water is a precious and sometimes scarce resource that must be used in harmony with local ecosystems and communities. Danone is therefore committed to preserving this indispensable resource and to respecting its natural cycles by adopting responsible practices at the local level.

The concerned areas by water stress constantly increasing worldwide, the risk anticipation in local river basins is essential to ensure the sustainability of agricultural and industrial activities of Danone. The sustainable solutions include necessarily the involvement of all stakeholders on a territory.

That is why Danone will publish in 2015 its new water policy presenting its strategy by 2020 on all the water cycle, from its agricultural upstream to the consumer.



The company focuses on four priorities:

- measure water footprint;
- protect;
- reduce consumption and waste;
- monitor ecosystems.

MEASURE WATER FOOTPRINT

A new tool for measuring Danone's water footprint, developed with Quantis, expert in analysis of life cycle and environmental impacts, was tested in a pilot subsidiary, and will be deployed in all the Waters division subsidiaries by 2020. The evaluation of "water" impacts arising from agricultural practices has been integrated into the DanRISE tool (see Sustainable Agriculture).

PROTECT

Protecting water sources and respecting the cycles of nature are Danone's two priorities. Danone has always taken great care not to withdraw more water than nature is able to naturally renew, and systematically evaluates the quality of water returned to circulation after use. Danone has also developed a new method for overseeing local water management, known as "SPRING", in collaboration with the Ramsar convention and IUCN (International Union for Conservation of Nature), to control the local water management. It will be deployed at every site and also made available to other users.

REDUCE CONSUMPTION AND WASTE

Danone seeks to set the example by continuously reducing water consumption and waste in its plants. Results are very positive, with the water consumption intensity related to the production process reduced by 4% in 2014, and down by 39% since 2000.

Danone is setting a new reduction goal of 60% by 2020, and also strains to ensure that used water returned to nature is of adequate quality for downstream ecosystems and users, by implementing strict corporate standards (defined in the Danone Clean Water Guidelines).



The table below presents the water consumption of Danone's production sites in 2013 and 2014:

FOR THE YEAR ENDED 31 DECEMBER

(in thousands of cubic meters)	2013	2014 *
Total water withdrawn from the surrounding area	43,934	44,634
Well water	12,759	18,978
Municipal water	3,935	5,683
River water	60,628	69,295

* 2014 figures verified in the 2014 Registration Document

Of the 69,295 thousand of cubic meters of water withdrawn, Danone uses:

- 25,826 thousand of cubic meters of water in the composition of its finished products, primarily at its bottling sites (compared with 24,573 thousand cubic meters in 2013);
- 43,469 thousand of cubic meters of water for production processes (compared with 36,055 thousand cubic meters in 2013).

Danone's water consumption increased by 14.3% between 2013 and 2014, which breaks down to +2.1% from rising quantities of water used for the composition of products, and +12.2% linked to greater quantities of water used in production processes.

The table below presents water consumption related to industrial production processes in 2013 and 2014:

FOR THE YEAR ENDED 31 DECEMBER

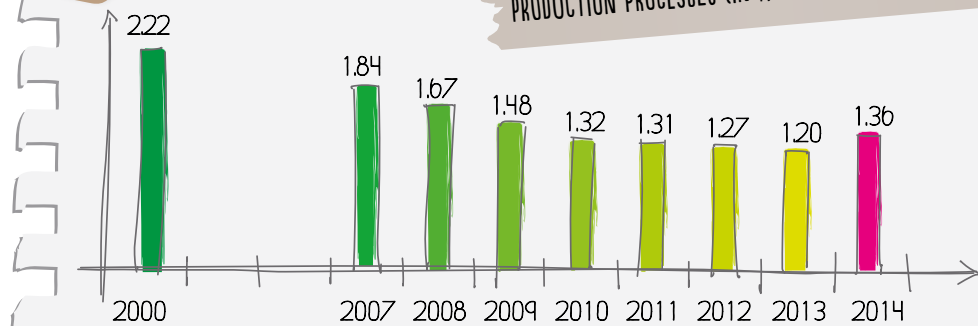
	2013	2014 *
Water consumption in the production processes	36,055	43,469
Intensité de la consommation d'eau liée au processus industriel (en m³/tonne de produit)	1.20	1.36

* 2014 figures verified in the 2014 Registration Document

The increase of water consumption linked to industrial process is related to the integration of Unimilk's former companies in 2014.

On a like-for-like basis, water consumption intensity related to the production processes decreased by 4% between 2013 and 2014. This change is the result of a favorable mix effect for 3% and of efforts to improve productivity in all divisions for 1%.

INTENSITY OF WATER CONSUMPTION RELATED TO PRODUCTION PROCESSES (IN M³/TON OF PRODUCT)



Within the Waters division, the WaterWatcher tool allows monitoring of water use in the bottling sites and helps identify areas for improvement. This tool has been rolled out to every division site. The sites measure all water consumed for every use (production, cleaning, etc.) to identify the items generating losses and define appropriate action plans for reducing these losses. The sites also have annual water loss reduction goals, with their performance published quarterly by the division. More than 15 billion liters have been saved in this way since 2008 (equivalent to 15,000 thousand metric tons).

Danone continued its water footprint research in 2014, notably with its partner Quantis, as well as by contributing to the development of European standards (PEF or Product Environmental Footprint).

This approach has served to establish a water footprint evaluation methodology that takes into account:

- The inventory of consumption at each product lifecycle stage: product manufacture (ingredients, packaging, production, packing), transport, consumer use and end of life;
 - The local water stress factors (water stress is defined as a deficit of water of satisfactory quality to meet human and environmental needs);
 - The compensatory measures directly related to product formulation (protection policy or CSR program), which are evaluated in the form of water volume credits.
- This methodology will be used to identify sensitive zones and methods products for reducing impacts across the entire lifecycle, in the Waters division in a first phase.

The table below presents the quantities of COD (Chemical Oxygen Demand) discharged after treatment by Danone's production sites in 2013 and 2014:

FOR THE YEAR ENDED 31 DECEMBER

	2013	2014 *
Final discharge of Chemical Oxygen Demand (COD)	5.0	6.4
Net COD ratio (kg/metric ton of product)	0.17	0.20

* 2014 figures verified in the 2014 Registration Document

The increase of the net COD ratio is related to the site integration of Unimilk's former companies in 2014.

On a like-for-like basis, this indicator shows a decrease of 12.3%. This is due in part to the launch of new wastewater treatment facilities on the site of Poços de Caldos in Brazil, and to action plans implemented in the subsidiaries to reduce losses in wastewater and/or improve the equipment's purification performance.

Of the 69.3 million cubic meters of water withdrawn, Danone uses some 25.8 million cubic meters in formulating its finished products (not including production processes), essentially sourced from 89 bottling sites.



MONITOR ECOSYSTEMS

The priority aim of water management is to control the risks arising from human activity, such as pollution, deforestation and urban development. Danone therefore seeks to protect and restore the ecosystems connected to water in the regions where Danone operates, because protecting these ecosystems means protecting water, and vice versa. For example, forests reduce runoff and increase evapotranspiration and infiltration, while deforestation increases risks of flooding and loss of fertile soil.

Wetlands can help regulate and naturally purify the water that passes through them, as well as being home to native plants and animals. Their deterioration or even destruction - half of the world's wetlands have been destroyed since the start of the 20th century² - worsen the food supply issues faced by the most vulnerable communities. Danone also protects highland drainage areas where the company operates and where agricultural activity often predominates.

For example, to preserve its natural source of mineral water, the Villavicencio brand protects a nature reserve of 72,000 hectares (178,000 acres) and its rich biodiversity. It

went on from this experience to pursue an innovative partnership with the NGO Banco de Bosques and implement the “Dejá tu Huella” (“Leave your footprint”) operation. This initiative allows consumers to participate in creating a new nature reserve, where Villavicencio commits to protect 1 m² for every bottle sold. Actions are also taken to inform the public of the dangers of deforestation and the importance of biodiversity in the local ecosystem. The results are positive, with nearly 2,200 hectares (5,400 acres) protected, an active public participation in the project.

In 2013, in partnership with the local NGO Pronatura Sur, Bonafont also developed a mangrove restoration project along the hurricane-devastated Mexican coasts in Chiapas and Oaxaca. A major campaign was launched to involve consumers and raise awareness: the Bonafont subsidiary committed to investing a portion of revenues from the sale of its bottles in the project, and to replanting one tree for every new “like” on its Facebook page. One million Mexicans participated and showed their support on the social network over the course of seven weeks.

The local communities are at the center of the project: many awareness and training initiatives were carried out with residents and 183 of them participated directly in replanting trees. The project also helped to increase the mangrove's fishery resources, which contributes to securing the revenues of the region's 5,500 fishermen.

Danone has set a goal of ensuring the protection of the source area (rainwater catchment), the transition zone (path taken by the water in the rock layers) and the emergence area (exit zone for the spring). Additionally, every source area is operated in compliance with rules established by the company, in particular with regard to long-term sustainability of volumes stored.

Danone drafted a charter titled “Groundwater protection policy” signed by Franck Riboud, Chairman and CEO of Danone, in 2004. This policy defines the commitment to sustainable management of groundwater in terms of managing natural and heritage resources. It restates the core protection objectives and describes in detail the principles of their application by all Danone subsidiaries. These application principles are systematically assessed for each spring and give rise to specific action plans. Site evaluation is based on the SPRING tool (Sustainable Protection and Resources managING), which defines management standards for each source of spring water bottled by the company. This tool has been deployed in every Waters division site, which has established a national and regional availability map to identify pollution risks and risks of water scarcity, as well as priority action zones. In 2014, a new version of SPRING has been developed in collaboration with the Ramsar convention (United Nations international convention for wetland protection) and the IUCN.

In the Waters division, protection of biodiversity is one of the core elements of the strategy for protection of natural water resources.

The operation of a spring is related to its intrinsic quality. The spring must offer excellent geological and natural protection. For example, the Evian mineral spring is protected by a waterproof layer several dozen meters thick, and with an average renewal period of 20 years.

Each spring is subject to intensive geological research as well as environmental studies to identify risk factors in the area and implement measures to protect natural and rural resources. Danone relies on local and national legislation and on contract agreements to obtain operating rights, which may include restrictions (drilling prohibitions, regulation of polluting activities, etc.).

Water catchment takes place primarily through drilling within a closed perimeter inaccessible to unauthorized persons. Catchment facilities ensure the hygiene and consistency of operations, and are adapted to the resource's hydrodynamics. Danone makes full use of experts to ensure the rational and sustainable operation of its springs. For each site under operation, replacement of the natural resource is the single essential criteria. Danone never withdraws more than what the spring can naturally produce. The water is checked for consistent composition through regular sampling by certified external laboratories. Bottling is carried out under strict hygiene procedures, and water quality is verified daily. X



2. According to the Ramsar Convention on wetlands

*Promote agriculture
that produces a healthy
and balanced food
supply, is competitive,
creates economic
and social value
and respects natural
ecosystems*

The agricultural production at the heart of Danone's mission: bringing health through food to as many people as possible. But the challenges of the 21st century make it essential to rethink our yesterday's agricultural models. Tomorrow's agriculture must have the ability to feed 2 billion more people in 2050 while avoiding environmental impacts of an intensive agriculture, known today.

It should use fewer natural resources such as water and land, and less fossil energy. It should continue fighting against global warming while adapting it. It should also continue producing food accessible to a maximum number of people while ensuring enough income to farmers and maintaining a rural community.

While Danone honors the independence of agricultural suppliers and producers, and although its milk purchases for example represent less than 1% of total global milk supply, the company has long been committed to more sustainable agricultural practices. As early as 2002, Danone founded SAI (Sustainable Agriculture Initiative), which today unites some 50 actors in the agrifood sector. In 2004 Danone integrated ten environmental criteria into its Quality charter for milk producers. A methodology for assessing animal wellbeing was designed in 2011 in collaboration with Compassion in World Farming. In 2012, in partnership with the University of Bern (Switzerland), Danone developed a tool for evaluating farm sustainability that was tested in six pilot countries in 2013 (in Europe, the Americas and Asia), covering very diverse agricultural models from subsistence farming to large farming operations.

TOMORROW'S AGRICULTURE
SHOULD BE ABLE TO FEED
2 BILLION PEOPLE ADDITIONAL IN
2050

To address these enormous and strategic challenges for the safety of its agricultural supplies, Danone has decided to launch a Sustainable Agriculture task force in close collaboration with internal and external stakeholders in 2012. This important process of reflection, consultation and experimentation on the ground concluded in 2014 with the publication of the "Danone White Paper" on Sustainable Agriculture.

This reference document for Danone is available on its website, redefines the key issues of tomorrow's agriculture and determines the key principles that must guide the company's agriculture supply.

Work is continuing in 2015 to make this vision operational and translate it into global indicators, both on the quality of the long-term relationship with producers and the effective management of water or the preservation of biodiversity or even the reduction of greenhouse gases.

2014 has also allowed the definition of Danone's position on particularly important and sensitive subjects such as soya in the framework of its policy of fighting against deforestation or for animal wellbeing. These position papers are available to the public on the website.

Danone has also been able to contribute, in 2014, to advancing these subjects within the worldwide dairy sector. Indeed, Danone was one of the major players, alongside other dairy companies, in the emergence of a joint approach for sustainable milk production. This framework, called the 'Dairy Sustainable Framework' and available today on the Global Dairy Agenda for Action, sets out a vision, 11 strategic challenges and a methodology to prioritize and put in place actions with all of the other stakeholders.

DANONE HAS SET ITSELF AN AMBITIOUS
OBJECTIVE FOR ITS MILK SUPPLY:
AT LEAST 75% TO COMPLY WITH ITS
SUSTAINABLE AGRICULTURAL PRACTICES
BY 2020



AN APPROACH ALREADY STARTED ON THE GROUND

All the indispensable foundation work to set out the framework for these new standards has led to new projects or developments on the ground in 2014. Let us take a look at the main ones:

The evolution of the “farms” referential

Danone has pushed forward its evaluation grid for practices used by its dairy producers to standardize it with joint referentials and to take into account the latest knowledge in Sustainable Agriculture.

The creation of a change guide towards more sustainable agriculture

A guide has been drawn up and published in partnership with a panel of international external experts to assist in pushing practices forward towards more sustainable agriculture.

The development of innovative agricultural practices

New innovative practices are deployed from one country to another thanks to the global Danone network. This is the case for the VACCO project deployed by Danone Canada in partnership with the breeders' Federation from Quebec and the University of Laval. This project, initially started in Europe, enables a significant reduction in emissions of methane from cows, thanks to the incorporation of flaxseed in their food rations.

Projet “Growing Healthy”

The Growing Healthy program concerns raw materials used by the Early Life Nutrition division to produce a diversified diet and has the goal of developing sustainable supply practices. Danone is convinced that a trouble-free future for babies depends not only on healthy and tailored nutrition, but also on the health of the environment in which they will grow up. Because of this, as well as the food quality and security requirements absolutely necessary in the production of infant food, Danone is working to promote “pioneering” approaches with its suppliers, whilst reinforcing its relationship with farmers.

For these fruits and vegetables, a grill of environmental criteria in line with the Sustainable Agricultural Initiative has been developed. Once an assessment has been carried out, an action plan, defined with the farmer, will be put in place to reduce the impact of their activity on the soil, water, air and biodiversity. The program is based on continuous improvement, and Danone teams carry a regular control. Furthermore, actions are in place to strengthen relationships with suppliers: open days are orga-

In 2014, 35% of the volume of fruits and vegetables used in the factories of the Early Life Nutrition division were evaluated.

nized in factories, long-term contracts are put in place and a real technical support can be supplied for them. The objective is to deploy this assessment to other operations before the end of 2015, so that the program covers 70% of the volume of fruits and vegetables used.

Between 2011 and 2014, the Early Life Nutrition division implemented a project to guarantee that the methods of catching fish bought by Danone does not impact the renewal of the stock of wild fish.

Improving animal wellbeing is also a part of the Growing Healthy program. Once again, Danone is working on a continuous improvement basis. Danone is currently developing the improvement strategy for the years to come. In 2014, the primary objective was reached: 100% of eggs used by the division came from uncaged hens.

In 2014, the objective of having 100% of fish from certified renewable sources was reached (MSC, Alaskan Seafood Responsible Fisheries certified, line fishing for tuna).



Growing Healthy Grown on healthy farms, for healthy growing babies





BIODIVERSITY: PROTECTING ECOSYSTEMS RELATED TO AGRICULTURE

The impact of Danone's activities on biodiversity is principally linked to upstream agriculture. Agricultural practices play an essential role in the erosion, fertility and humidity of soil, on the loss of organic matter and also on the habitats whose roles are essentially protection and reproduction. A pilot study project has been launched in Brazil, particularly in the domains of milk and strawberries, which won the "Exame Guide for Sustainability" prize in 2014 in the Biodiversity Management category. Exame Guide is the biggest publication in this domain in Brazil. The "White Paper" for sustainable agriculture takes into account biodiversity issues. ✕

The approach of Danone is directly related to its vision of the food chain: addressing waste issues from upstream to downstream activities.

For this reason, three key domains have been prioritized, from its scope of direct responsibility, the industrial waste, to its scope of extended responsibility, the packaging waste and the food losses.

INDUSTRIAL WASTE

The table below presents the quantities of waste generated by Danone's production sites in 2013 and 2014:

	2013 ¹	2014 ^{1*}	2014 ^{2*}	Variation on a like-for-like basis ¹
Total quantity of waste generated (in metric tons)	295 449	298 015	306 677	0,9 %
Ratio of total quantity of waste generated per metric ton of product (in kg/product metric ton)	9,8	9,3	9,6	-5,5 %
Total quantity of waste eliminated by a specific process (in metric tons)	229 413	250 974	255 595	+9,4 %
Proportion of waste recovered by a specific process (in %)	77,6 %	84,2 %	83,3 %	+8,5 %

1. 2014 figures verified in the 2014 Registration Document
 2. Including sludge from wastewater treatment facilities
 * Excluding sludge from wastewater treatment facilities

REDUCTION IN THE
QUANTITY OF WASTE
AND RECYCLING

The company consolidates the quantities of waste generated by the production sites into four new categories: hazardous waste, non-hazardous non-organic waste, non-hazardous organic waste, and the sludge from treatment facilities.

The waste does not include returned products and whey that is generally reused by a third party.

Danone monitors the percentage of waste that is recovered through recycling, reuse of waste, composting and waste-to-energy transformation.

The ratio of waste generated per metric ton of product decreased by 5.5% between 2013 and 2014, primarily because of a decrease in the quantity of organic waste following the launch of action plans implemented by Danone to reduce product losses.

In 2014, the sludge from wastewater treatment facilities taken into account in the indicators relates only to those sites that discharge their wastewater directly into the environment following on-site treatment indicator.

The sludge from wastewater treatment facilities represented 26,000 tons of sludge for 59 sites (namely 72% of total number of sites having a treatment).

Data related to recovered waste out of sludge from treatment facilities increases and reaches 84.6% in 2014. In 2000, it reached only 64.3%.

The reclamation rate decreased to around 84,2 % for the following reasons:

- > better application of the reporting scope;
- > integration of sludge from treatment facilities;
- > decrease in recovering a portion of organic waste

TRANSFORM WASTE INTO A RESOURCE AND USE MATERIALS MADE FROM SUSTAINABLE RESOURCE

Packaging is essential to bringing healthy, safe products to consumers, but its environmental and social impacts are important: utilization of fossil resources, collection and recycling systems insufficient in many countries where the consumption is expanding rapidly, pollution of oceans and ecosystems, impacts on forests...

In order to respond effectively and quicken the implementation of innovative solutions, Danone will propose a new approach in 2015 with a packaging policy, which will take into account all the packaging life cycle, from upstream use of resources to their end of life. Solutions can be co-developed by mobilizing the value chain to allow to a circular economy to create a positive impact.

DANONE HAS DEFINED FOUR PRIORITIES

Reduce packaging at the source

This is a number-one priority wherever possible. Danone must optimize the weight of packaging across the board, while maintaining product quality and the service provided to consumers. Several technical innovations have been introduced with this in mind, such as removing the cardboard from yogurts sold in multi-packs and reducing the weight of bottles.

Ever lighter bottles: Danone has launched a number of initiatives for reducing the weight of its bottles. The initiative launched by the Danone Waters China subsidiary is representative company's policy to work on reducing the weight of its packaging. The weight of the Mizone brand bottles has been significantly reduced since 2004, in particular in the large 600 mL format whose weight decreased by more than 25% between 2004 and 2014, from 40g per bottle to 28,5g.



Turn waste into a resource

After consumption, packaging can be turned back into a useful resource. Danone is working on collection methods to prevent its packaging waste from ending up in landfills, and aims to develop a circular approach based on three priorities:

Ambition 2020, 25 % of recycled PET

- Supporting innovation in packaging materials and design to make recycling easier while adapting to collection, sorting and recycling systems in concerned country;
- The development of recycled material has been a major objective for Danone for several years, through the development of waste collection or the improvement of the packaging end of life. In 2014, 28% of primary and secondary packaging comes from recycled materials, of which 82% for cardboards. Regarding plastic packaging specifically, Danone aims to increase the proportion of recycled PET (polyethylene terephthalate) (rPET) used in its bottles. Several brands in the Waters division, including Volvic, Evian and Bonafont are already using rPET. At end-2014, the portion of rPET was 9% across the whole division. Despite the challenges involved in expanding PET bottle-to-bottle recycling industry, the goal is to achieve a rate of 25% of recycled PET by 2020;

Waters Division	2009	2010	2011	2012	2013	2014
rPET (grPET/gPET)	8%	10%	10%	9%	9%	8%

- Developing waste collection systems around the world. Between now and 2020, Danone will support innovative and socially inclusive initiatives for transforming waste into resources in at least ten priority target countries.

Danone seeks to expand collection and recycling of its packaging and aims to:

- Continue to support efforts to increase collection and reclamation rates for recycling in the countries where waste collection is already organized by environmental agencies;
- Where this activity is not organized, contribute to the collection of materials used in the packaging of Danone products and explore new collection systems.

Through the Danone Ecosystem Fund, Danone supports four projects (in Indonesia, Mexico, Argentina and Brazil) that encourage recycling, and in particular PET recycling, which have a positive impact on local economies. These projects combine social and environmental goals and allow Danone to increase its use of recycled PET (rPET) while also improving working conditions and compensation for waste pickers.



NOVO CICLO
SUL DE MINAS GERAIS

In Brazil, in partnership with the INSEA (Instituto Nenuca de Desenvolvimento Sustentavel) and the Movimento Nacional dos Catadores de Materiais Reciclaveis, and with the support of the Danone Ecosystem Fund, Danone Brazil and Bonafont have launched the project “Novo Ciclo” that aims to organize the informal waste collection sector via the construction of a sorting platform in 23 cities in the south of Minas Gerais. With this project, Danone Brazil is experi-

menting with a new supply chain model that should enable it to collect 25% of packaging volumes on the market, while also improving the living conditions of the waste pickers working in the garbage dumps. There are thus 450 of them working on these 27 platforms benefiting from the project positive impact.

Packaging materials made from sustainable resources

Paper and cardboard packaging production can have a negative impact on forests. Danone's goal is to achieve supply that is 100% sourced from recycled paper and cardboard or from responsibly managed forests by 2020 - and by the end of 2015 in regions with a high deforestation risk such as Brazil, China, Indonesia, and Russia.

Danone is also experimenting with plastics produced from biomass (sugar cane, sugar cane waste and corn). These initiatives show that it is possible to develop new materials from renewable resources. By implementing these pilot projects in selected regions, Danone contributes to research and development efforts needed to promote the emergence of new generations of materials that do not compete with food production, for more efficient use of resources.



Danone continues its many collaborative initiatives with experts and stakeholders to improve impact measurement and allow the emergence of third-generation renewable materials.

Danone is a founding member of the Bioplastic Feedstock Alliance (BFA) with the World Wildlife Fund (WWF) to encourage responsible development of bioplastics. BFA brings industry together with the best experts, research organizations and society as a whole to help guide the evaluation and sustainable development of these new materials.

Engage consumers

Packaging can help to change consumer behavior, for example with regard to waste collection and sorting. Moreover, it's a key element in combating food waste.

FOOD LOSSES

Danone has published a position paper on its approach related to food losses, from upstream to downstream, in order to limit losses on agricultural upstream, on its industrial activities, and considering the downstream chain issues related to distribution and consumers. ✕



Fight climate change by reducing Danone's footprint and helping nature sequester more carbon

Carbon is a key indicator in combating climate change and more broadly helps in evaluating Danone's impact on natural ecosystems. The company therefore looks very closely at its carbon footprint.

MEASURE COMPLETELY

Danone measures the carbon footprint of its entire product life cycle in every subsidiary. In 2008, Danone began developing and deploying a single measurement tool in all its subsidiaries: Danprint. This tool is being integrated into existing information systems thanks to an innovative solution co-developed with software editor SAP. In 2014, and for the first time, data from SAP Carbone have been consolidated as a replacement of Danprint data for 23 subsidiaries representing 39% of Danone's net consolidated turnover.

In 2013, Danone primarily devoted its efforts to harmonizing carbon footprint measurement methodologies with its main suppliers of strategic raw materials.

In 2014, Danone entered the Carbon Disclosure Leadership Index France, related to its participation in the Carbon Disclosure Project (CDP). The CDP provides an assessment tool for institutional investors as well as for other stakeholders. In 2014, the index included the 10 companies selected the most transparent and performing on the actions implemented for mitigating climate change.

IN 2014, DANONE GETS THE RATING 97A AND IS PART OF THE TEN FRENCH COMPANIES THE MOST PERFORMING IN THE FIGHT AGAINST THE CLIMATE CHANGE, THANKS TO AN AMBITIOUS PROGRAM THAT AIMS AT CARBON EMISSION REDUCTION.

This rating rewards the high degree of transparency and performance of Danone.

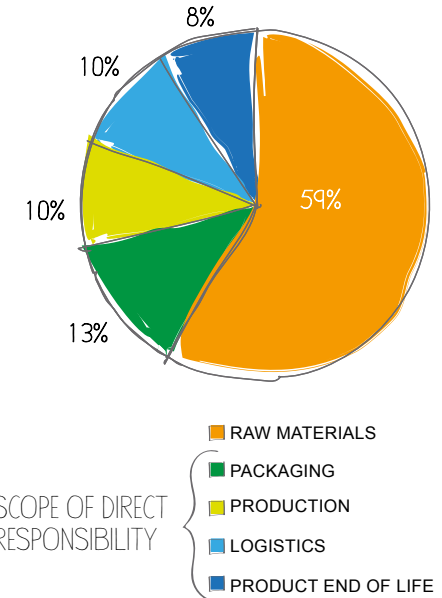
REDUCE CONTINUOUSLY

After reducing its emissions by 41.6% (organic reducing) since 2008 and successfully "decoupling" its carbon emissions and the volume growth (CO₂ emissions nearly stable in absolute value since 2007), Danone's current goal is to achieve a greater than 50% reduction by 2020, and to stabilize CO₂ emissions while continuing sales growth, for a scope representing 6.6 million metric tons equivalent CO₂ (on Danone's direct responsibility scope, excluding upstream agriculture).

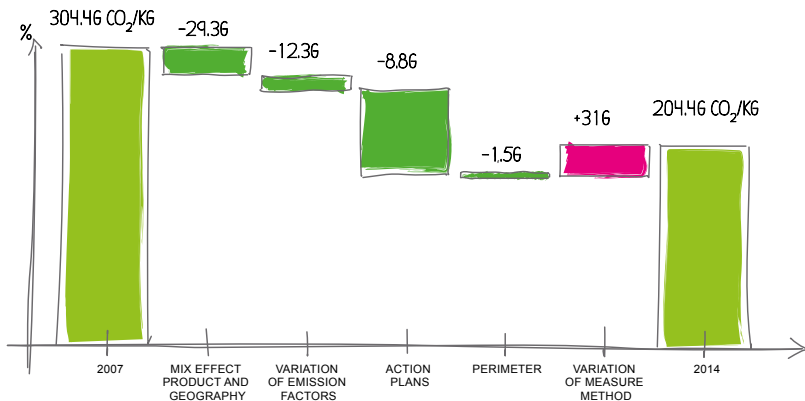
Danone's total emissions in 2014 are estimated to 19 million metric tons equivalent CO₂.

REDUCTION OF THE ENVIRONMENTAL FOOTPRINT OF PRODUCTS AND ACTIVITIES

REPARTITION OVER THE LIFE CYCLE



DISTRIBUTION OVER THE LIFE CYCLE (IN PERCENTAGE)



Greenhouse gas emissions by organization

Danone measures the greenhouse gas emissions by organization (scopes 1 and 2, see description below) using the methodology described in the GHG Protocol Corporate Standard.

The approach chosen by Danone is to integrate all the emission sources of its production sites into its carbon footprint measurement.

Direct emissions (scope 1) are emissions arising from consumption of fuels (natural gas, heating oil, coal, etc.) and refrigerant leaks.

Indirect emissions (scope 2) are emissions arising from the production of electricity, steam, heat or cold purchased and consumed by Danone.

The table below presents Danone’s total greenhouse gas emissions (scopes 1 and 2) in 2013 and 2014:

FOR THE YEAR ENDED 31 DECEMBER		
Total emissions of greenhouse gases in T eq. CO ₂	2013	2014*
Emissions scope 1	460,256	561,353
Emissions scope 2	778,566	860,404
Emissions totales	1,238,822	1,421,757
Ratio total emissions in kg eq. CO ₂ per ton of products (in kg eq. CO ₂ /ton)	41.3	44.4

* 2014 figures verified in the 2014 Registration Document

The table below indicates emissions of ozone-depleting substances by Danone’s sites in 2013 and 2014:

T eq. CFC	2013	2014
CFC	0.002	0.021
HCFC	0.233	0.256

Emissions arising from the use of refrigerants that deplete the ozone layer increased in 2014. This increase was achieved through the integration of 27 new industrial sites in the reporting perimeter representing 33% of Danone’s emissions related to losses in refrigerants.



Furthermore, certain refrigerants have a significant impact on greenhouse gas emissions, particularly HFCs and CFCs. In the framework of the Consumer Goods Forum, Danone has committed to cease buying refrigerators with HFCs for its own fleet by the end of 2015. Under a policy known as the BCool initiative, Danone began updating its proprietary refrigerator fleet at points of sale in 2010 to ensure that only climate-friendly refrigerants are in use. By also selecting refrigerators with better energy performance and ensuring their end-of-life recycling, Danone achieves both reduced energy consumption and a reduction in ozone-depleting emissions.

Reduce energy intensity and promote renewable energies

Danone has reduced its energy intensity by 46% since 2000. The goal for 2020 is a 60% reduction. Danone is also promoting the use of renewable energies. After the Poços de Caldas plant in Brazil in 2011, the Early Life Nutrition site in Wexford, Ireland, was next to invest €3.8 million in a biomass burner, for an annual reduction of 9,500 metric tons of CO₂. This project was supported by the Danone Ecosystem Fund.

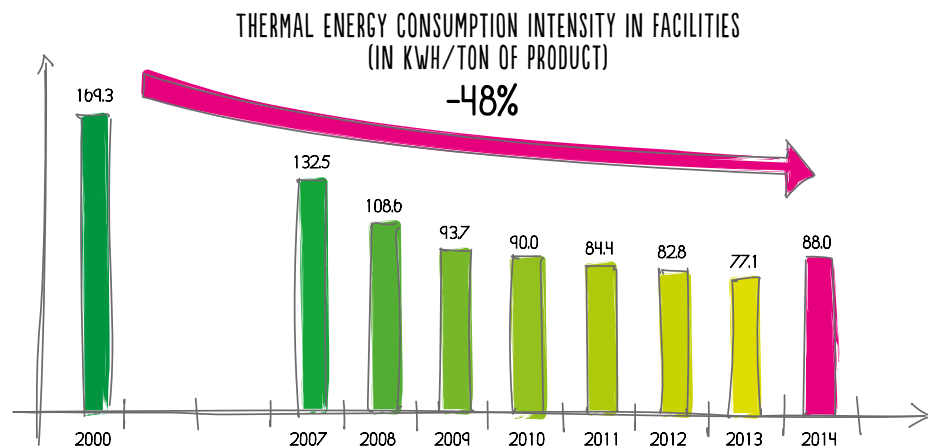
The table below presents data related to Danone sites’ thermal energy consumption in 2013 and 2014:

FOR THE YEAR ENDED 31 DECEMBER		
MWh	2013	2014
Natural gas	1,683,280	2,166,381
Fuel oil	83,575	58,478
Heating oil	137,444	97,939
Butane/Propane	108,622	89,462
Coal	82,030	80,036
Other sources	6	558
Direct energy consumption	2,094,457	2,492,853
Renewable thermal energy (produced on site)	98,365	114,500
Purchased steam	118,510	201,982
Purchased cold	0	9777
Thermal energy consumption (with steam)	2,311,832	2,819,112*
Intensity of thermal energy consumption (in kWh/metric ton of product)	77.1	88.0

* 2014 figures verified in the 2014 Registration Document



Total thermal energy consumption increases by 22% between 2014 and 2013. This variation is due to the addition into the scope of the 25 sites of former Unimilk company. This results in an increase in thermal energy intensity from 77.1 kWh/metric ton of product in 2013 to 88 kWh/metric ton of product in 2014.



THERMAL ENERGY CONSUMPTION INTENSITY SINCE 2000 DROPPED BY MORE THAN 48% OVER THE 2000-2014 PERIOD.

The table below presents the energy consumption of Danone production sites in 2013 and 2014:

MWh	2013	2014
Thermal energy consumption (with steam)	2,311,832	2,819,112*
Electricity	1,817,815	1,962,911*
Including electricity specifically generated by 100% renewable sources	52,174	54,971
Total energy	4,129,647	4,782,023*
Intensity of energy consumption (in kWh/metric ton of product)	137.7	149.3*

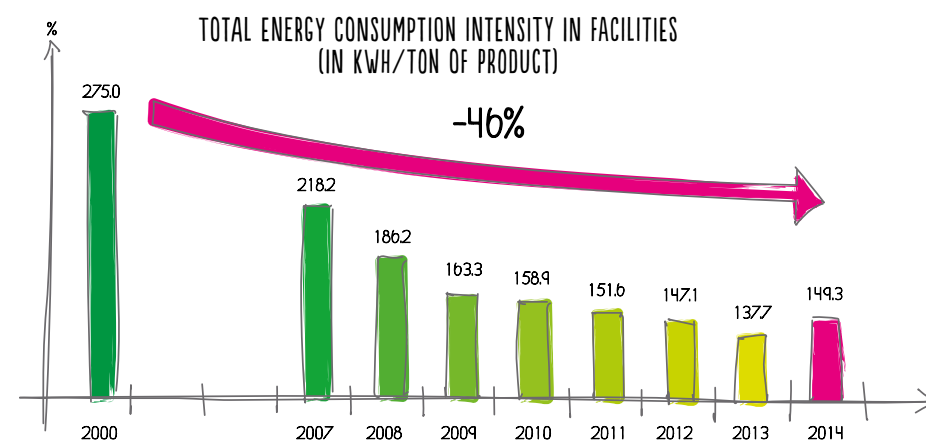
* 2014 figures verified in the 2014 Registration Document

THE INTENSITY OF ENERGY CONSUMPTION INCREASED BY 15.8% BETWEEN 2013 AND 2014.

On a like-for-like basis, the intensity of energy consumption was reduced by 2.9% between 2013 and 2014. This improvement is primarily due to the deployment of energy management best practices in all the divisions (see the SUPP EN5 indicator for more details) resulting in productivity gains for 1.3%, and a positive mix effect for 1.6%.

This variation is due to the addition into the scope of the 25 sites of former Unimilk company and is reflected in the growth of energy consumption intensity from 137.7 kWh/ton of product in 2013 to 149.3 kWh/ton of product in 2014.

The graph below presents the variation in total energy consumption intensity at the production sites since 2000, for the reporting scope of each of the years concerned. The intensity of total energy consumption was reduced by 46% between 2000 and 2014.



Cogeneration

Several sites chose to install cogeneration facilities in order to produce electricity and heat from a single energy source, thus improving the plants' energy performance. Up to 90% of energy can be recovered with cogeneration, compared with 40% to 55% for traditional systems. At the Bierun plant in Poland (Fresh Dairy Products division), this practice prevents emission of some 5,400 metric tons of CO₂ each year. The Ochsenfurt plant in Germany (Fresh Dairy Products division) reduced its annual CO₂ emissions by 7% with this technology.

Thermal energy from renewable sources

Danone is experimenting with projects for the production and use of renewable energies, in particular:

- in Uruguay, 80% of thermal energy at the Minas plant (Waters division) is derived from biomass energy available locally;
- in Brazil at the Poços de Caldas plant in the Fresh Dairy Products division, a biomass boiler was launched in August 2011 to replace the fuel oil used in heat production. Thanks to this use of biomass, the thermal energy used by the plant is now generated almost entirely from renewable sources (97%);
- since 2012, in Ireland, the Wexford Early Life Nutrition division site has been using a wood-burning boiler that helps reduce fossil energy costs and greenhouse gas emissions;

THE ENERGY PRODUCED REPRESENTS 54% OF THERMAL ENERGY USED ON SITE.

In 2014, renewable thermal energy represents 4.1 % of total thermal energy.

- in Russia, in the Tchekov plant, a methanizer was set in motion in June 2013 in order to recover the sludge from treatment plant and produce biogas. The energy produced represents 8% of thermal energy on the site;
- a similar project was begun with external stakeholders in 2014. Together with the Association for the protection of rainwater catchment for Evian mineral waters (APIEME), the Danone Eaux France subsidiary launched the "Terragr'Eau methanization" project in the Evian natural spring catchment area, with the support of the Danone Ecosystem Fund. The purpose of this project, which will include the construction of a methanization unit, is to manage soil fertilization by recovering agricultural waste from within the region. The project's success is ensured locally by the participation of 48 of the 54 farmers on the Gavot plateau, who occupy 86% of the catchment area's farmland. The methanizer will produce 1,485,000 cubic meters of biogas for injection into the natural gas distribution grid, or 7.5 MWh; this will be the first French site to practice biogas injection into the public grid. This project will thus contribute to reducing greenhouse gas emissions by more than 2,000 metric tons equivalent CO₂ per year. The "Terragr'eau methanization" project comprises multiple social aspects, including support for the continuity of farming operations in the region, the development of a training pole and the creation of around ten related jobs.

Purchase of electricity specifically Generated from 100% renewable sources

Every subsidiary is responsible for choosing its energy mix. In 2014, six production sites purchased electricity from 100% renewable sources (wind power, hydropower, etc.). This represents 3% of Danone's total electricity purchases.

In Germany, 100 % of electricity of the 3 German plants (Ochsenfurt, Rosenheim and Hagenow) in Fresh dairy products division comes from of 100 % renewable sources.

Number of ISO 14001 certified sites

Danone bases its environmental management policy on the international ISO 14 001 standard. ISO 14 001 certification is a prerequisite set by Danone for achieving the highest performance level in GREEN environmental risk assessment audits (see following paragraph).

The following table provides data related to Danone sites' ISO 14 001 certification in 2013 and 2014:

The 25 sites of Unimilk former company, that were added to the reporting scope in 2014, were not certified as at December 31st, 2014. This explains why the rate decreased from 60% in 2013 to 50% in 2014.

FOR THE YEAR ENDED 31 DECEMBER		
	2013	2014 *
Total number of sites Production site environment scope	161	179
Total number of ISO 14001-certified sites	96	89
Percentage of ISO 14001-certified sites	60 %	50 %

* 2014 figures verified in the 2014 Registration Document

Green program (Global Risk Evaluation for Environment)

Danone defined environmental production standards for its factories ('Green Plants Program') in 1995, and began using internal audits to check compliance with these standards in 1997.

In 2006, Danone began worldwide deployment of its GREEN (Global Risk Evaluation for Environment) project, a tool for monitoring the main environmental risks relating to the production sites (accident risks, reputation risks and risks of non-compliance with environmental regulations).

At December 31, 2014, 61% of Danone's production sites (Production sites environment scope) had undergone an external GREEN audit, namely 109 sites.

Transport is a major source of greenhouse gas emissions

While raw milk collection is by nature a local activity (extending a distance of 79 km on average from production sites in France), Danone seeks to develop optimal solutions with its transporters for all of its activities. Transport is largely contracted out, but Danone applies numerous best practices to make it more efficient and reduce its energy intensity.

In the Fresh dairy products division, logistics environmental best practices have been communicated since 2011 via the publication of Green Supply Chain Books now also shared with the Early Life Nutrition and Waters divisions. Initiatives proposed by the Waters and Fresh Dairy Products divisions are intended to improve the subsidiaries' environmental and operational performance on various aspects: storage, waste management, transportation upstream and downstream.

Rail transport

Mass rail transport is a major strategic focus for the Waters division. In 2014, the "rail/road" ratio for departure from Evian and Volvic plants stabilized at around 55%. Efforts to increase the use of rail over long distances (Germany, United Kingdom) have brought the "rail/road" ton kilometer ratio for Evian Volvic Sources to close to 53% in Europe. This performance is the result of various optimizations, including:

- the success of Project Quicksilver from the Volvic plant to Germany, which increased the "rail/road" ratio from 32% in 2010 to 55% in 2011, and then 80% in 2012, 2013, and 2014;
- the strengthening of rail freight from Evian and Volvic springs to the Daventry platform, which increased the rail ratio from 65% in 2010 to 84% in 2014;
- continued initiatives to supply empty leased pallets through rail transport from the Daventry platform to the Evian and Volvic plants.

In the Fresh Dairy Products division, product lifetime is shorter and use of rail transport is not always possible. Nonetheless, several countries have successfully implemented intermodal projects, such as in the United Kingdom with a return synergy to the Villefranche-sur-Saône site in France. In Canada, 60% of transport to the west coast is carried out by rail. The Dannon Company and Stonyfield Farm subsidiaries in the United States have begun supplying their warehouses by train.

Road transport

Raw milk intake by the Fresh Dairy Products division has improved thanks to route optimization software programs now used in Russia, Brazil, Ukraine and Turkey to reduce transport distances. A new transport management software program reduces trip times and distances in the United States. Danone also continues its co-logistics projects throughout the world to pool transport resources with other companies and improve truck loading rates: with Walmart in the United States, Arla Foods in the United Kingdom, Saputo in Canada, etc. Danone Mexico, for example, has developed an efficient co-logistics model with Ferrero: the subsidiary shares its logistics resources with Ferrero, thus giving access to the more than 350,000 local points of sale through which it distributes its products in Mexico. Using this same logistics resources sharing and optimization approach, Danone Russia created a joint venture with Norbert Dentressangle dedicated to logistics services (transport and storage), which launched business activities in July 2013.

Constantly streamlining and seeking new solutions

Danone's teams seek to implement innovative solutions to reduce carbon emissions relating to transport while improving logistics organization.

In the Fresh Dairy Products division, several initiatives are emerging. Back-hauling actions, for example, continue in several subsidiaries to avoid empty truck returns. In Chile, a back-hauling partnership created with Walmart allows Danone to use this customer's trucks on certain routes.

In the Waters division, ongoing reflection seeking dual economic and environmental gains leads to introducing specific modes of transport adapted to each line, with the aim of reducing the number of kilometers traveled and of switching from road transport to more environmentally friendly methods. For example:

- Evian transport towards Russia has shifted from road transport to a rail/shipping/road method via the Antwerp platform (Belgium);
- in China, the Danone Waters China subsidiary has introduced a new road/rail/shipping transport mix for long-distance product deliveries. This initiative generates significant environmental and economic benefits. In 2013, the Mizone brand reduced its logistics related CO₂ emissions by more than 8,600 tons (on the 600 mL format);
- elsewhere, the Danone Eaux France subsidiary continued its optimization initiatives for finished products pallets in 2013, in response to new French transport legislation authorizing 44-ton trucks (compared with 40 tons previously).



Danone was just ranked among the best companies worldwide with a score of 5 in the Forest 500 ranking of the Global Canopy Program. Danone makes these policies publicly available on its website.



Forest Footprint policy

Because of their vital role on the water cycle, land, biodiversity and climate, forests are an essential link of the food chain. Conscious of the critical importance of preserving the planet's forests (in particular the tropical forests in Indonesia, Amazon and the Congo basin), Danone is committed to a strategy of eliminating the deforestation impacts on its supply chain.

For this purpose, Danone has created a Forest Footprint policy that aims to:

- evaluate deforestation risks related to the raw materials used directly or indirectly for the company's activities;
- propose specific policies;
- implement actions prioritized according to risks and associated impacts. Six key commodities have been identified as priorities: paper and cardboard packaging, palm oil, soy for animal feed, wood energy, sugar cane, and bio-sourced raw materials for packaging.

This policy has been rolled out at the level of 3 categories with a specific policy for palm oil based on a partnership with the Forest Trust NGO, a specific policy for paper/cardboard packaging, co-developed with a benchmark NGO (Rainforest Alliance), and in 2014, a specific policy for soy for animal feed in collaboration with the consulting firm Transitions in order to initiate with all the stakeholders of this complex supply chain the construction of suitable and truly effective solutions.

ELIMINATE DEFORESTATION

Conscious of the critical importance of preserving forests for the planet and the need for concerted action with all parties involved, Danone committed to this cause with a dedicated policy to eliminate deforestation practices in its supply chain. This goal applies to all Danone products and activities that could have a negative impact on the forests. Learn more about Danone's Forest Footprint policy at www.danone.com.



LIVELIHOODS

RESTORING ECOSYSTEMS TO CAPTURE CARBON

Consistent with its commitment, and after reducing its carbon footprint by 40% over the 2008-2012 period, the Evian brand off set its remaining emissions in 2012 by supporting several quality projects. Starting in 2013, following consultation with its stakeholders, Evian decided to refocus its efforts on the Livelihoods Fund, whose projects have been supported by the brand since 2008, by strengthening its participation over the long term. The expansion of these projects will progressively offset the Evian brand's emissions, to achieve full emissions offset by 2020.

After successful experiences in carbon compensation units dating from 2008, in partnership with IUCN and the Ramsar convention on humid zones, Danone wanted to join other companies in establishing the Livelihood Fund. This Fund, which brings together nine large companies with Danone, invests in large natural ecosystems restoration projects.

These projects contribute towards combating climate change by restoring ecosystems to capture carbon. The goal is to stock 8 million tons of carbon over 20 years for a minimum investment of 40 million euros. The Fund has already invested in seven projects in Africa and Asia, with three types of activity.

Restoration of mangroves

The Livelihoods Fund concentrates on mangrove ecosystems for fundamental reasons: they are part of the most threatened ecosystems in the world, and affect the vulnerable populations that live there. They have a rich biodiversity where aquatic and terrestrial ecosystems meet. These ecosystems provide organic material, guaranteeing the biodiversity necessary for the development of fish resources, and the protection of the plants that are connected to them. Finally, as a major producer of biomass, the mangrove ecosystem has huge carbon capture potential.

There are three current projects:

- mangrove plantations in Senegal: through the action of Océanium, a local NGO, 400 villages in Casamance and Sine Saloum have restored 8,000 hectares of mangroves, thereby contributing to the return of subsistence resources to their ecosystem (fish, shellfish) and have also developed activities which help improve living conditions of the people living in these villages;
- mangrove plantations in India: with the Indian NGO NEWS (Nature, Environment & Wildlife Society), the villagers of the Ganges delta replanted 3,500 hectares of mangroves at the end of the first quarter of 2014. In this region of India, mangroves restoration projects dykes against cyclones and water level rises and brings food resources in the form of fish;
- mangrove plantations in Indonesia: driven by Yagasu Aceh, a local NGO, coastal inhabitants restored 5,000 hectares on the island of Sumatra in a very active approach to help local communities to develop mangrove-related activities (aquaculture, batik tinting).

Yagasu



Agroforestry

Agroforestry projects contribute to the regeneration of degraded soil, pasture, forests and plants that have lost their organic matter content and their fertility. A number of agricultural protocols are in place, tailored for local conditions. The aim of these protocols is to both restore fertility and to catalyze agricultural activities on subsistence and on cash crops.

The following projects are underway:

- agroforestry in India: with the support of the Naandi Foundation, the Adivasi tribal communities in the Araku valley planted 6 million fruit trees, coffee trees and wood-producing trees, through agroforestry models;
- agroforestry in Guatemala: with the support of local NGO Fundaeco and the Guatemalan government, the challenge of this project is to preserve the biodiversity of the Cerro san Gil Mountain, by allowing the small farmers established in the foothills of the mountain to live decently through agroforestry. 4,000 hectares of trees and plants of various varieties will be planted.

Rural energy

The ability to address basic energy needs (heating and light) is a challenge for emerging countries, particularly in rural zones. Inefficient cooking methods involve both energy costs and also risks of respiratory illnesses for local populations. They are also a major cause of deforestation, creating great pressure on forests, threatening ecosystems and their biodiversity. Optimization projects are based on simple and more efficient solutions. These improved cooking methods greatly reduce wood consumption and, consequently, CO₂ emissions, which could be converted into carbon credits.

At the end of 2012, the Livelihoods Fund launched its first project in the field of rural energy in Kenya, in collaboration with Climate Pal: “Hifadhi” (which means “conserve” or “maintain” in the local language). This project has two complementary components:

- the distribution of cooking systems to 60,000 households. These clay and metal systems allow a 60% reduction in wood consumption compared to traditional systems, which preserves local forests (around 13,000 tons of wood which are not burned) and reduces CO₂ emissions (2.75 tons saved per year and per system);

- the implementation, at the same time, of an ambitious replanting project: 2.4 million trees will be planted in conjunction with local communities. These trees will provide not only wood for heating lumber, but also fruits for eating and for sale and allow restoration of degraded soil.

The Tipaalga project is underway in Burkina Faso: this project aims to help rural populations combat desertification and global warming by the adoption of ecological household stoves, which they make themselves. In collaboration with the NGO Tiipaalga, Livelihoods will equip 30,000 households with these improved stoves, with a minimum of two stoves per family. The project will affect 9 towns and 222 villages in the Bam and Loroum provinces in the North of the country. The project will enable 40,000 tons of wood to be conserved and 689,000 tons of CO₂ over the 10 year duration of the project. ✕



	2014 Performance	Milestones towards 2020	2020 Target
We will fight climate change by reducing our footprint and helping nature sequester more carbon			
	Reduction of CO₂ footprint Intensity (g CO ₂ equivalent/kg product) Baseline end 2007	42 % Danone Direct Responsibility (DDR) scope	> 50 % Danone Direct Responsibility (DDR) scope
	Measure CO₂ intensity across our food chain (full scope) Coverage calculated as a % of net sales	39 % of CANN covered with SAP carbon module	CO ₂ measure worldwide SAP carbon deployed 100% where applicable
	Reduce energy consumption of factories Intensity (kWh/T product) Baseline 2000	46 % energy reduction	40 % compliant in 2015
	Use only natural refrigerants Point of sale fridges & coolers	20 % compliant	
	Eliminate deforestation impacts from our supplychain Relevant standards specific to each commodity	- Paper & Board policy: 96% compliance on top 4 risk countries - Palm oil policy: 100% RSPO full segregated - Soy policy: pilot launched in Brazil	Specific policies defined for all commodities at risk (soy for animal feeding, sugar cane...)
	Restore ecosystems and fix carbon in soils and forests Livelihoods Fund	40 % carbon intensity reduction on Evian brand	Offset 100% of remainder CO ₂ emission for Evian
We will protect water resources, particularly when scarce, and use them in harmony with local ecosystems and communities			
	Protect natural Mineral Water resources	All current catchment areas	SPRING developped in collaboration with Ramsar agreements
	Danone "Clean Water Guidelines" for waste water		Definition by 2015
	Reduce water consumption in factories Process water intensity (M3/T product) Baseline 2000	39% reduction	Priority sites based on Water Scarcity Index
	Measure Water Footprint	SAP Pilot in one CBU	Roll-out in Water Division
We will transform waste into a resource and use materials made from sustainable resources			
	Innovate to "transform waste into resource"	Projects in 4 Country Business Units with Ecosystem Fund	10 priority business units
	Develop the use of recycled materials	8% rPET Waters 70% rPaper Dairy 88% rPaper other Divisions	25% rPET Waters 75% rPaper Dairy 90% rPaper other Divisions
	Innovate with bio-sourced materials	Activia, Actimel, Volvic & Stonyfield, Danonino in 7 countries	Co-creation of Bioplastics Feedstock Alliance. Pilot projects launched.
	Source 100% of recycled paper or virgin paper coming from responsibly managed forests, with preference for FSC	Paper Board policy: 85% reached 96% compliance on top 4 risk countries	100% in high risk countries by 2015 100%
We will promote agriculture that produces a healthy and balanced food, that is competitive and create economic and social value, respecting natural ecosystems			
	Promote a Sustainable Agriculture	Sustainable agriculture white paper published in 2014	Sustainable Sourcing Roadmap by the end of 2015
	Source raw materials sustainably	- Palm oil policy: 100% RSPO full segregated - Soy policy: Pilot launched in Brazil	



Human at the heart of Danone culture

→ SOCIAL P.103

→ COMMUNITIES P.122

→ FIGHT AGAINST FRAUD
AND CORRUPTION P.132



Social Data

AS AT DECEMBER 31ST 2014

TOTAL NUMBER OF EMPLOYEES:

99 927

of which
18% MANAGERS



29 997

Women

31%



69 930

Men

69%

TOTAL WORKFORCE BY DIVISION:



Fresh Dairy Products

42%



Waters

38%



Early Life Nutrition

13%



Medical Nutrition

6%



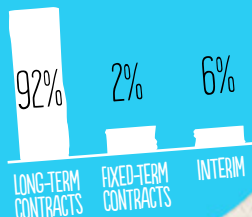
Central functions

1%

TOTAL:
100%

AMERICAS

27% AVERAGE WORKFORCE



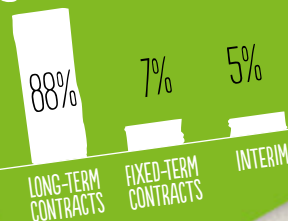
GENDER DIVERSITY:



30% 70%

EUROPE

36% AVERAGE WORKFORCE



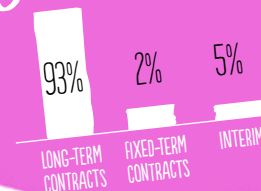
GENDER DIVERSITY:



44% 56%

ASIA

28% AVERAGE WORKFORCE



GENDER DIVERSITY:



27% 73%

AFRICA/
MIDDLE EAST

9% AVERAGE WORKFORCE



GENDER DIVERSITY:



19% 81%

→ Social

AN OPEN AND CONSTRUCTIVE SOCIAL
DIALOGUE WITH EMPLOYEES

GUARANTEE OF HEALTH AND WELLBEING
OF EMPLOYEES AT WORK

INDIVIDUAL EMPLOYEE
DEVELOPMENT



SOCIAL DIALOGUE: A SPRINGBOARD TO SUSTAINABLE SUCCESS AND COMPANY TRANSFORMATION

Attention to employees, like the will to guarantee the best possible growth in a radically changing economic context, are at the heart of Danone's culture and its dual economic and social project. Social dialogue is, therefore, one of the keys to the sustainable success of Danone, as well as a lever to support the transformation aimed at improving the company's performance.

Social dialogue, the key to sustainable success at the heart of the dual economic and social project

Social dialogue within Danone hinges on the dual economic and social project set out by Antoine Riboud during his speech in Marseille in 1972. More than 40 years later, this social dialogue is still a fundamental part of Danone.

Today, this dialogue is carried out at on an international scale and is evidenced in the worldwide dialogue body (The Committee for Information and Consultation - CIC). This dialogue can also be seen in the signing of international agreements negotiated with and monitored by the IUF (International Union of Food Workers), which constitute a common set of social policies across the various subsidiaries across the world.

"The dialogue between management and employee representatives at every level of the company is at the heart of the dual economic and social policy of Danone"

Franck Riboud

As at 31 December 2014, nine worldwide agreements signed between Danone and the IUF were in force. They are principally aimed at diversity, social dialogue, and steps to be implemented when changing activity affecting employment or working conditions. The last global agreement, signed the 29th September 2011, focuses on health, safety, working conditions and stress.

The nine worldwide agreements are deployed in the company's subsidiaries and they are assessed annually jointly by a representative of Danone and one from the IUF. Thus, between 2009 and 2014, more than fifty subsidiaries were assessed on their social practices, including the USA, Sweden and Spain in 2014.

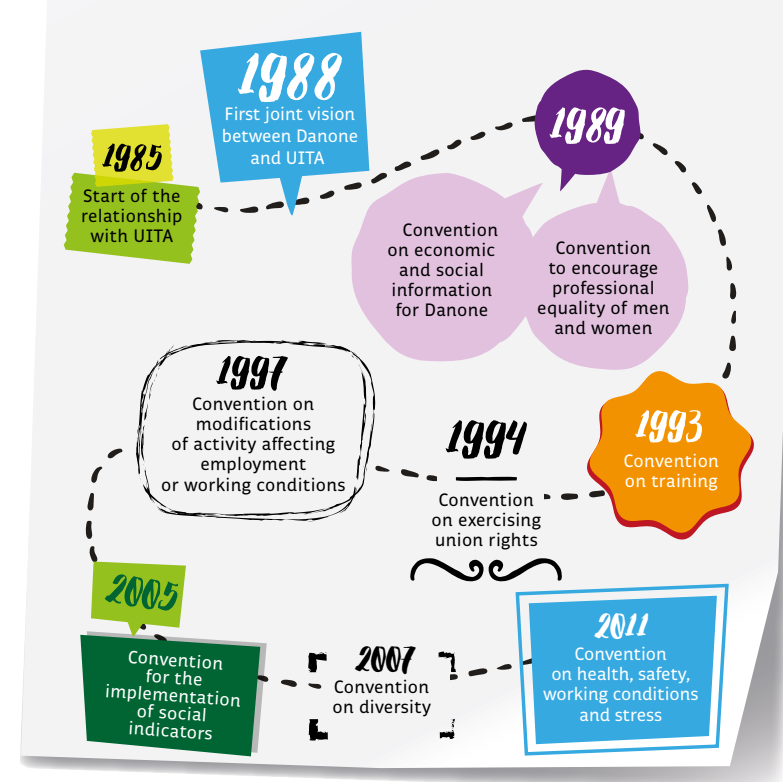
In September 2014, in compliance with the agreement of 11th January 2013 on securing employment, two employee representatives were designated to take part in the Council of Administration. Representation of employees within governance bodies is, for Danone, a lever for fostering understanding of strategies among employees and it takes into account of their views on these strategies, in order to anticipate their consequences. The presence of employee representatives encourages a diversity of points of view, and a better understanding of an ever more complex corporate reality.

Danone's social policy is also seen through local initiatives and agreements such as:

- in France: signature of an agreement in favor of the employment of handicapped workers in February 2014 at Danone's headquarters;
- in Mexico: an extension of the Dan'Cares insurance program for employees' families which had run for 2 years within the Bonafont HOD company, an innovative program, unique in Mexico;
- in Italy: signature of an agreement in July 2014 for the launch of Family Welfare, a program for economic and social development dedicated to families within the Early Life Nutrition division. This initiative welcomed by the Italian government and resting on five pillars of social innovations, had the goal of supporting employees' families in a sustainable manner.

Moreover, Danone also promotes the application, within its subsidiaries, of best practices in terms of social dialogue, through the Danone Way approach, based on the key practice "Employees Involvement and Social Dialogue" which includes:

- the evaluation of policies implemented by subsidiaries, particularly in the application of the IUF agreement on social dialogue, the implementation of a framework conducive to social dialogue, organization of independent elections of staff representatives, meetings with employee representatives and negotiation of conventions;
- the monitoring of indicators such as the number of economic and social information sessions for all employees, the percentage of employees covered by staff representatives and the number of annual meetings between site management and staff representatives.



Social dialogue at the heart of the company's transformation

Taking into account the difficult international economic context, Danone must adapt to the changing market, projects and competition and adapt its organization so as to encourage sustainable growth and ensure its durability.

For this, an Employment and Organization Committee regularly brings together Finance, Social Relations and Organization management teams of the company to examine every change project which might be initiated by any Danone subsidiary on a worldwide level, to consider its consequences and look for possible alternative solutions.

In this context of transformation, Danone, as a socially responsible company, wishes to put its change projects in place in close collaboration and in a constructive manner, with staff representatives, minimizing social consequences. Danone relies on a number of principles and conventions in this regard, which are at the heart of a dual economic and social project:

- permanent anticipation;
- continuous strengthening of the employability of employees;
- reinforcement of the local economic fabric in which Danone operates;
- redundancies as the final solution for employment to adapt to the needs of competitiveness and the search for long-lasting solution.

Practically, this can be seen over three years through:

- A plan for savings and adaptation was implemented in Europe with the goal of simplifying and adapting the Danone's organizations to improve competitiveness. In practice, this means, over two years, achieving €200 million in structural savings, combining several subsidiaries in Europe (from a total of 67 to 33 in all) and broad-based efforts to simplify operations;
- taking into account existing local overcapacity, in 2014 an adaptation project for the industrial tool of the Fresh Dairy Products in Germany, Italy and Hungary was put in place, whose objective was to improve its production capacity and competition edge in Europe;
- the sale of some sites has also enabled employees to remain in employment through guarantees implemented by Danone.

To implement these projects in the best conditions, the transformation of the company took place through a sustained social dialogue with staff representatives.

Several levers were also activated:

Social dialogue as a lever for accompaniment
In 2013, regarding the plan for savings and adaptation, two conventions were concluded: a framework convention at European level with the IUF and a joint agreement on social assistance measures in all the French subsidiaries concerned. Furthermore, two operating method conventions specifically linked to the project for the adaptation of the industrial assets for the Fresh Dairy Products division in Europe were signed in 2014. It is in this framework that collective conventions were also signed respectively in Germany, Italy and Hungary.

Priority for employee mobility and creation of activity

A support process for the internal and external mobility of employees has also been implemented. It has allowed a rate of over 45% of repositioning within the company. Employees wishing to create an entrepreneurial activity benefitted from a specific scheme, based on the "Danone for Entrepreneurs" program with financial and practical support. This start-up structure has been developed at a European level: at the end of 2014, almost 90 projects were accompanied in six countries (France, Romania, Portugal, the Czech Republic, etc.). The originality of this program, co-built with more than thirty local participants, specialists in assisting entrepreneurs, is also based on a dual dynamic: individual and collective.

On an individual level: access to finance to set up a business, access to advice, training and offices. On a collective level: bringing together an open network of peers and experts, workshops and conferences on key themes of the launch. The themes dealt with are varied: drawing up your business model, choosing your statutes, identifying key factors for success, etc. Concrete and moving testimonies are at the heart of this innovative learning, co-built with the entrepreneurs themselves. ✕

CHALLENGES TO BE ADDRESSED IN TERMS OF HEALTH AND SAFETY

The guarantee of health and wellbeing of employees at work and the limiting of the number and gravity of accidents represent a continuous commitment for danone. The economic and social context being in constant evolution, adapting to health and safety challenges is a priority for danone.

In order to ensure safety at work, Danone has developed, since 2004, a worldwide program called WISE, to develop a safety culture on all of Danone's sites and to significantly reduce the number and gravity of workplace accidents.

This program is deployed worldwide in each division, plant, and warehouse and in the distribution circuits. Danone is committed not only to the health and safety of its employees but also to that of its subcontractors, because the WISE program applies to them as long as they work in Danone's sites.

Beyond being an industrial business with 150 plants, more than 50 000 plant workers and over 30 000 salespeople and drivers on the road, many challenges have led Danone to recently update its health and safety commitments.



Danone's safety challenges

- some fatal and serious *accidents* despite great progress in Danone's safety culture: indeed, the frequency rate (FR1) has been divided by five since the start of WISE ten years ago;
- the *ageing* employee population, the rise in the population in numerous geographic areas with increasing problems linked to physical loads and maintaining these employees in work;
- *integration* of younger generations, particularly salespeople whose respect for required standards in health and safety practices are endlessly renewed;
- *volatility* of the economic, political and social context, which demands a strong framework to support continuous improvement in safety;
- *evolution* of Danone's position, which requires necessary skills for the respect of safety standards on the Danone value chain;
- the increasingly blurred *distinction* between health and safety with a growing proportion of accidents linked to musculoskeletal problems and the emergence of absenteeism linked to psychosocial risks.

THE EXTENSION OF THE WISE PROGRAM

As a consequence Danone has committed to progressively upgrade its WISE program in 2 directions in order to support Danone vision:

- the strengthening of Danone's compliance to its Health&Safety standards.

Since 2009 Danone has set 4 safety standards: driving safety, contractors management, hazardous energy and accident investigation. In 2013, in order to prevent potential high gravity accidents, Danone has launched its fifth global safety standard covering 12 basic safety requirements: Work at height, Chemical products, Confined spaces, Explosive environments, Hazardous Gases, Machines and equipments with specific high risks, Forklifts, Racks & Pallets, Trucks loading/unloading, Trucks fleets.

- the extension of the WISE program, activities and tools to integrate Safety and Health in a consistent approach.

Danone will continue its existing Wise program while progressively enriching it with a set of activities, processes, tools and resources to move in the 2 directions above in the years to come.

Use of the WISE program to encourage improvement in working conditions

For the past two years, in the continuity of the WISE program and in the light of the increase in musculoskeletal problems in the accidentology of the different types of Danone sites, the working conditions are an increasingly integral part of safety action plans.



RESULTS FOR 2014



The annual rate of workplace accidents with absences (Rate FR1, see methodology note) went from 2.3 to 1.9 between 2013 and 2014.

In 2014, the continued reduction of FR1 (-17%) comes essentially from Fresh Dairy Products, which has succeeded in reversing the trend in Europe in a remarkable way, given the economic and social context, and from Russia, where deployment of WISE in the former Unimilk group sites is succeeding with a reduction in FR1 for the first time since their acquisition, and there has also been a continuation of the rate of improvement in Latin America. It comes from the continuous improvement of FR1 rates in the Waters division.

For two years Danone has been increasing the focus of its accidentology on accidents with and without time off by systemizing the monitoring of FR2 (rate of accident frequency without time off). Danone now monitors safety improvements at each of its sites and subsidiaries by measuring the reduction in both types of accidents.

FR2 has improved by almost 22% due to the uniform progression of all the divisions, with the exception of the Fresh Dairy Products division in Russia, where the counting of accidents has not yet achieved a sufficiently reliable standard.

In 2013, Danone decided to increase the monitoring of its safety performance by monitoring the gravity rate (the average number of calendar days lost reported to 1000 working hours). The rate of gravity of workplace accidents with time off work in the company in 2014 was 0.10, which represents 21 342 days off for safety-related reasons.

Objectives for the coming years

More precisely, Danone has set out four objectives to support its strategy:

- a commitment to eradicate fatal accidents (for Danone employees and subcontractors working on Danone sites) and reach an accident rate of 1 in 2020 (halving the number of accidents with time off);
- improvement of the systematic respect of existing safety standards. This will lead Danone to enrich its audit framework linked to safety to a systematic assessment of compliance with standards and to train its auditors in new safety challenges;
- reinforce resources and organizations in terms of health and safety. This will lead Danone to clearly define jobs and to provide precise directions on Danone's organizations and their health and safety systems;
- animate health and safety challenges through positive and continuous communication.

PROVIDE QUALITY SOCIAL WELFARE AND MEDICAL COVERAGE FOR ALL EMPLOYEES, NOTABLY THROUGH THE DAN'CARES PROGRAM

In 2010 Danone launched the Dan'Cares program, with the goal of providing all Danone employees with basic healthcare coverage: hospitalization and surgery, maternity care, medical exams and pharmacy services.

Dan'Cares' specificity lies in its scope of application. It is meant to be rolled out in all subsidiaries, including in countries where such coverage does not traditionally exist (for example, maternity care). All employees are covered, including those with long-term, fixed-term and in some cases temporary contracts.

In some countries, employee healthcare coverage is also valid for their families.

In 2012, the company conducted an audit of healthcare coverage in effect at all fully consolidated subsidiaries in order to expand Dan'Cares coverage to all countries where Danone operates.

70,000 employees in 25 countries received healthcare coverage in line with the standards defined by Dan'Cares, including 40,000 employees whose coverage resulted from the implementation of action plans initiated since 2011; the actions carried out in 2014 focused mainly on the implementation of Dan'Cares in Russia. ✕

BELIEF IN ITS EMPLOYEES: DISCOVER, RESPECT AND DEVELOP ALL TALENTS

At Danone, attracting and retaining the best candidates are challenges at the heart of the dual economic and social project, with the conviction that developing employees at all levels, respecting their wishes and talents makes danone a sustainably high performing company.

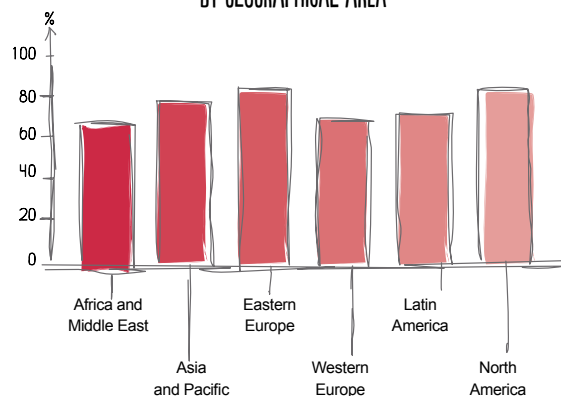
A policy of talent management locally rooted

In 2013, one manager in five had changed job or employer¹; these changes are principally motivated by the acquisition of more responsibilities, career evolution perspectives and a change of environment.

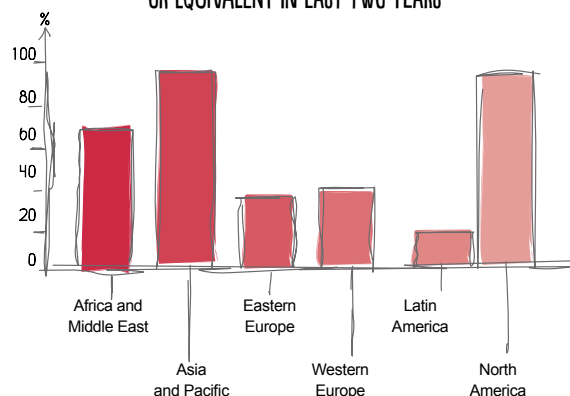
These dynamics are accelerating; Danone is continuing its efforts to create the best conditions for the individual development of its employees, in keeping with their career progression wishes and the needs of the organization.

In 2014, 82% of managers and 53% of employees, manual workers and managing agents had an annual discussion with their manager on their individual development.

MANAGERS HAVING HAD A PDR² IN 2014
BY GEOGRAPHICAL AREA



NON MANAGERS HAVING HAD AN IDP³
OR EQUIVALENT IN LAST TWO YEARS



During this discussion, the employee's wishes in respect of career progression, mobility and training are considered.

Each employee is encouraged to be active in their own career trajectory, supported by their manager, their Human Resources Manager, a career guide and the local initiatives in place to this end.

For example, in Turkey, the "Nutricia Academy" aims to offer career programs to all salespeople in the Medical Nutrition division, irrespective of their status.

In 2014, to bring value to and share local initiatives, Danone organised, internally, a human resources prize.

This scheme has enabled 50 projects to be launched in the "Talent management and training" category.

In 2014, for example, the Jaguar program, aimed at young talents in Latin America, received this prize. The young people selected for the program go on a six-month mission in a different country within the same continent and develop their adaptation skills and their understanding of multiculturalism.



In 2014, 46 young people from different jobs across six countries participated in the program and were able to encourage cooperation between subsidiaries in the region. A tutor is assigned to each young person throughout their mission to assist them in the program.

For 2015, Danone plans to develop the Jaguar program throughout the world, thereby confirming its commitment to development of young talents.

1. MobiCadres Study by Deloitte
2. Performance, and Development Review
3. Individual Development Plan

A demanding and ambitious vision by 2020

After the success of these developments, and to assist in the transformation necessary to meet the strategic challenges of Danone, the company set out a new policy "Talent 2020" driven by the Management Committee.

This strategy includes commitments on talent management and reaffirms the confidence that Danone has in each of its employees: Danone recognizes the unique talent of each employee, giving them the space and time necessary to each person to express themselves and develop in close-knit and diverse teams.

For the five coming years, Danone will focus on four themes:

1 *detection and development of employees' talents;*

2 *promotion of diversity, inclusion of talents and appreciation of collaborative work;*

3 *development and management of an internal and external talent incubator, so as to guarantee long-term succession plans;*

4 *redefinition of the template for the assessment of the skills and potential of employees, helping the recognition of all talents, thereby allowing personalized and decompartmentalized career paths.*

DEVELOPING AND SHARING EACH EMPLOYEE'S SKILLS

For Danone, developing the skills of all of its employees is an essential condition for its growth. This is a multiple challenge:

- assisting the growth of the fastest developing countries, ensuring training of numerous new employees in technical and managerial fundamentals;
- anticipating and developing of critical skills for the future;
- ensuring that all employees share Danone's culture and values;
- developing a culture of leadership and management, which will bring both business performance and team development.

Facing these challenges, Danone's Learning and Development strategy was focused in 2014 on three key themes:

- "One learning a day": multiplying learnings for everyone, supported by new "digital learning" approaches;
- setting up "Danone Academies" in the main sites where the company is implemented, to train new employees in the fundamentals and accelerate their development;
- supporting the development of leadership and strengthen proximity management.

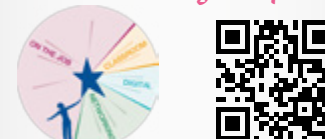
An objective: increase learnings

In progress for several years, the level of access to continuous training has continued to develop. Between 2008 and 2014, the average number of hours of training per employee went from 24 to 72 hours per year, which represents an increase of more than 40%.

A virtual apprenticeship platform

Campus 2.0, catalyst of the One Learning a Day approach is a unique online platform enabling learning opportunities to be increased and knowledge to be shared. 2014 was the annual deployment year for Campus 2.0 and at the end of the year, 70% of managers had access to it. In 2015, all employees will be able to benefit from this.

One learning a day



In 2014, Danone:

- developed and made available almost 30 new digital modules, in subjects like safety (WISE program) or fundamentals of the supply chain;
- tested the development of the application for training, in the framework of "Danone Academy Marketing";
- launched a "serious game" on the integration of young employees called "Dan'Discovery".

Development of Danone Academies locally

After the creation, in 2013, of a training organization in China - Danone Academy China - Danone launched other local academies in 2014, in France, Indonesia and Russia.



Danone Academy Indonesia had been inaugurated in May 2014 with the mission to increase Indonesia organization capability and nurture the culture to sustain the business growth. The shared learning services and infrastructure for 5 Subsidiaries in Indonesia was initiated and co-built by Indonesian CODI members. All the CODI members divided themselves into designated work streams in order to animate Danone Indonesia as a great place to grow. In 2014, about 80% of managers have been touched across Subsidiaries through 56 learning events in our learning centre.

The Danone Academy France organized two events to roll out the new Learning strategy "One learning a day":

- *A learning day, bringing together internal participants (HR community France)*
- *A service providers morning for external participants (Learning partners)*

These Academies enable to:

- deal with the need for recruiting new talents in new geographic areas of Danone, notably on the fundamentals;
- share the culture of Danone, particularly through induction programs;
- address larger training needs through internal training.

Since 2012, 153 Danoners from all Subsidiaries in China have been trained as internal trainers to deliver 23 program for more than 4,000 participants. These internal trainers follow an annual course specific training and are guided through an internal network where they can share their experiences.

The development of a distinctive culture of Leadership and Management

The program Danone Leadership College, run since 2008, aims to have all employees share a distinctive culture of leadership "CODE" ("Committed, Open, Doer, Empowered").

In 2014, this initiative continued to be deployed particularly in plants and sales forces as well as in the new countries where Danone operates such as Russia, to root these CODE leadership attitudes in work situations.

In 2014 Danone Russia faced a challenging goal to deploy CODE for more than 10 000 people working in more than 50 locations. It was a first time after the merge of Danone & Unimilk. The Danone Leadership College has been deployed with the support of 80 internal facilitators representing 11 different functions and external consultants.

The programme has a powerful impact for participants to see a Sales Manager, an Industrial Director or a Marketing Manager - people they meet every day in the office - now facilitating the DLC session and bringing all the passion and inspiration to them.

In addition to the Danone Leadership College, Danone has rolled-out in 2014 a "Transformation Leadership Program" for top management. It aims to deal with a transformation in a more and more complex world and thus to prepare Danone's evolution in the future.

REINFORCE DIVERSITY AT DANONE THROUGH THE UNIQUENESS OF EACH PERSON AND THE STRENGTH OF TEAMS

In 2007, Danone signed a Worldwide Convention on Diversity, with the IUF, identifying 7 levers of action for the company:

1. Recruitment;
2. Training;
3. Development of Human Resources (career and skills management)
4. Remuneration;
5. Working conditions;
6. Communication;
7. Social Dialogue.

Moreover, Danone has a global, integrated approach to diversity. This is reflected in three working areas:

1. objective statistical analysis of all HR processes and practices;
2. development of a managerial culture and understanding of the subject of diversity through training;
3. communication and mobilization around diversity.

Some levers can be activated locally, depending on specific challenges to guarantee employee diversity.

To progress on the subject of male/female equality, Danone has continued with its commitment to professional equality supported by the "Women Plan". Drawn up in 2009 and deployed in all the subsidiaries worldwide, this plan depends on individual and organizational measures.

For instance, rigorous analysis and monitoring of indicators relating to salary equality have been continued in 2014. The indicator of salary equality is reviewed every year during salary reviews.

There are also ad hoc training schemes for women, particularly training in Leadership for women and a three day training course: "Women in Leadership".

The networks of women and their events allow this dynamic to be continued in the long term. These networks, in place in several sites in France, organize meetings during the annual diversity day at Danone. These are opportunities to exchange and reflect and enable women and men to discuss and set up powerful internal networks. Finally, a program of intercompany sponsorship has been organized.

At the end of 2010, Danone created the EVE program with various partner companies on the "Be yourself and unleash your potential" program. Today, the EVE seminar is the reference point for awareness and personal development on the subject of female leadership.

EVE includes women and men at all levels of the organizations. After the program's success, EVE Asia Pacific edition was created in 2014.



In an extension of the EVE program, Danone initiated the Octave seminar in 2012 in conjunction with other companies, so as to bring together three generations to understand their differences, overcome stereotypes and exchange experiences to build the future.

This seminar is organized annually and, in 2014, brought together 180 international participants and 20 players around the theme of "intergenerational action in the digital era". It aims at promoting networks organizations at enhancing lateral pathways, at encouraging the increased sharing of knowledge and skills, where diversity of behavior represents a learning opportunity.

Be aware and be confident. That is the objective of the Octave program, which beyond a training course, it is a real field of experimentation and transformation.

Octave



GENDER DIVERSITY

The share of women within the management population increased in 2014 compared to 2013, at all levels and especially at the directors and executives level, which is crucial to foster a global business dynamic.

	2013		2014	
	Female	Male	Female	Male
Total managers*	46%	54%	47%	53%
of which directors and executives	40%	70%	32%	68%
of which executives	15%	85%	16%	84%
of which directors	33%	67%	34%	66%
of which other managers	48%	52%	48%	52%

* Social Indicators Scope

These results are based in particular from two main approaches:

Organizational:

- monitoring the number of women at each hierarchical level with a specific guideline on three key factors: internal promotion, external hiring and retention of women within Danone;
- measures to support work-life balance, including telecommuting and parenthood that benefit both women and men;
- wage equality.

Individual:

- support for women (training, networking, mentoring) and men (awareness trainings).

Those actions are implemented more often in an intergenerational way, crossing hierarchal levels and, in some cases, with other companies. This is the case for example of the mentoring from the seminar EVE achieved by creating pairs of employees from different companies partners of the program.

RATIO OF BASIC SALARY OF MEN AND WOMEN BY EMPLOYEE CATEGORY

Managers and Directors categories

The data is provided by the “HIRIS” information system for Human Resources management indicators. The basis chosen for comparison, i.e. the “compa-ratio”, is the total wages received by the individual compared to the median wages established each year for all managerial and executive categories organized by grade.

There are ten grades (excluding Danone Executive Board members) in all 60 countries where the company does business.

The compa-ratio indicates this wage gap independently of the currency and country of reference.

Examples:

- a compa-ratio of 1.0 means that the individual is paid exactly the median wage for his or her grade;
- a compa-ratio of 1.10 means that he or she is paid 10% more than the median.



THE TABLES BELOW PROVIDE AN OVERVIEW OF THE GENDER GAPS BY LEVEL

Directors excluding general managers:

Internal Danone grades 6b to 5 (equivalent to grades 20 to 22 of the “Hay system”).

Comparison	5	6A	6B	Total Directeurs
Women	1,02	1,08	0,94	0,99
Men	1,04	1,01	0,97	1,00
Total	1,04	1,03	0,96	1,00
2014 Gap	-0,01	0,06	-0,03	-0,01
Vs 2013 Gap	-0,04	0,00	-0,03	-0,03
Average age				Total Directeurs
Women	46,3	45,2	42,6	43,9
Men	46,7	45,2	43,4	44,7
Total	46,6	45,2	43,1	44,4

Total workforce of 1,276 managers of which 34.6% women and 65.4% men.
These figures include all directors in the company.

There is an overall gap of -1% across the entire population, with a new gap identified in 2013 for the grade 5 directors. There is a gap identified in 2014 in women's favor of the grade 6a directors.

Manager category:

Internal Danone grades 9.9 to 7 (equivalent to grades 15 to 18 of the “Hay system”)

Comparison	7	8	9	9,9	Total Managers
Women	0,88	0,87	0,82	0,82	0,84
Men	0,90	0,85	0,77	0,87	0,82
Total	0,89	0,86	0,79	0,84	0,83
2014 Gap	-0,02	0,02	0,05	-0,05	0,02
Vs 2013 Gap	-0,03	0,02	0,02	0,05	0,01
Average age					Total Managers
Women	40,2	37,6	35,3	27,8	35,7
Men	41,6	39,7	37,7	30,0	38,1
Total	41,0	38,7	36,5	28,8	37,0

Total workforce of 17,355 directors of which 48.5% women and 51.1% men.
These figures include all directors in the company.

For the entire manager population, more than 17,300 employees, no gender gap is apparent for wages.

Overall, the compensation review procedures, guided by Danone policies and including a comparison of compensation for men and women, continue to direct attention to this issue where gaps can exist.

Staff, Supervisors and Workers categories

As the company not have a single classification system for these categories, and deployment of the information system does not yet cover all these job categories, data is collected from the internal SAP/Business Object Financial Consolidation reporting system. The male-female comparison is made using the median annual men-women wage ratios.

Figures are calculated based on the median ratios for men and women's annual wages on a comparable basis between 2013 and 2014, so that subsidiaries that exited or entered the scope between 2013 and 2014 are not included.

This perimeter coverage of this reporting is 95%.

	Staff and Supervisors	Workers
2013 Sustainability Report	1,00	1,07
2013 comparable basis with 2014	1,00	1,07
2014	1,01	1,05
Gap	0,01	-0,02
% of total employees 2014	95%	95%

The results can be read as follows: 50% of subsidiaries pay their male "Staff and Supervisors" 1% more than female on average, for all levels and all positions; and 50% of subsidiaries pay their male "Workers" an average of 5% more than their female counterparts.



DEVELOPING SKILLS BEYOND DANONE'S FRONTIERS

In Danone, the individual development of employees spreads beyond the frontiers of the company, particularly through the Danone Ecosystem Fund and has its own special way of operating: through co-creation. All projects supported by the Fund are initiated by subsidiaries locally (these subsidiaries devote some of their own resources with the support of their General Manager) and co-created with local partners (non-profit organizations, NGOs, local administrations etc.) and representatives of beneficiaries, namely participants in the local economy (farmers, midwives, rag pickers etc).

Jobs are enriched through the individual development of project managers. For example, for the purchasing function, the development and strengthening of alternative sustainable milk, fruit and recycled plastic supply sectors. The creation of these new opportunities allows long-term supply to be reinforced and contributes to the local reputation of Danone.

In this way, from a "classic" relationship of client-supplier negotiation, heads of the sourcing project develop a partnership relationship with shared risks and mutual benefits for a fairer economy.

Today, eight economic operational models with a real social and economic value drawn from the experiences of teams involved in Ecosystems projects have been structured and formalized so as to be replicated and adapted in other Danone subsidiaries. Similarly, transversal knowledge (change management, community relations, the autonomy of women) are formalized and shared so as to assist project management in the implementation of programs.

These projects give a new meaning to daily work through the general interest work of the Fund. The Danone Ecosystem Fund is a new step and a more open use of the dual economic and social project and has shown it to be a real lever for commitment, pride in belonging and common sense for Danone employees. ✕

→ Communities

GUARANTEE OF ACCESS
TO WATER FOR EVERYONE

SUPPORTING THE
LOCAL ECONOMY

HUMAN RIGHTS



PROJECT NEWS:
RESTORATION OF MANGROVES

ACTION TO ENSURE ACCESS TO WATER

The challenge common to all of Danone's social innovation initiatives is to strengthen the skills of teams on the following themes:

- > understanding societal challenges and stakeholders;
- > measuring social impact;
- > co-creation and co-management, particularly with NGOs;
- > involvement of Danone employees in the different programs;
- > internal and external communication.

Encouraging exchanges between inclusive and traditional business models through a "peer-to-peer" approach

Danone teams working in co-creation with civil society partners participate in experimenting with new models, both different and complementary to those practiced in "traditional" business. In 2014, some models related to access to water for everyone, as well as to the support of the local economic fabric and local supply were put under the spotlight.



GUARANTEE
OF ACCESS TO WATER
FOR EVERYONE

danone).communities

The guarantee of access to water for everyone is a fundamental challenge for Danone, illustrated by projects carried out by the danone.communities Fund and the Danone Ecosystem Fund. At December 31st, 700,000 beneficiaries have access to drinking water thanks to Naandi Community Water Services, EcoAlberto and 1001 Fontaines.

MORE THAN **70 %** OF THE 400 MICRO-FACTORIES ARE ALREADY PROFITABLE IN 2014.

ONLY TWO YEARS AGO, LESS THAN **50 %** WERE PROFITABLE.



Naandi Community Water Services

In India, more than 100 million people do not have access to drinking water. One of the largest Indian NGOs, Naandi - which means "new start" in Sanskrit, concerned itself with this problem and created, with danone.communities, Naandi Community Water Services (NCWS). NCWS is a company that builds micro-factories in villages. Water is filtered there thanks to simple, effective and inexpensive technology (reverse osmosis or ultra-violet filtration) and communities come to buy their water there at a very reasonable price of around four cents (three pence) per 20-liters jug.

Today, around 630,000 people benefit from access to drinking water thanks to NCWS. Through public information campaigns in villages, the number of households who regularly drink water made drinkable by NCWS is increasing, which improves children's health and their ability to go to school. The aim is to double the number of villages before 2019.



1001 Fontaines

Worldwide, unsafe drinking water from rivers, lakes and ponds—coupled with the absence of even the most basic sanitation, kills 1.6 million children under the age of five every year. In Cambodia, 80% of the population lives in rural areas, where most have no access to safe drinking water. One French entrepreneur and a Cambodian joining forces to launch 1001 Fontaines.

The mission of this project aim is to make lasting improvements in the health of poor, isolated communities in developing countries by enabling them to produce safe drinking water under an entrepreneurial model.

This one is based on the use a simple technology: ultraviolet filtration of surface water from rivers, lakes, ponds and other sources and a micro-entrepreneurial model: an entrepreneur in each community operates one filtration unit and distributes the water locally and to communities nearby.

1001 Fontaines lead to the creation of 200 jobs and 88 water treatment stations are now in operation. The objective for 2016 is to install water treatment stations in 250 Cambodian villages.✕

EcoAlberto

El Alberto, in the state of Hidalgo, is one of Mexico's most arid regions where for water, indigenous communities there rely primarily on small springs, which are often polluted, and in some cases villagers have to walk nearly two hours to reach them.

To face this issue, the EcoAlberto project's mission is to provide indigenous communities in the El Alberto region with access to affordably priced, potable water, and create jobs for women in these villages. In fact, water is processed in a filtration plant then distributed by truck in 140 containers. 200 women earn income by distributing the water.

EcoAlberto will focus on increasing processing capacity, distributing safe water in schools and in testing distribution in urban shantytowns.

EcoAlberto



The issue related to the support of local economic market and supply is reflected at all levels into Danone:

- the knowledge of local issues is fundamental for production and commercialization of safe and healthy products, developed in the NutriPlanet program (see the section on Nutrition & Health);
- the Danone's employees are located throughout countries where the company operates, that is why the local issues related to remuneration and employment have to be considered;
- Danone's intention is to develop local economy by setting up innovative business models promoting social insertion.

DANONE LOCAL EMPLOYER

Local employments

DANONE IS A LOCAL EMPLOYER ABOVE ALL WITH 95% OF ITS 18,809 MANAGERS AND DIRECTORS HIRED LOCALLY. THIS PERCENTAGE HAS SLIGHTLY INCREASED SINCE 2012.

Danone's aim is to achieve 80% of local managers in all Executive Committees. At end 2014, 66% of directors had been hired locally, representing a slight decrease compared with 2013.

At December 31 st	2012	2013	2014
Total Workforce (Directors and Managers)	16 452	18 039	18 809
of which international staff	850	910	861
% international	5,2%	5,0%	4,6%
% local	94,8%	95,0%	95,4%
Management Committee Members (excluding Executives)	1 254	1 058	872
of which international staff	353	316	300
% international	28,1%	29,9%	34,4%
% local	71,9%	70,1%	65,6%

Minimum salary/Minimum legal salary ratio

The basic starting salary is higher than the local minimum salary for the large majority of subsidiaries (138), covering over 95% of Danone's employees. It is equal to the legal minimum for 11 subsidiaries, i.e. less than 3% of employees. There is no legal minimum defined for 14 subsidiaries (2% of employees). Compared with 2013, there has been a modest decrease of the number of employees with a basic starting salary above the legal minimum, as well as in the number of employees with salary equal to the legal minimum, and a decrease of the number of employees with no legal minimum salary.

	2014		2013 published	
	Number of subsidiaries	Total % of employees	Number of subsidiaries	Total % of employees
Subsidiaries with a "subsidiary minimum wage"/"legal minimum wage" ratio greater than 1	138	95%	141	94%
Subsidiaries with a "subsidiary minimum wage"/"legal minimum wage" ratio equal to 1	11	3%	14	4%
Subsidiaries with a "subsidiaries minimum wage"/"legal minimum wage" ratio below 1	0	0%	0	0%
Subsidiaries to which no legal minimum wage applies	14	2%	12	2%
Total reported	163	96%	167	97%
Total non-reported	11	4%	12	3%
Total Danone	174	100%	179	100%



DEVELOPING THE LOCAL ECONOMY

Micro-distribution Projects

Through the Danone Ecosystem Fund, Danone improves its own integration into the market and boosts its distribution activity through new models for social insertion.

Danone Ecosystem Fund projects reinvent distribution activity for a more inclusive economy by putting in place new alternative models. Danone is developing its penetration towards consumers with a lower buying power: this is only possible through the use of a sales force which comes from this social class, with a genuine ambition for professional insertion.

Micro-distribution projects supported by the Fund aim, in particular, to improve access to quality products outside of classic distribution circuits, supporting the vulnerable, principally women, to encourage them to become self-employed, by assisting them in developing their personal and professional skills. These self-employed people constitute a distribution circuit for selling products and support programs of public awareness about nutrition within their communities. This approach enables Danone to develop new interaction and better consumer understanding.



Danone Brazil wishes to develop its activity throughout the region and better integrate into the market.

North Eastern Brazil is a region that benefits from very little of the country's development. Within the most underprivileged populations, women are the first to bear the impact. The majority of them has no choice but to accept unstable and underpaid work.

In this economic and social context, project Kiteiras was set up in the heart of the favelas of Salvador de Bahia. Initiated by Danone LTDA in Brazil, in partnership with Aliança Empreendedora, a Brazilian NGO, and supported by the Danone Ecosystem Fund, this project addresses the problem of access to employment for women. Kiteiras is a program of direct sales to consumers by women from the underprivileged society of the favelas. As well as access to formal self-employed work, which helps obtain social security, the Kiteiras benefit from training in administration, sales and management and have access to micro loans. In this way they improve their socio-economic situation. A major innovation of the project is the implementation of a network of Madrinhas ("Godmothers" in Portuguese). Former Kiteiras for the most part, they are responsible for recruiting, training and managing new independent vendors.

THE MILK FACTORY CAN BE PROUD TO HAVE 10,000 RETAIL OUTLETS IN SENEGAL.

TODAY MORE THAN 350 KITEIRAS SELL DANONE PRODUCTS THROUGH THIS NETWORK. THE OBJECTIVE IS TO REACH 400 KITEIRAS

Micro-distribution projects permanently face a dual challenge: improving the economic model in order to achieve profitability, a measure of sustainability and possible large-scale development, whilst ensuring that social goals (training, reintegration, access to employment) are achieved, these are determined in relation to target populations and require specific management. This challenge is sometimes the source of difficult trade-offs but also of improved creativity and innovation making a positive difference, strengthening brand and Danone's presence in competitive markets and, finally, business for tomorrow.

danone).communities

« La Laiterie du Berger »

Today, Senegal imports 90% of the milk it consumes, in powdered form. However, milk resources do exist: the Peuls, a largely nomadic ethnic group, traditionally live as farmers. To solve the problem of milk supply, a young vet created « La Laiterie du Berger », a factory in which this local milk is transformed into yogurt or other dairy products for the Senegalese market. More than 800 Peuls farming families have seen their traditional way of life preserved and their living conditions improved. danone.communities quickly came to believe in this project and decided to invest, in line with its mission to reduce poverty and malnutrition. The Dairy is now proud to have 10,000 retail outlets in Senegal. ✕

PROMOTING HUMAN RIGHTS WITHIN THE COMPANY

Danone's commitment to comply with and promote human rights principles has been defined, deployed and promoted to employees and suppliers through a variety of means and in several phases:

- Danone joined the United Nations Global Compact in 2003, and reaffirmed its commitment in 2009;
- in 2005, the Seven Fundamental Principles defined by the International Labor Organization conventions were addressed in an agreement between Danone and the IUF, and were the subject of joint visits;
- Danone implements them via the Danone Way approach, which applies to 93% of the company sales and includes 16 key practices relating to Social and Environmental Responsibility, including a specific Human Rights dimension;
- the Seven Fundamental Principles are the basis for the RESPECT program launched in 2005, which aims among other things at ensuring the application of these principles by the Danone's suppliers.

Employee training on policies and procedures of human rights

Employees' awareness of human rights practices is raised through two approaches:

- the Danone Way approach (see page 18 of this report): every Danone employee has received a Danone Inside Pack that describes the Danone Way approach and its 16 key practices. These materials provide information on human rights, particularly with regard to the ban on child labor and forced labor, diversity and equal opportunity, and safety at work. Among the approach's 16 key practices, eight relate specifically to "Human Rights" and "Human Relations";
- the RESPECT program (see page 58 of this report): the Procurement departments manage supplier compliance with regard to

social responsibility, and in particular respect for human rights. A communication guide about the RESPECT program including the Fundamental Social Principles was broadly distributed to the procurement function in 2010. Therefore, 100% of purchasers have been informed.

Beyond this, the number of hours of training and/or information is not consolidated at central level. Service providers in the security sector commit to comply with the RESPECT program's Fundamental Social Principles, and are screened by the Danone manager in charge of life and property safety.

Measures taken to promote freedom of association and collective bargaining

A convention concerning the right to union organization has been signed with the IUF. The IUF notifies central management if it is informed of failure to respect freedom of association.

Freedom of association is also one of the key practices monitored in all subsidiaries by the Danone Way approach (see page 18 of this report), including a key practice on "Employees Involvement and Social Dialogue" that promotes employee dialogue in subsidiaries.



THE DANONE ECOSYSTEM FUND SUPPORTS HUMAN RIGHTS

The Danone Ecosystem Fund works to develop the skills and autonomy of individual participants in the local economy.

In the framework of this mission, particular attention is paid to women and their socio-professional development.

Limited access to education or professional opportunities, domestic violence, financial dependence: women are often victims of inequality and, therefore, more vulnerable. The empowerment of women has become a key element for the Danone Ecosystem Fund and, more particularly, for certain projects such as Kiteiras in Brazil, Warung Anak Sehat in Indonesia or the Social School for Women Empowerment in Spain.

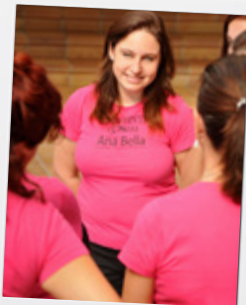
This project aims to combat domestic violence carried out against women in Spain, via a program for reintegration through work, allowing them to rebuild their lives through professional experience. In 2011, Danone Spain, with the support of the Danone Ecosystem Fund, joined forces with the Ana Bella Foundation to co-build the "Social School for Women Empowerment". This school was created and gives assistance and training to women, giving them the opportunity to work in sales and the promotion of dairy products in medium and large shops.

More than 400 women have benefitted from training and coaching and, therefore, have a new start far from any violence.

Generally, the beneficiaries of these projects agree on their personal contribution related to their new job: self-confidence, free will, opportunities to socialize, leadership and entrepreneurial skills. Social and economic benefits are seen in families and communities. For example, in the Pemulung communities (a project in Indonesia), the majority of mothers allocate their additional income to family needs, thereby contributing to the improvement of nutritional and sanitary conditions of their households. Beyond the family circle, some beneficiaries also take on new responsibilities in developing their communities.

In this way, the Danone Ecosystem Fund, by offering professional opportunities and the support of a solid network, by making the best nutritional solutions available or in participating in breaking taboos and stereotypes opens the way, particularly for women, their families and, more widely, their communities.

TO DATE
12,000 women
BENEFIT FROM
ECOSYSTEM PROJECTS.



FIGHT AGAINST ANY FORM OF DISCRIMINATION

A convention was signed with the IUF concerning anti-discrimination measures and promotion of diversity.

During joint visits Danone-IUF in the subsidiaries, no case of discrimination was identified during these visits.

Aside from these joint visits, information about cases of discrimination may be communicated via various channels:

- reporting to the human resources department of each subsidiary;
- reporting to employee representatives in the subsidiaries where they are present;
- "Local ethics" line implemented in certain subsidiaries, such as in Indonesia, Mexico and the USA.

The Danone Way approach also includes prevention of discrimination, particularly through the implementation of on-site specific procedures and measures to identify and eliminate possible discriminatory actions.



FIGHT AGAINST FORCED LABOR AND CHILD LABOR

Respect for this principle is verified through the Danone Way approach (see page 18 of this report), for which the abolition of child labor is a prerequisite.

All subsidiaries are required to put in place the necessary procedures and resources to ensure that there is no child labor at their sites. ✕



ALL THE SUBSIDIARIES THAT COMPLETED THE DANONE WAY ASSESSMENT IN 2014 WERE IN COMPLIANCE WITH THIS PREREQUISITE, AND NO NON-COMPLIANCE INCIDENTS WERE IDENTIFIED.

→ Fight against fraud and corruption



BUSINESS CONDUCT POLICY AND DIALERT SYSTEM

The current version of Danone's Business Conduct Policy (BCP) was revised in 2009. The BCP are consistent with founding texts such as the Universal Human Rights Declaration, Danone's commitments to the United Nations Global Compact, OECD (Organization for Economic Cooperation and Development) guidelines and the Sustainable Development Principles, which include in particular the Fundamental Social Principles and Business Ethics Principles, directly referring to prevention of corruption.

The BCP was distributed to all directors and managers (and more widely in certain subsidiaries) by the Human Resources Departments of the subsidiaries, and supported with initiatives to inform employees.

Since 2006, directors and managers sign a specific clause in their employment contracts indicating that they are familiar with the BCP and commit to compliance by themselves and their teams. Various tools have been provided to support effective application of these principles (presentations, posters, question-and-answer booklets, etc.).

A specific program to prevent fraud was also developed in 2006 and has been expanded every year since then. In 2014, a global anti-bribery and corruption initiative was launched in the Early Life Nutrition division which will continue in 2015.

An information booklet was updated in 2011 and distributed once again to the Executive Committees of each subsidiary, recommending the implementing of an annual fraud and corruption risk assessment.

Also a mid-year reporting requirement of allegations and proven cases of fraud, in which corruption incidents are classified as 'significant fraud' is made, whatever the amounts involved, in order to collect complete information on this type of occurrence.

Since 2005 the DIALERT system has been implemented to enable all employees to make confidential reports to Danone management directly any breach of:

- Danone's principles and procedures for internal control, including anti-corruption rules;
- the accounting and finance rules that could affect the truthfulness of accounts and the financial situation of the employee's company or of another Danone subsidiary.

The visibility of this whistleblowing system is mostly verified during every subsidiary audit. An internal control item (part of Dango guidelines) deals with this topic and each subsidiary must run an annual self-evaluation for this item.

REFERENCE TO THE BCP IS INCLUDED IN:

- > *the Danone Way referential;*
- > *the evaluation of the subsidiary control system (known as Dango);*
- > *the internal semi-annual opinion survey;*
- > *the internal audit program (when judged appropriate BCP one part of the audit scope).*

Since 2008, the DIALERT system has been extended to Danone suppliers (letter from the subsidiaries to every major supplier and systematic inclusion in call for tender documents) to allow them to report in confidence any breach of the BCP rules with regard to themselves (in particular possible cases of corruption). The DIALERT system was extended in 2011 to include the WHO Code for Early life nutrition products.

In addition to DIALERT, some subsidiaries have implemented local whistleblowing systems. This channel produced a total of 62 valid ethics notifications in 2014. Only a minority were proven fraud and led to appropriate sanctions.

ANALYSIS OF RISKS RELATED TO CORRUPTION

Within Danone's four divisions, every consolidated subsidiary (integrated into Danone financial accounts) is covered by the Danone's seven-point anti-fraud and anticorruption program. More particularly, the first element in this program is an annual evaluation by each subsidiary of internal and external fraud risk.

TRAINING ON THE FIGHT AGAINST CORRUPTION

All Danone employees were informed of the 2009 revision of the Business Conduct Policy. This was achieved through information meetings, presentations and question/answer sessions, and distribution of documents with or without formal acknowledgement of receipt. Managers, and in particular subsidiaries Executive Committees members, received more extensive training and information.

Since 2009, an induction document has been drafted and sent to the subsidiaries for transmission to each newly recruited employee upon arrival. Titled "Danone Inside Pack", it contains several pages covering the Business Conduct Policy.

The business conduct survey first launched in 2010 in more than 160 subsidiaries was repeated in 2011, and supplemented by an analysis of the distribution of communication material on these topics (BCP, Danone Inside Pack, etc.).

The overall results attest a significant improvement in terms of familiarity and distribution of these documents and best practices related to professional and business ethics. Discussions were also able to raise new awareness of this topic among employees on the ground; a summary of results was examined at the highest levels of Danone's organization. Action plans were defined and are underway.

ACTIONS TAKEN IN RESPONSE TO INCIDENTS OF CORRUPTION

Danone strongly condemns all corrupt practices, as highlighted in its Business Conduct Policy, distributed to all managers and to many employees in all subsidiaries. The sixth point of the anti-fraud program concerns the corrective and disciplinary measures to be applied within each subsidiary.

178
subsidiaries are included in the mid-yearly reporting on internal fraud

Lastly, mid-yearly reporting on internal fraud has been in place for seven years, with the participation of 178 subsidiaries, or almost every entity of the company.

There were 454 cases of suspected fraud registered in 2014, of which 291 proved to be actual fraud, a majority of which were minor (products or materials stolen, minor misappropriations). None of these cases of fraud had a significant impact on Danone's accounts in 2014. In the huge majority of proven cases identified, the employees implicated were dismissed or sanctioned following the fraud investigations.

Finally, a follow-up meeting of cases of fraud and suspected fraud takes place monthly at Danone's headquarters to ensure the effective monitoring of cases and their appropriate management in terms of ethics and internal control.

For this purpose, detailed information on the nature of the main cases are collected and analyzed by the monitoring committee of fraud (DIALERT Committee). It brings together representatives of Human Resources functions, Internal Audit and Legal, and meets monthly.

PUBLIC POLICY DEVELOPMENT AND LOBBYING

Danone considers lobbying as a positive action aimed at giving politicians and legislators the information they need to deal with current issues and define an appropriate legislative and regulatory framework adapted to an increasingly complex environment.

Since 2010, Danone has reorganized its corporate teams in charge of public policy and lobbying. The goal is to better distinguish policy development from factors related to the development of these regulations.

The resources needed to extend these activities to the subsidiaries have also been defined:

- in 2011, Danone created a Public Affairs kit and the Public Affairs Policy (see page 15);
- the deployment process has also been formally defined as a Public Affairs best practice in the Dango internal governance system to ensure that this policy is actively implemented and monitored every year in the Danone's subsidiaries.

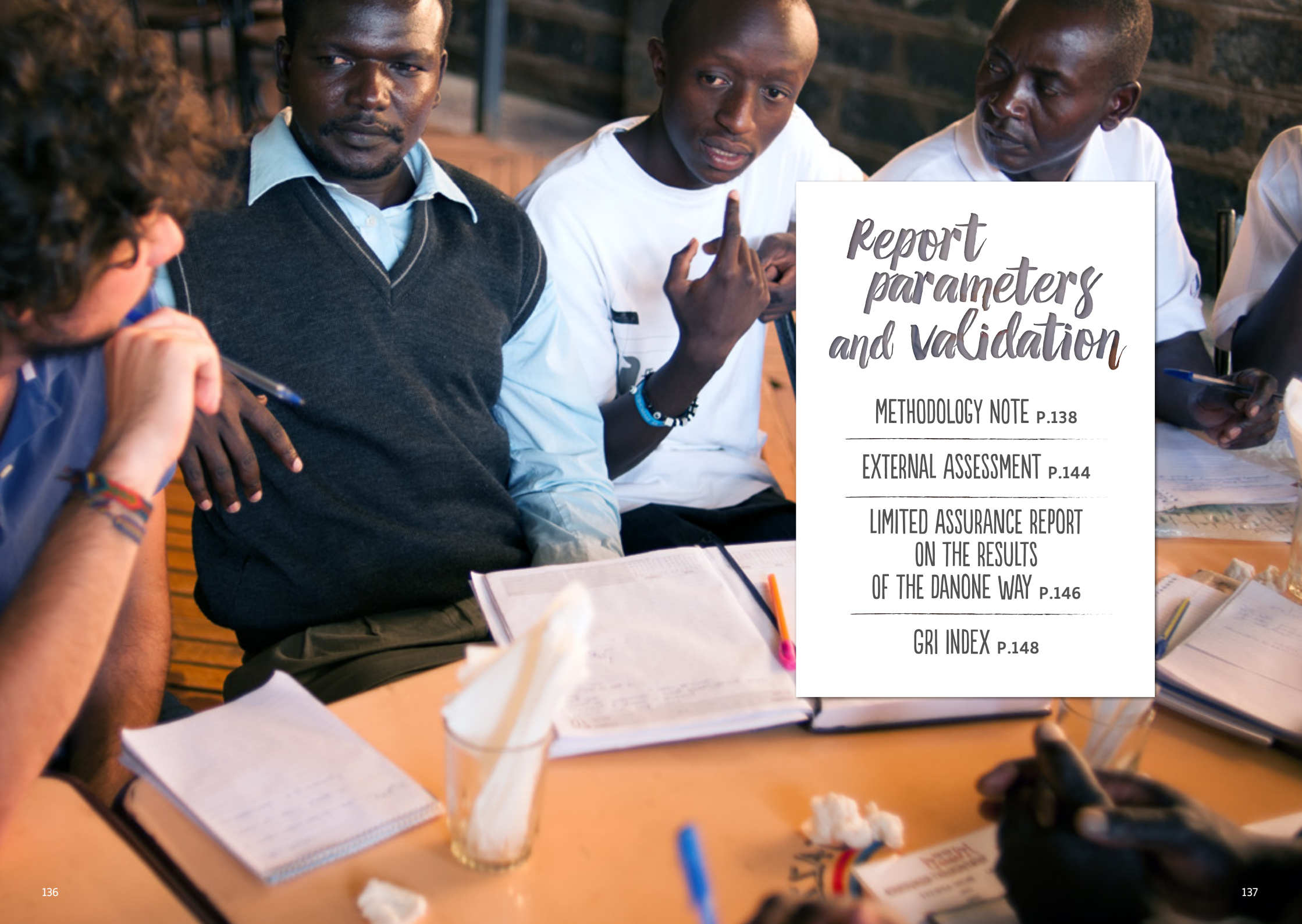
Danone also takes active part in the efforts of industry associations working together to contribute to formalization of a public policy at both national and international levels.

In addition, Danone is registered on the Transparency Register set up by the European Commission and the European Parliament.

Danone and its subsidiaries also maintain direct relations with the national authorities in the countries in which they do business. These relations are maintained in compliance with Danone Business Conduct Policy.

CONTRIBUTIONS TO POLITICAL PARTIES

As indicated in Danone Business Conduct Policy, the use of funds or other company assets, either directly or indirectly, to benefit organizations of a political nature may only take place in the framework of the laws and regulations in effect in each country, and must be applied with complete transparency. This use is only possible with formal management approval. ✕



Report parameters and validation

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EXTERNAL ASSESSMENT P.144

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ON THE RESULTS
OF THE DANONE WAY P.146

GRI INDEX P.148

methodology note

CONSOLIDATION SCOPE AND COVERAGE

The financial data included in this report corresponds to consolidated historical data from the 2013 Registration Document. It was prepared in compliance with IFRS accounting standards as adopted by the European Union.

Nevertheless, some subsidiaries do not report all social, safety and environmental indicators. These entities have been consolidated into the Danone consolidated financial statements for the year ended December 31, 2014, and action plans have been drawn up and/or are planned to ensure the availability and accuracy of the social, environmental and safety data reported. Most of these have been acquired most recently, in particular those joining Danone as a result of the acquisition of Centrale Laitière (Fresh Dairy Products - Morocco) in 2013.

Finally, those subsidiaries that do not report certain social, safety or environmental indicators may vary depending on the indicators; the coverage scope may differ following the categories hereafter, as described in the following sections:

- Total Workforce scope;
- Social Indicators Scope;
- Safety Scope;
- Production Sites Environment Scope; and
- Greenhouse Gas Emissions Scope.

Total Workforce Scope and Social Indicators Scope

In 2014, 169 entities representing around 94% of the total workforce reported social indicators (Social Indicators Scope). In the case of the total workforce indicators, the coverage rate is 100% (Total Workforce Scope).

Safety Scope

In 2014, 159 entities representing around 95% of the total workforce reported safety indicators (Safety Scope). In addition, in the case of subsidiaries exiting the consolidation scope as of December 31, 2014, their social and safety data is reported until the date they exit the consolidation scope and is not taken into account in the workforce as of December 31, 2014. In 2014, main entities exiting the Safety scope are the Fresh Dairy Products companies in China and Indonesia following their disposal. The main companies that are no longer fully consolidated as of December 31, 2014, are listed in the Note 2.2 of the Notes to the consolidated financial statements of the Registration Document.

Production Sites Environment Scope

In 2014, 179 production sites (among Danone 184 production sites) representing around 98% of the consolidated net sales reported environmental indicators (Production Sites Environment Scope).

The environmental impact of administrative headquarters and logistics centers is not included in the consolidation scope (except for certain indicators, when the logistics centers are adjacent to a production site).

Greenhouse Gas Emissions Scope (product approach)

In 2014, this scope covered 93% of the sales volume.

Nutrition & Health scope

Indicators related to sales reported via the Nutrition & Health Scorecard do not include the non-food products sold by subsidiaries. Besides, every subsidiary has reported its imports while exports were excluded from the reported data.

Like-for-like variations (constant scope)

Danone measures changes to some environmental indicators on a like-for-like basis, i.e. at constant consolidation scope. The 2014 data are restated using a consolidation scope identical to the 2013 scope.

DATA COLLECTION

To ensure the homogeneity of indicators across the reporting scope, shared data reporting guidelines for social, safety and environmental data are transmitted and updated each year following data consolidation and comments by contributors. These guidelines specify the methodologies to use for reporting indicators: definitions, methodology principles, calculation formulas and standard factors.

These reporting guidelines regarding environmental, social, safety and GHG data are available upon request from the Social Responsibility Department.

The social, safety and environmental indicators are transmitted from the subsidiaries and/or production sites and are consolidated at control level by the corresponding departments. The environmental data are checked at the subsidiary level and then at the Division level when reported. In the case of social and safety data, a control is performed at the end of the third quarter and at the time of the consolidation of the December 31 data.

Social and safety indicators

The Human Resources Department is responsible for social and safety indicators. Social data from the subsidiaries are generally derived from payroll systems installed in the entities and reported via the company's consolidation software (SAP/BusinessObjects Financial Consolidation).

Safety indicators are reported monthly by each subsidiary in WISE, the company consolidation system for safety indicators.

Environmental indicators

The Nature Department is responsible for environmental indicators. Environmental data are reported by the Environment manager at each production site. Greenhouse gas emissions (product approach) related data are reported via the Danprint application and/or SAP Carbon.

METHODOLOGICAL DETAILS

The methodologies used for certain social and environmental indicators may involve limitations due in particular to:

- the absence of shared national and/or international definitions; and
- the need to estimate, the representative nature of measurements performed or the limited availability of external data needed for calculations.

For these reasons, the definitions and methodologies used for the indicators hereafter are specified.

Workforce

A negligible portion of the managerial workforce is not collected in the data reporting framework (a few cases of internationally mobile employees on assignment to other company subsidiaries). Furthermore, some disparities may exist in the workforce accounting methods for expatriate employees (such is notably the case for expatriate employees who have three-party contracts between the employee, the home subsidiary and the host subsidiary).

Employees on long-term leaves (more than nine months) are not counted in the total workforce at the end of the reporting period. In China, employees remunerated by Danone but whose contracts are with a third-party company (equivalent to a temporary work agency), are not included in the workforce.

Short-term contracts and movements within the company are not included in the entries/exits.

Number of training hours and number of trained employees

Training data from French subsidiaries include training categorized as ongoing professional training as well as other types of training.

The number of trained employees takes into account all the employees who received at least one training session during the year, including employees who have left the Danone as of December 31, 2014.

The training sessions for which evidence has not been received at the reporting closing date are included in the following fiscal year. Given the limited availability of data in certain countries, the company made estimates for this indicator as of December 31, 2014.

Frequency rates of work accidents

Frequency Rate 1 (FR1) is the number of workplace accidents with lost time of one day or more that occur over a 12-month period for every 1 million hours worked.

The frequency rate of workplace accidents without lost time (FR2) represents the number of workplace accidents without lost time for every 1 million hours worked.

The severity rate (SR) represents the number of calendar days of absence due to workplace accidents with lost time for every 1,000 hours worked. Regarding the number of lost days taken into account in the calculation of the severity rate and given the limited availability of data in certain countries, Danone made estimates for this indicator as of December 31, 2014.

The hours worked are actual hours worked; if this figure is not available, theoretical hours worked are taken into account based on local practices and regulations regarding work time.

The assumptions used for the theoretical hours worked calculation is left to the discretion of the subsidiaries, taking into account local specificities, which can lead to minor discrepancies.

Workplace accident indicators also cover accidents affecting temporary employees working at Danone's sites as well as interns who have an internship agreement with Danone. Temporary employees refers to individuals who do not have a contract with Danone but are under Danone's direct management, working on a temporary basis and for whom working time is available (in number of hours); this can create discrepancies in the scope of the workforce accounted for by the sites.

Waste

In 2014, waste is classified into four categories (hazardous waste, non-hazardous organic waste, non-hazardous inorganic waste and sludge from water treatment facilities).

In 2013, the quantity of sludge from water treatment facilities taken into account was limited to sites for which wastewater was discharged directly into the environment after on-site treatment (full treatment). Sludge from wastewater treatment facilities generated by partial on-site treatment and subsequent off-site treatment was not included.

In 2014, the “Volume of sludge from wastewater treatment facilities” indicator took into account all sites with on-site wastewater treatment (complete and partial) and generating sludge. This indicator is calculated based on the quantity of wet sludge and a dry matter ratio. When the dry matter ratio was not available (around 7% of cases), the default value was set at 100%. The total quantity of sludge from wastewater treatment facilities was approximately 26,000 tons at 59 sites in 2014. In 2013, this indicator was reported by only 19 sites.

Consolidated data related to waste do not include product returns (non-compliant raw materials rejected/unsold due to commercial issues), and whey, a by-product normally reused by a third party. Data related to recovered waste include materials recovery (recycling, compost, reuse, etc.) and energy recovery.

Water consumption

Consumption of well water or surface water may be estimated when sites have no meter. The definition and methods of accounting for various uses of water (including run-off, water pumped from and returned into streams) are specified in the technical environmental guide established by Danone and transmitted to its subsidiaries. Water consumption includes water used in industrial process and water used in finished product formulation.

The calculation method used by Danone consists in taking into account the water used in open cooling circuits (water pumped and returned without any modification except temperature).

If a logistics center is located adjacent to a production site, its water consumption is included when the sites are not able to distinguish it.

Energy consumption

By definition and with the exception of the GHG Protocol Corporate Standard indicator, the environmental indicators cover only the impact of production sites. When Research and Development centers or other non-industrial sites are located adjacent to the production sites, estimates may be made by the production sites to take into account only their own energy consumption (estimate and deduction of energy consumed by the non-industrial site adjacent to the plant).

In some cases, the energy consumption of buildings located adjacent to the production sites is included when no separate measurement is possible.

Greenhouse gas emissions by organization

Greenhouse gas emissions by organization (scope 1 and scope 2) for 2014 are calculated using the methodology described in the GHG Protocol Corporate Standard (revised 2010 version).

For the organizational approach to measuring its carbon footprint, Danone has chosen to include all sources of emissions at the company industrial sites. The share of emissions from offices and warehouses remains limited relative to the total (7% of total emissions in 2012). Vehicles produce a greater share of emissions (21% of total emissions in 2012). However, Danone focuses its actions on the industrial activities (more than 70% of total emissions in 2012). For the so-called “product” approach based on a lifecycle analysis, however, Danone also records emissions related to logistics and transportation.

Direct emissions (scope 1) are those arising from on-site consumption of fuels (natural gas, propane/butane/LPG, heating oil, heavy fuel oil and coal) and from refrigerant leaks (in accordance with the GHG Protocol Corporate Standard, only HFC and PFC consumption is included). No site uses PFCs. Indirect emissions (scope 2) are those linked to the generation of electricity, steam, heat or cold and purchased Danone.

Emissions (scopes 1 and 2) are calculated by applying the global warming potential (GWP) and emissions factors to the activity data.

The emissions factors and GWPs used in calculating emissions arising from energy consumption correspond to data in the 2006 IPCC Guidelines (2006 IPCC Guidelines for National Greenhouse Gas Inventories). The IPCC (Intergovernmental Panel on Climate Change) is a group of inter-governmental experts specializing in climate change. The emission factors regarding electricity correspond to the data from the International Energy Agency (CO₂ highlights 2013), and the factors used regarding heat, steam and cold correspond to data from the French Agency for the Environment and Energy Management (Agence de l’environnement et de la maîtrise de l’énergie - ADEME) carbon database.

Emissions factors used to characterize the impact of refrigerant fugitive emissions are based on the report “Climate Change 2007, 4th Assessment Report, The Physical Science Basis”, from IPCC, published in 2007.

Wastewater

Chemical Oxygen Demand (COD) data presented correspond to wastewater after internal and/or external treatment. If no information about external treatment is available, a purified output of 90% is applied.

External controls

To receive an outside opinion of the reliability and robustness of Danone Way approach results, Danone asked KPMG Audit to verify the results of this approach.

The audit report detailing the work undertaken and their comments and conclusions can be found on pages 146 to 147 of this report.

In addition, some of the social, societal and environmental data published in this report were published in section 5.2 of the Danone Registration Document and verified by PricewaterhouseCoopers, One of Danone’s statutory auditors. This data is identified with the following symbol: ✓. The audit report detailing their work and including their comments and conclusions can be found in section 5.2 of Danone Registration Document. ✕

External assessments

Dow Jones Sustainability Index Rating

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

The Dow Jones Sustainability Index (DJSI) is a leading global index that rates the sustainable development performance of the top 319 companies from 59 different sectors in 2014.

Danone has been included in the Dow Jones Sustainability Index for the 14th year in a row, confirming its position among the 12 top-ranking food companies worldwide.

Vigeo rating



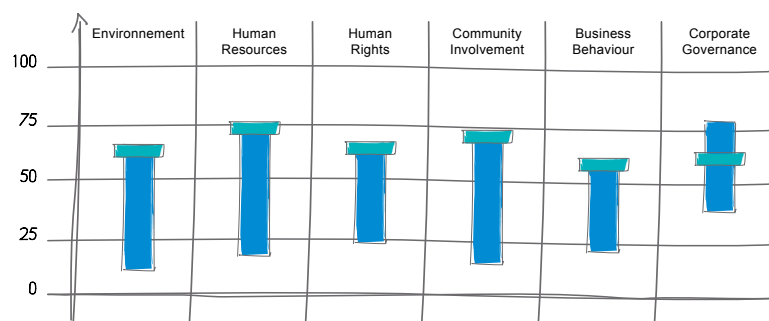
As the leading European non-financial rating agency, Vigeo measures the performance of Dow Jones Global 1800 Index companies in Europe, Americas and Asia with respect to social responsibility in 38 drivers of sustainability and 330 indicators.

In February 2015, Danone was therefore rated among a peer group of 16 companies in the food sector and maintained its position as the leader in the same sector with a stable general score of 64/100.

Domaines d'évaluation	Scores 07/2011	Ratings 07/11	Scores 02/2013	Ratings 02/13	Scores 02/2015	Ratings 02/15
Human Rights	70	++	70	++	65	++
Environment	60	++	56	++	64	++
Human Resources	69	++	72	++	74	++
Business Behavior	55	++	60	++	58	++
Corporate Governance	53	=	52	=	60	=
Community Involvement	58	++	54	++	70	++

++ The company is ranked as a leading performer in its sector.
+ The company is ranked as an active performer in its sector.
= The company is ranked as an average performer in its sector.
- The company is ranked as a below average performer in its sector.
-- The company is ranked as a poor performer in its sector.

COMPANY'S PERFORMANCE IN COMPARISON WITH ITS SECTOR



Ethibel Index



Danone also appears in the Ethibel index, which provides potential investors with an overview of the companies with the best performance in sustainable development and social responsibility. Danone is rated in the Ethibel Excellence Europe category.

Carbon Disclosure

In 2014, Danone entered the Carbon Disclosure Leadership Index France, related to its participation in the Carbon Disclosure Project (CDP). The CDP provides assessment tools for institutional investors and/or other stakeholders. In 2014, the index included the 10 more transparent and efficient companies on the actions taken supporting climate change mitigation.

In 2014, Danone got the score of 97 A and joined the 10 more efficient French companies in the fight against climate change, thanks to an ambitious program of carbon emission reduction.

Forest Footprint Disclosure

Danone participated in the Forest Footprint Disclosure (FFD), which primarily aims to mitigate the growing effects of deforestation. This global rating, created by the CDP, assesses the impact that very large companies have on forests, based on their use of five raw materials: soy, palm oil, wood and paper pulp, animal feed and biofuels. Danone was able to report the data necessary for this evaluation based on the its Forest Policy published in 2012, illustrating

the company's concern for its impact on the upstream part of the value chain.

Water Disclosure

Danone has participated in the CDP Water Disclosure since it was created in 2010. This program seeks to gather critical data from the world's largest companies on water shortages and related issues. This global database facilitates access to vital information on the sustainable use of water.

Access to Nutrition Index

Access to Nutrition Index (ATNI) is a new international rating index created at the joint initiative of GAIN (Global Alliance for Improved Nutrition), the Bill & Melinda Gates Foundation and Welcome Trust. Every two years, the index will rate the largest food and beverage companies on their nutrition-related policies, practices and performance. This index aims to encourage those companies to improve their products nutritional quality and accessibility, and to exercise their influence on consumers' choices and behavior in a responsible way. The world's 25 largest food and beverage companies were assessed in 2012 on the basis of their 2011 performances. In the first ATNI rating published on March 12, 2013 Danone ranked number one with a global rating of 6.3/10, within the group of top performers (Danone, Unilever and Nestlé). Danone also achieved the highest ratings in the Accessibility, Marketing and Engagement categories. The assessment will be renewed in 2015. X

Limited Assurance Report on the Results of the Danone Way Approach published in the Group's Sustainability Report for 2014

As requested, and in our capacity as an independent third party, we hereby present our report on the Results of the Danone Way approach ("the Results") provided in the chapter "Danone Way: Danone's culture and key practices employed in all subsidiaries to insure sustainable development of activities" of the Group's 2014 Sustainability Report.

Responsibility of the company

The Results were prepared under the responsibility of the Group's Corporate Organization Development and Social Dynamics Department, in accordance with the Danone Way internal protocol (the "Protocol") which may be consulted at the department. The paragraphs "Evolution of the approach in 2014" and "2014 Results" presented in the chapter "Danone Way: Danone's culture and key practices employed in all subsidiaries to insure sustainable development of activities" provide further details on the changes made to the Protocol, the consolidation scope and the published Results.

Independence and quality control

Our independence is defined by our code of ethics and our internal procedures. We have also implemented a quality control system

comprising documented policies and procedures for ensuring compliance with the code of ethics and professional auditing standards.

Responsibility of the independent third party

It is our responsibility, based on the work performed, to express a limited level of assurance that the Results of the Danone Way approach, taken as a whole, are presented fairly, in all material respects, in accordance with the above mentioned Protocol.

Our work was performed by a team of five people between October 2014 and April 2015 over a thirteen-week period. We were assisted by our CSR specialists.

We performed the procedures below in accordance with professional auditing standards and International Standards on Assurance Engagements (ISAE 3000).

Nature and scope of our work

We conducted several interviews with the people responsible of the Danone Way approach in the Organization Development and Social Dynamics department in charge of collecting the Results, in order to:

- assess the suitability of the Danone Way Protocol in terms of its relevance, completeness, reliability, impartiality and understandability;

• verify that a data-collection, compilation, processing and control procedure has been implemented to ensure the completeness and consistency of the Results and review the internal control and risk management procedures followed to prepare the Results. At consolidation level, we performed analytical procedures on the Results and used sampling techniques to verify the calculations and the consolidation of the Results.

At the entity level for a representative sample of entities selected on the basis of their activity, their contribution to the consolidated Results, their location and risk analysis, we conducted interviews to verify that procedures were followed correctly and we performed tests of details using sampling techniques in order to verify the calculations made and reconcile the Results with the supporting documents. The selected sample represents 23% of the Danone Way consolidated net sales.

We believe that the sampling methods and sample sizes used, based on our professional judgement, were sufficient to enable us to provide limited assurance; a higher level of assurance would have required us to carry out more extensive work. Due to the use of sampling techniques and other limitations intrinsic to information and internal control systems, we cannot completely rule out the possibility that a material irregularity has not been detected.

Conclusion

Based on our work, we did not identify any material anomalies likely to call into question the fact that the Results of the Danone Way approach, taken as a whole, published in the chapter "Danone Way: Danone's culture and key practices employed in all subsidiaries to insure sustainable development of activities" of the 2014 Sustainability Report are presented fairly in accordance with the Protocol.

Observations

Without qualifying our conclusion above, we draw your attention to the following points:

- Once again this year, we observed certain difficulties in understanding the requirements defined in the Protocol during our work performed in some subsidiaries, especially regarding the topic related to "Suppliers' and Business Partners' Corporate Social Responsibility (GOV2)";
- The rules defined by Danone to assess the applicability of some topics regarding the specificities of some subsidiaries are not all formalized in the Protocol.

Paris La Défense, 3 of April 2015

KPMG Audit

Department to KPMG S.A.

French original signed by:

Philippe Arnaud
Partner
Climate Change
and Sustainability Services Department

1. ISAE 3000 - Assurance engagements other than audits or reviews of historical information.
2. Danone Iberia (ES), Font Vella (ES), Danone Russia (RU), Blédina (FR), Danone Romania (RO), HOD Mexico (MX), Bonafont (MX), Danone de Mexico (MX).

GRI Index

The present report is in accordance with the GRI “CORE”.
“Aspects” refer to material aspects.

		Page of this report	Scope	Chapter and/or page of RD
STRATEGY AND ANALYSIS				
G4-1	Provide a statement from the most senior decision-maker of the organization	P. 4-5	F	
G4-2	Provide a description of key impacts, risks, and opportunities	P. 12-15	F	
ORGANIZATIONAL PROFILE				
G4-3	Report the name of the organization		F	P. 6
G4-4	Report the primary brands, products, and services		F	CH. 2.3, 2.4
G4-5	Location of the organization's headquarters		F	P. 6
G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report		F	CH. 2.2
G4-7	Nature of ownership and legal form.		F	P. 6
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)		F	P. 98-100
G4-9	Scale of the organization		F	P. 182-190, CH. 4
G4-10	Total number of employees	P. 102	F	P. 182-183
G4-11	The percentage of total employees covered by collective bargaining agreements	P. 104-108	P	
G4-12	The organization's supply chain	P. 12-13 P. 58-65	P	
G4-13	Any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain		F	P. 85
G4-14	The precautionary approach or principle is addressed by the organization	P. 17 P. 44-46	F	
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	P. 16-17	F	
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations	P. 16-17	F	

RD: Reference document
F: fully reported (across the scope and boundary / perimeter of companies controlled by Danone)
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NA: Not Applicable

		Page of this report	Scope	Chapter and/or page of RD
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES				
G4-17	All entities included in the organization's consolidated financial statements or equivalent documents		F	P. 394-403
G4-18	The process for defining the report content and the Aspect Boundaries	P. 10-12	F	
G4-19	List all the material Aspects identified in the process for defining report content.	P. 10-14	F	
G4-20	For each material Aspect, report the Aspect Boundary within the organization	P. 12-14	F	
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	P. 12-14	F	
G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements.	NA		
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	P. 10-12	F	
STAKEHOLDER ENGAGEMENT				
G4-24	A list of stakeholder groups engaged by the organization.	P. 14-15	F	
G4-25	The basis for identification and selection of stakeholders with whom to engage.	P. 14-15	F	
G4-26	The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	P. 14-15	F	
G4-27	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.	P. 14-15	F	
REPORT PROFILE				
G4-28	Reporting period	2014		
G4-29	Date of most recent previous report	Année 2013		
G4-30	Reporting cycle	Annuel		
G4-31	Provide the contact point for questions regarding the report or its contents.	P. 157		
G4-32	The 'in accordance' option the organization has chosen.	P. 148		
G4-33	The organization's policy and current practice with regard to seeking external assurance for the report.	P. 143-147		
GOVERNANCE				
G4-34	The governance structure of the organization, including committees of the highest governance body.		F	CH. 6

		Page of this report	Scope	Chapter and/or page of RD
ETHICS AND INTEGRITY				
G4-56	The organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	P. 132-137	F	

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MATERIAL ASPECT: MARKET PRESENCE

G4-DMA	Market presence Disclosures on Management Approach	P. 126		
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	P. 126	F	
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation.	P. 127	F	

MATERIAL ASPECT: PROCUREMENT PRACTICES

G4-DMA	Procurement practices Disclosures on Management Approach.	P. 58-66	P	
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CATÉGORIE: ENVIRONNEMENTAL

MATERIAL ASPECT: MATERIALS

G4-DMA	Materials Disclosures on Management Approach.	P. 74-83		
G4-EN2	Percentage of recycled input materials used.	P. 83	P	

MATERIAL ASPECT: ENERGY

G4-DMA	Energy Disclosures on Management Approach.	P. 84-91		
G4-EN3	Energy consumption within the organization.	P. 87-89	P	
G4-EN4	Energy consumption outside of the organization.	P. 87-89	P	
G4-EN5	Energy intensity.	P. 88-89	P	
G4-EN6	Reduction of energy consumption.	P. 86-91	P	
G4-EN7	Reductions in energy requirements of products and services.	P. 90-91	P	

MATERIAL ASPECT: WATER

G4-DMA	Water Disclosures on Management Approach.	P. 69-73		
G4-EN8	Total water withdrawal by source.	P. 70-71	P	
G4-EN9	Water sources significantly affected by withdrawal of water.	P. 72-73	P	
G4-EN10	Percentage and total volume of water recycled and reused.	P. 70-71	F	

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		Page of this report	Scope	Chapter and/or page of RD
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G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	P. 72-73	P	
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G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1).	P. 86-97	P	
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2).	P. 86-97	P	
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3).	P. 86-97	P	
G4-EN18	Greenhouse gas (GHG) emissions intensity.	P. 88-89	P	
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CATEGORY: SOCIAL

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G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements.	P. 108	F	

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G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	P. 112-115	F	
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MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY

G4-DMA	Diversity and Equal opportunity Disclosures on Management Approach	P. 116-120		
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G4-DMA	Equal remuneration for women and men Disclosures on Management Approach	P. 116-120		
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MATERIAL ASPECT: SUPPLIER ASSESSMENT FOR LABOR PRACTICES

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SUB-CATEGORY: HUMAN RIGHTS

MATERIAL ASPECT: INVESTMENT

G4-DMA	Investment Disclosures on Management Approach	P. 129-131		
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	P. 129	F	
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MATERIAL ASPECT: CHILD LABOR

G4-DMA	Child Labor Disclosures on Management Approach	P. 131	F	
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MATERIAL ASPECT: FORCED OR COMPULSORY LABOR

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MATERIAL ASPECT: SUPPLIER HUMAN RIGHTS ASSESSMENT

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SUB-CATEGORY: SOCIETY

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G4-SO2	Communication and training on anti-corruption policies and procedures	P. 122-131	P	

MATERIAL ASPECT: ANTI-CORRUPTION

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MATERIAL ASPECT: PUBLIC POLICY

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MATERIAL ASPECT: COMPLIANCE

G4-DMA	Compliance Disclosures on Management Approach	P. 44-45		
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SUB-CATEGORY: PRODUCT RESPONSIBILITY

MATERIAL ASPECT: CUSTOMER HEALTH AND SAFETY

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RD: Reference document

F: fully reported (across the scope and boundary / perimeter of companies controlled by Danone)

P: partially reported

NR: not reported.

NA: Not Applicable

THE SUSTAINABILITY
REPORT EVOLVES FOR
MORE INTERACTIVITY,
SEE YOU SOON!

This Sustainability Report has been prepared with design, coordination and editing services provided by the Department of Organisation Development and Social Dynamics.

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