

# DANONE 06

Sustainability  
Report



# Edito

Over 30 years ago, Antoine Riboud formalised the dual commitment to business performance and social progress for Groupe DANONE around the idea that economic development and social progress were interdependent. This strong conviction helped structure the development and organisation of the Group and inspired a voluntary policy of social responsibility and of human relations.

Within the context of globalisation, DANONE has to continue to deliver financial results, whilst reinforcing its awareness of local environments, creating value for the company and value for society at large.

Today, DANONE wants to start a new section of this journey and develop an innovative social initiative in line with its mission to "bring health through food to a majority of people".

The Grameen DANONE Foods project is the best illustration of this ambition and addresses the poorest people in an emerging country, whilst aiming to improve nutrition and reduce poverty by contributing to the local economy.

In Bangladesh, as in other countries where we want to develop this type of project, there is no question of charity. These initiatives are realised within the context of experimentation and apprenticeship for the mid/long term of DANONE.

To this end, they are subject to finance and specific profitability criteria, taking social results into account. The reason for this is that the individual solutions found (taking into account the costs, production and distribution methods, etc.) show themselves to be as viable as they are sustainable and multipliable. Economic and social factors are not mutually exclusive.

In order to accompany this social innovative step, whilst ensuring that the basic pillars of sustainable development are well-anchored in the core of operations of all the companies in the group, the board of directors has decided to set up a governance body dedicated to these questions: the Social Responsibility Committee.

Its mission will consist of:

- evaluating the results of the local initiatives in terms of company innovation, and formulating recommendations so that new ones may be taken,
- analysing the reality of internal practices in terms of social responsibility, based on the assessments of subsidiaries in the five basic areas covering the challenges facing DANONE, especially in terms of human rights, human resources, the environment, customers and consumers, governance and relations with local communities.

These two working areas form the new DANONE Way initiative, "DANONE Way Ahead".



Franck Riboud

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## Strategy and commitments

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## 1.1 Social and environmental responsibility of Groupe DANONE in 2006

### Realisation and main successes

- For the sixth consecutive year, the DANONE Way initiative has been deployed within the group's subsidiaries and has led to statements being issued by PricewaterhouseCoopers and Mazars & Guérard, with particular progress being made in terms of listening to stakeholders and co-ordinating sustainable development indicators (exchange of best practices, etc.)
- the RESPECT programme is now taken into account by purchasing managers within the various Business lines of the Group, with the Sustainable Development direction continuing to assist the legal, purchasing, quality and HR teams with a view to achieving the announced objective of controlling all suppliers before the end of 2008.
- the Research and Development teams have been reorganised to accelerate innovations and respond better to the challenges of a product offer with health and nutritional benefits corresponding to the mission of Groupe DANONE.
- the resources used to improve safety at work have given us cause to hope that, by the end of 2007, we will have achieved the ambitious target of halving the frequency rate of accidents at work compared with 2004.
- Finally, DANONE is, once again, present in the main sustainable development indices, DJSI Ethibel, ASPI, whilst JP MORGAN and MORGAN STANLEY are again classifying DANONE as one of the food companies with the healthiest product portfolio and the one with the quickest growing turnover.

### Problems

- In terms of packaging, the initiatives undertaken have still not been completed, both with regard to the problem of collecting packaging lost in countries where collections are not organised or to the problem of recycling plastics. A working group involving the Sustainable Development and Social Responsibility Department and the Research and Development Department, as well as the operations of the Fresh Dairy Products Business line, have been implemented to promote the reuse of PET packaging
- In terms of training, the Evolution programme (employability of personnel) has been a success in France. Its dissemination worldwide has been slower than forecast and we are wondering about adapting it to the various local contexts.
- The "Local Communities" programme, the tools and best practices of which have been the subject of a pedagogical booklet and the aim of which is to help site directors and their teams to get to know the low players and to integrate positively into their territory, must now take place in the training programmes, particularly for plant directors and human resources managers.

### The main events

- The most striking event of 2006 in terms of recognising social and environmental responsibility was the "Grameen DANONE" project that was confirmed when Grameen DANONE Foods Ltd was founded and the yoghurt plant constructed in Bogra, Bangladesh.
- The mission assigned to this project is to make a contribution to reducing poverty by means of a new local economic model, the outcome of which is to reduce situations of malnutrition and contribute to the economic development of the community. In this initiative, the social impact is more important than maximising profits. The objectives are:
- Providing children suffering from nutritional deficiencies with a yogurt adapted to their needs and at a very low price,
  - Creating jobs,
  - Preserving the environment
  - Being economically viable.
- This project, result of a meeting in 2005 between Franck Riboud and Muhammed Yunus, President of the Grameen Group (founder of the Grameen Bank that specialises in providing micro-credit for the most deprived) and the 2006 Nobel Peace Prize:
- indicates the way in which Groupe DANONE may, by calling on our partners, contribute to the UNO's Millennium Goals and, in particular, reducing poverty,
  - firmly translates DANONE's mission "to bring health through food to a majority of people",
  - is the occasion to try new ways of acting, where educational opportunities may be multiplied and adapted to other emerging countries.

To promote local supply (particularly by the development of micro-farms), reduce production costs by means of an optimised process that is as simple as possible (whilst still complying with the group's quality standards), to be able to recruit a local workforce in the plant's geographic zone of influence, using a network of Grameen ladies for door to door sales, to minimise environmental impact through nearby distribution (30 kilometres around the plant), are part of the confirmed operating methods of the project. Specific attention has been paid to the implementation of safety conditions, by highly concrete and imaged training that raise awareness in employees, most of whom come from a rural environment, of risks inherent to an industrial activity.

Other innovations are in place or being prepared, such as the use of soft energies (biogas and solar energy) as well as the use of biodegradable jars and reusable containers, given that production only really started at the end of 2006 and that there are bound to be several adjustments.

In the future, the results achieved will be reinvested in the construction of other plants, with the aim of building 50 plants in Bangladesh in ten years.

The nutritional objectives (impact on children's health and development) will be assessed in partnership with GAIN (Global Alliance for Improved Nutrition), an international NGO that specialises in the fight against malnutrition by fortifying food.

### DANONE Way: report, new challenges and new DANONE Way

DANONE Way was launched in 2001 with the objective of disseminating within DANONE's subsidiaries worldwide a shared framework of reference allowing teams to integrate sustainable development into day-to-day projects.

### Report

Designed as a managerial initiative with the aim of persuading the greatest possible number of employees to take part in the evaluation of practices, DANONE Way:

- has met the objectives that the Group's CEO had fixed (appropriation of problems of sustainable development by management teams, concrete evaluation of subsidiaries' impact vis-à-vis their stakeholders and consolidated communicable photography of the Group's practices),
- has contributed to the hiring of employees (the results of surveys carried out on employees demonstrate that this dimension is a major element in motivation, creating enthusiasm within transverse working groups, and resulting in the implementation of several hundreds of ideas and plans for improvement with regard to all kinds of company's responsibility).

### The new challenges

The new challenges facing Groupe DANONE are linked to:

- the acceleration of its internationalisation that will lead the teams in several new countries to different economic and social contexts, that rises the question of the necessary "securisation" of the fundamentals of DANONE in terms of social and environmental responsibility,
- the new dimension of the dual commitment to business performance and social progress expressed by the CEO at the last meeting of the General Directors in September 2006, and his expectation to see company innovation plans emerging in each subsidiary,
- externally, the increase in the public's expectations, notably regarding the search for solutions to meet the challenges of the planet (global warming, malnutrition, etc.), collectively constructed together with local players in the common interest of all stakeholders.

### The new DANONE Way and three-five year objectives

Based on experience accumulated over a period of six years, the Sustainable Development and Social Responsibility Department wanted to transform the DANONE Way initiative in terms of simplification, better anchorage in business and the reinforcement of the capacity for innovation through the prioritisation of fewer but more distinctive action plans.

This is why the new DANONE Way, DANONE Way Ahead currently being tested in several subsidiaries, will be based on two additional pillars:

- Fewer (less than 20) voluntarily centred social responsibility practices considered as indispensable and applicable to all subsidiaries worldwide, the evaluation of which will be integrated into the internal control process (with the possibility of internal and external audits),
- These practices result in a classification of subsidiaries in various areas where their responsibility is engaged: human rights, human resources, environment, clients and consumers, governance and relations with local communities,
- The objective is to ensure, in each country where we are located, that we are operating according to the standards

required in terms of respecting human rights, access to training, proper remuneration, protection of nature, the preservation of local resources, the quality of local resources and equilibrium in exchanges with territories. The objective for all subsidiaries will be to achieve full compliance as quickly as possible.

- The accompaniment of company innovation projects carried out by the subsidiaries.

### A new governance of social responsibility

Company innovation projects will be accompanied by:

- setting up of an organisation and specific methods that would encourage local initiatives, by routing with project carriers, constructing solutions tailored to the context with external partners, suppliers NGOs and by ensuring their beneficial character, both in terms of the business plan and the local community's development,
- setting up of two new instances:
  - the Social Responsibility Committee within the Board of Directors,
  - the Social Innovation Committee, whose role will be to select innovative projects with regard to pre-determined criteria.
- setting-up of a "danone.communities" fund, the creation of which has been proposed at the General Meeting of Shareholders on the 26th of April 2007 and which will allow social outcome initiatives to be financed.

The objective is to generate, both internally and externally, enough company innovation projects that have a positive impact on the company, allowing the men and women of DANONE, as well as other stakeholders, to be engaged in the invention of new models, to derive multipliable solutions and lessons from them in the next five to ten years.

Food companies such as DANONE, which have the advantage of both an international dimension and of an anchorage of proximity in several countries, may play a key role in the search for new solutions responding to the challenges of globalisation.

## 1.2 The challenges

### Social challenges

- The major challenge facing both developed and emerging countries is employment. Companies have a direct responsibility of jobs creation, as well as in the resources used to improve the employment security of employees. In a highly competitive sector, Groupe DANONE must regularly reorganise its manufacturing capacity which may result in reclassification and dismissals. Its objective is to limit the social consequences of these changes and to ensure that all its employees are trained throughout their time with the company, which will enable them to find a job in case of restructuring.
- The Group also wishes to be able to attract talent employees attached to a business culture and high values, and to promote internal cohesion, thanks to management practices aimed at developing the person,
- In emerging countries, the Group must explain how it contributes to economic development and respect for human rights as well as to the improvement of social standards. This challenge also goes beyond the company's sphere. It concerns economic conditions and the employment conditions of suppliers of Groupe DANONE, particularly producers of agricultural raw materials, as well as all partners, with which Groupe DANONE is working within a given territory. The economic contribution to the local communities is a challenge that will be reinforced as Groupe DANONE aims to accelerate its international position by installing itself in new, mainly emerging, countries,
- These challenges are the subject to social dialogue with employees' representatives and trade unions, essential partners of the company. To progress, the various stakeholders have expressed their desire to have more extensive quantitative data, in the form of management indicators of human resources, to measure the progress realised better and to quantify objectives in the mid-term.

### Challenges linked to products and consumers

- The food safety and the quality of the marketed products are both major challenges for consumers and the company's primary responsibility. In addition, consumers express very varied expectations, including quality, taste, facility (purchasing, conservation, and preparation), availability and price. In developed countries, their expectations are mainly relayed by consumers' associations that have become essential partners of the company. The major challenge is to continue to develop consumers' trust in brands, which permanently invest to ensure the quality and safety of products, which respect the environment and which are attentive to their social impact.
- Nutrition is now at the heart of public health problems, in which Groupe DANONE, as a food company, is a player. Health is very broadly constructed on the quality of the food: all the scientific studies confirm this. A balanced and varied diet and regular physical activity are recognised protection factors in the fight against cancer, cardiovascular illnesses, osteoporosis, diabetes or obesity. On the other hand, scientific studies have recognised the role of an unsuitable diet in the prevalence of these illnesses, together with sedentary lifestyles, without being able to state the exact share in responsibility of each of these two factors. In this context, consumers are more interested in the composition of food; expectations in terms of information are increasing. This information must be sufficient and verifiable, which results in increased requirements in terms of the labelling of products and advertising messages,

- In emerging countries, these challenges are also linked to economic under-development. Malnutrition and under-nutrition are still very present. In these countries, particularly, people expect companies to offer affordable products that meet the specific nutritional needs of population. The challenge is to develop products with the same nutritional qualities and food safety as the products for developed countries, whilst keeping them affordable for people of low purchasing power.

### Environmental challenges

- The world's population is due to increase by over 40% in the next twenty years. The needs in terms of food and the pressure brought to bear on natural resources are bound to increase. These changes can be seen in many ways: ground pollution, the pollution of watercourses and water tables, greenhouse gas emissions, increasing production of waste and increasing scarcity of environments rich in biodiversity,
- Food companies are faced with a dilemma that, involves, on the one hand, meeting the needs of an ever-increasing number of consumers and, on the other, limiting the impact of their activities on the environment. Facing them, the expectations of stakeholders relate first to the reduction of the impact of industrial activity and the precise measurement of this reduction (ISO certification, reduction of water and energy consumption, contribution to the elimination of waste). The management of impact linked to packaging includes the reduction of materials at sources, recycling, reuse and/or the availability of biodegradable packages.
- The expectations of stakeholders are relating more and more to the up- and downstream activities of companies. For Groupe DANONE this particularly involves an action in the agriculture sector, the main supplier of raw materials, to promote more sustainable practices.
- The direct impacts, which the company can manage better, relate to plants and the design of product packaging. Indirect impacts are linked to:
  - Upstream: agricultural production and the initial transformation of raw materials
  - Downstream: storage, transport, distribution of the product through to the end consumer and the processing of waste.
- The main risks and potential impacts of the activities of Groupe DANONE are:
  - Water pollution (essentially organic and biodegradable pollution)
  - The risks linked to refrigerating installations (ammoniac and other refrigerating fluids)
  - The risks linked to the storage of raw materials (flour and sugar silos) or dangerous products (acids or bases for the cleaning and disinfection of installations).
- The analysis of the yoghurt lifecycle shows that the direct impacts, without being negligible, are less than the indirect impacts. The production of agricultural raw materials is the part of the lifecycle that has the highest rate of incidence on the environment.

## 1.3 Impacts and responsibilities upstream and downstream from activities

### Supplies of raw materials

#### Impacts

- Economic impact: in the Group spent 3.75 billion euros on raw materials (milk 25%, other agricultural materials 32%, and packaging 43%). Milk represents the major agricultural raw material for the Group. DANONE works directly with 11,250 producers (and 3,800 via cooperatives) in 19 countries.
- Main environmental impacts of agriculture: pollution linked to fertilisers and pesticides, emissions of gases of animal origin (bovine). The increase in agricultural activity has been partnered by pressure on the natural environment.
- Mineral waters: these come from natural reserves, which the Group operates exclusively.

#### Responsibilities

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

### Industrial Production and Packaging

#### Impacts

- Economic impact: DANONE produces locally for local markets. 186 production sites, 88,124 employees at the end of December 2006. 2,170 million euros paid out, including salaries, social charges, interest and investments, financing of company pensions, and costs linked to the departure of employees following restructuring,
- Main environmental impacts of the sites: energy and water consumption, waste management,
- Main impacts of packaging (6% of the mean weight of products): consumption of non-renewable (oil for plastics) and renewable resources (wood, recycled paper for cardboard).

#### Responsibilities

- To ensure the respect of fundamental social rights and to promote a social progress initiative at the Group's sites
- To contribute to the economic development of local communities
- To manage the plants' environmental impact
- To reduce packaging without harming the services they provide: food safety, transport, preservation, consumer information.

### Transport

#### Impacts

- Almost all transportation is subcontracted. In Europe, 95% of yoghurt and biscuit freighting was by lorry, with 68% of water being transported by lorry and 32% by train. A DANONE product (yoghurt or biscuit) travels an average of 600 km in Europe from its place of production to its place of consumption.
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- Main environmental impacts (energy consumption, greenhouse gas emissions, local atmospheric pollutants and noise).

#### Responsibilities

- To minimise the impact linked to the transportation of raw materials and products, promoting transportation practices that respect the environment
- To ensure respect of the cold chain and traceability of the products.

### Sales

#### Impacts

- Economic impact: via a commercial presence in 120 countries, DANONE achieved turnover of 14,073 billion euros in 2006. Two thirds of sales are made in large and mid-sized hyper/super markets, a third in neighbourhood shops.
- Main environmental impacts: energy consumption and greenhouse gas emissions linked to refrigerating equipment in shops, emissions linked to clients moving to points of sale.

#### Responsibilities

- To ensure respect of the cold chain and traceability of the products.
- To contribute to development of healthy nutrition modes and to meet local needs.
- To ensure that the products are accessible (price, distribution) especially in emerging countries.

### Consumption

#### Impacts

- Economic impact: three major categories of products made by DANONE: fresh dairy products (56% of sales), drinks (28%), biscuits and cereal products (16%).
- Main environmental impact: consumption of energy and greenhouse gas emission linked to the refrigeration of fresh dairy products.
- Social impacts: quality/safety of products, influence on nutrition methods, accessible products.

#### Responsibilities

- To guarantee the quality and safety of products.
- Promote healthy diet and help meet local needs.
- To ensure transparent information for consumers and to promote dialogue with consumers.

### End of cycle

#### Impacts

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

#### Responsibilities

- To reduce the end-of-lifecycle impact of packaging by integrating these concerns from the design stage and by inviting public waste collection bodies to take part.

## 1.4 Commitments and objectives: DANONE's report in triplicate

	THE ECONOMY	EMPLOYEES	CONSUMERS	LOCAL COMMUNITIES	SUPPLIERS	THE ENVIRONMENT
<b>The main challenges</b>	<p><b>The DANONE model of sustainable and profitable performance is based on:</b></p> <ul style="list-style-type: none"> <li>Positioning on three Business lines with a lot of added value.</li> <li>Geographic equilibrium between developed and emerging countries.</li> <li>Position of world leader built on local nb 1 positions.</li> <li>Constant improvement of the profitability of activities, and redistribution of value to shareholders and other stakeholders.</li> <li>Constant awareness of stakeholders' expectations.</li> </ul>	<p><b>Rapid internationalisation of the Group over fifteen years: development in Eastern Europe, Asia, increased presence in emerging companies. Nearly 90% of employees outside France:</b></p> <ul style="list-style-type: none"> <li>In this context: implementing an ambitious human policy in accordance with the Group's values. Check on the strict application of the Fundamental Social Principles and contribute to social progress taking the diversity of contexts into account.</li> <li>In the face of the developments in the employment sector; implementing various action levers to allow employees to be better able to tackle the evolution of jobs, interviews, training, employment organisations facilitating the exchange and evolution of skills.</li> </ul>	<p><b>To guarantee product safety and quality:</b></p> <ul style="list-style-type: none"> <li>To meet consumers' expectations in terms of nutritional need, taste, accessibility (price and availability) and practical aspects (preservation, preparation).</li> <li>To meet public health needs and to take part in the promotion of a varied and balanced diet. To anticipate and adapt to the regulation that reinforces the need for communication linked to nutrition and health.</li> <li>To propose products that meet specific needs of people in emerging countries and that are accessible for consumers with very lower purchasing power.</li> </ul>	<p><b>To construct relationships of trust with local players, key element in the company's overall performance.</b></p> <ul style="list-style-type: none"> <li>Economic challenges: salaries paid out, purchases, local taxes.</li> <li>Company challenges: employment, contribution of know-how, training.</li> <li>Social challenges: commitments to benefit civic society.</li> </ul>	<p><b>Expansion of companies' responsibility upstream of their activity:</b></p> <ul style="list-style-type: none"> <li>To provide quality raw materials at competitive prices and which ensure sufficient profitability for producers.</li> <li>To guarantee the food safety of products by managing supplies</li> <li>To ensure respect of the Fundamental Social Principles by suppliers.</li> <li>To promote agricultural practices that are more respectful of the environment.</li> </ul>	<p><b>To meet the needs of ever more numerous consumers whilst limiting the impact of activities on the environment:</b></p> <ul style="list-style-type: none"> <li>To produce raw materials in safe, clean and economic plants.</li> <li>To preserve water resources sustainably;</li> <li>To reduce waste linked to packaging through eco-design (taking into account environmental aspects in packaging design) and the contribution to recycling strands.</li> </ul>
<b>Groupe DANONE responses in 2004</b>	<ul style="list-style-type: none"> <li>Turnover increased by 7.8% at perimeter and constant rates of change, the strongest growth since 1994.</li> <li>Operational margin increased by 12.4%, i.e. +22 base points compared with 2003,</li> <li>Net profit per share, except for non-recurrent exceptional elements, increased by 11.2%.</li> <li>Progression of 5 % DANONE shares in 2004. Groupe DANONE is selected for the 6th consecutive year in the Dow Jones Sustainability Index and in the INNOVEST classification of the world's top 100 companies in terms of involvement in sustainable development.</li> </ul>	<ul style="list-style-type: none"> <li>Sharing a strong culture, reinforced by the implementation of DANONE Way (90% of subsidiaries)</li> <li>Safety at work: a frequency rate of 10.4 accidents/million of hours worked. Existence of a health-security committee in 80% of sites</li> <li>Representation of personnel in 95% of subsidiaries. International social dialogue based on agreements signed with the International Union of Food Workers (IUF), revised in 2004 to take into account the evolution of the context within which the Group operates.</li> <li>71% of employees underwent training in 2004.</li> </ul>	<ul style="list-style-type: none"> <li>Adaptation of products to the diversity of taste and nutritional needs: organoleptic and nutritional reworking of Danonino recipes (Petit Gervais aux fruits), with added vitamins and minerals in 12 countries to respond to the nutritional deficiencies from which the children suffer.</li> <li>Reinforcement of the validation procedure for health nutrition communications.</li> <li>Progressive generalisation of relevant nutritional labelling in Europe at the end of 2004: 100% of drinks packaging, 65% of biscuit packaging and 9% of Fresh Dairy Product packaging.</li> <li>Development of affordable products in Indonesia, India, South Africa, Argentina and Morocco, particularly Milkkuat in Indonesia, Moufid in Morocco.</li> </ul>	<ul style="list-style-type: none"> <li>Training plant directors in involvement in the local environment.</li> <li>Solidarity initiatives instigated in countries where the Group operates (11.5 million euros committed in 2004). Various modes of intervention: mobilisation of employees (for example, via the DANONE Childrens Day), marketing for the benefit of social or environmental causes, DANONE Nations Cup, response to emergency situations (tsunami in South-East Asia).</li> <li>Internal skills made available via associations.</li> </ul>	<ul style="list-style-type: none"> <li>Integration of new environmental criteria in the DANONE Quality Safety Environment programme for milk, to take into account the management of waste, the reduction of water and energy consumption, the preservation of biodiversity, the management and use of animal waste, fertilisers and phytosanitary products.</li> <li>Qualification of the 5 leading "responsible agriculture" farms in France,</li> <li>Start of the pilot phase of the RESPECT initiative aimed at ensuring that the Group's suppliers respect the Fundamental Social Principles. 19 social audits carried out by an independent service provider.</li> </ul>	<ul style="list-style-type: none"> <li>Realisation of the 2000-2010 "green plants" programme to reduce the consumption of water resources, thermal and electrical energy. Mensualisation of the piloting of environmental indicators in the plant.</li> <li>Reinforcement of the support of DANONE for the RAMSAR convention for the protection of water resources, through the signature of the partnership protocol between the RAMSAR convention and Groupe DANONE in collaboration with the International WWF.</li> <li>Environmental investments: 16 million euros, i.e. an increase of 14.3% compared with 2003</li> <li>75 plants out of 199 certified ISO 14001, an increase of 17% compared with 2003.</li> <li>Adoption of the global policy for the protection of groundwater resources.</li> </ul>
<b>Groupe DANONE responses in 2005</b>	<ul style="list-style-type: none"> <li>Turnover increased by 6.7% at perimeter and constant rates of change, in line with annual objectives for the 6th consecutive year</li> <li>Operational margin established at 13.35%, i.e. +25 base points compared with previous year,</li> <li>Net current diluted profit per share increased by 15.9%</li> <li>progression of 29.9% of DANONE shares in 2005. Groupe DANONE is selected for the 7th consecutive year in the Dow Jones Sustainability Index and, for the second year, in the INNOVEST classification of the world's top 100 companies in terms of involvement in sustainable development.</li> </ul>	<ul style="list-style-type: none"> <li>The DANONE Way initiative was implemented in 94% of subsidiaries, 1/3 of them doing it for the second time.</li> <li>Safety at work: a frequency rate of 8.5 accidents/million of hours worked, i.e. a reduction of 18% at Group level. Over 80% of sites now have a health/safety committee and 90% of these sites organise regular meetings on employment safety. Launch of the WISE initiative, aimed at accelerating the process of improving subsidiaries in terms of safety,</li> <li>The agreements signed with the International Union of Food Workers (IUF) henceforth include Fundamental Social Principles</li> <li>Employability of employees: implementation of the EVOLUTION programme in 15 pilot sites, 68% of employees underwent training in 2005</li> <li>Launch of the "Networking Attitude" initiative aimed at accelerating the exchange of best practices.</li> </ul>	<ul style="list-style-type: none"> <li>Adoption and deployment of the Food, Nutrition and Health Charter in subsidiaries.</li> <li>Danone institutes: organisation of a symposium on child nutrition, Fifth Danone Prize awarded at the International Nutrition Congress in Durban, South Africa.</li> <li>Pursuit of the Affordability initiative with the marketing of Danimal in South Africa, yoghurt with added iron, zinc and vitamin A, to make up for specific deficiencies in children, and sold at the single price of 1 rand a pot in the townships.</li> <li>Creation of distribution circuits in poorer quarters: "Daniladies" in South Africa, Rombok kiosks in Indonesia.</li> <li>Launch of new nutrition education programmes and "Faut que ça bouge!" promotion of physical activities in France, nutritional health centre in Spain, "Bon appétit la santé" in Belgium.</li> </ul>	<ul style="list-style-type: none"> <li>Launch, in Germany, by Volvic in collaboration with UNICEF of a vast operation "1 litre for 10 litres" with the aim of financing the digging of wells in Africa.</li> <li>16.7 million euros committed in solidarity actions carried out in countries where the Group is located: help for children via the DANONE Childrens Day, help for sport via the DANONE Nations Cup, support for nutrition research via DANONE Institutes, help for local communities principally including the donation of products, initiatives for the environment and emergency aide.</li> <li>Internal skills made available via associations.</li> </ul>	<ul style="list-style-type: none"> <li>"Responsible agriculture" label for 13 French dairy operators supplying DANONE</li> <li>Continuation and end of the pilot phase of the RESPECT initiative: definition of the strategy and practical tools used by the relevant managers. Realisation of 10 additional social audits by an independent provider.</li> </ul>	<ul style="list-style-type: none"> <li>Realisation of the 2000-2010 "Sensible plants" programme to reduce the consumption of water resources, thermal and electrical energy.</li> <li>Environmental investments: 16 million euros, stable compared with 2005</li> <li>42% of production sites (84 plants out of 200) certified ISO 14001, i.e. +12% compared with previous year</li> <li>Dissemination of the global policy for the protection of underground water resources and realisation of initial diagnostics for the protection of underground water resources</li> <li>Participation in "Refrigerants Naturally!" programme supported by UNEP and Greenpeace.</li> </ul>

## 1.4 Commitments and objectives: DANONE's report in triplicate

	THE ECONOMY	EMPLOYEES	CONSUMERS	LOCAL COMMUNITIES	SUPPLIERS	THE ENVIRONMENT
<p><b>Groupe DANONE responses in 2006</b></p> <ul style="list-style-type: none"> <li>• Turnover increased by 9.7% at perimeter and constant rates of change.</li> <li>• Operational margin continued to progress in 2006, for the 12th year and was established at 13.60%, an increase of 25 base points compared with the previous year (+32 base points at perimeter and constant rates of change).</li> <li>• Net current diluted profit per share increasing at 17.9%.</li> <li>• Increase of 30.1% of the DANONE share in 2006. DANONE is selected for the 8th consecutive year in the Dow Jones Sustainability Index and, for the third year, in the INNOVEST classification of the world's top 100 companies in terms of involvement in sustainable development.</li> </ul>	<ul style="list-style-type: none"> <li>• DANONEWay is now deployed in almost all subsidiaries (94% of subsidiaries). Several of them have implemented a system of interviews with their stakeholders.</li> <li>• Safety at work: a frequency rate of 7.6 accidents/million hours worked, i.e. a decrease of 10.5% at Group level compared with 2005.</li> <li>• 78% of the Group's employees underwent training during the year.</li> <li>• 7,000 employees have taken part at least once in "networking attitude" meetings that allow good practices to be exchanged.</li> <li>• Recommendations for the Diversity working group to the Groupe DANONE Executive Committee.</li> </ul>	<ul style="list-style-type: none"> <li>• Reorganisation of R&amp;D structures to reinforce innovation to help the consumer. Over 600 products renovated in within the context of the realisation of the programme of nutritional renovation of formulations.</li> <li>• Creation of the first Grameen DANONE plant in Bangladesh.</li> <li>• Creation of Stoneyfield Europe and launch of the brand of organic yoghurts "Les deux vaches" in France.</li> <li>• Launch of Mleczny Start, accessibly breakfast based on cereals and milk for children by DANONE Poland. This product has added vitamins and minerals to remedy the nutritional deficiencies of Polish children.</li> </ul>	<ul style="list-style-type: none"> <li>• Launch of the Volvic-Unicef operation "1 litre for 10 litres".</li> <li>• 16.7 million euros committed in solidarity actions, including 6.1 million benefiting associations in the children's sector, 1.8 million to research institutes, 1.75 million for sporting associations and 7 million for other causes (charity organisations, hospitals, etc.).</li> <li>• First partnership between the « Planète Urgence » association and DANONE Research: 5 employees of the Daniel Carasso Research Center made a temporary mission during their holidays.</li> </ul>	<ul style="list-style-type: none"> <li>• Agriculture: in France, a hundred dairy breeders working for DANONE France are qualified as "responsible agriculture" farmers.</li> <li>• Deployment of the RESPECT initiative in all the Group's subsidiaries under the responsibility of the Purchasing departments. 11 additional social audits carried out by an independent provider.</li> <li>• First market place organised between DANONE buyers and suppliers on the theme of innovation.</li> </ul>	<ul style="list-style-type: none"> <li>• Continuation of the 2000-2010 "green plants" programme to reduce the consumption of water, thermal energy and electrical resources.</li> <li>• Environmental investments: 25 million euros, an increase of over 50% compared with 2005.</li> <li>• 48% of the Group's sites (industrial sites, company offices and research centres) are now certified ISO 14001</li> <li>• Continuation of action plans for protection of the groundwater resources following diagnostics carried out in 2005.</li> </ul>	
<p><b>2007 objectives</b></p> <ul style="list-style-type: none"> <li>• Organic growth of sales between +6% and 8% inclusive.</li> <li>• Progression of the current operational margin of over 20 basic points (at perimeter and constant rates of change).</li> <li>• Progression of net current profit per share more than +10%.*</li> </ul> <p><small>* These objectives are provisional. Although Groupe DANONE estimates that these objectives are based on reasonable hypotheses, they include uncertainties and, consequently, may differ significantly from those expected.</small></p>	<ul style="list-style-type: none"> <li>• Implementation of a new version of the DANONEWay initiative, with the twin objective of protecting the Group's reputation and to promote social innovation.</li> <li>• Safety at work: to reduce the frequency rate of accidents by half between 2007, compared to the 2004 data,</li> <li>• Launch of the 5th Managers Barometer worldwide, and the 2nd Barometer employed in over 25 subsidiaries</li> <li>• Launch of a DANONE shareholding accessible to all employees</li> <li>• Objective of improving the number of women in director position and handicapped employees.</li> </ul>	<ul style="list-style-type: none"> <li>• Continuation of the optimisation of recipes and research into the health benefits of ingredients and products.</li> <li>• Gradual extension of nutritional labelling.</li> <li>• Multiplication of quality affordable products</li> <li>• Continued dissemination of guidelines in terms of the composition of products and communication.</li> <li>• Participation in the initiative shared by several companies in the CIAA (Confederation of Food Producers in Europe) to set up a nutritional labelling scheme aimed at consumers (see section 5.3.4 Responsibility for products).</li> </ul>	<ul style="list-style-type: none"> <li>• Setting up of the international Local Communities programme: dissemination of tools to site directors.</li> <li>• Expansion of the partnership with the "Planète Urgence" association.</li> </ul>	<ul style="list-style-type: none"> <li>• Extension of the RESPECT initiative to all suppliers by the end of 2008.</li> <li>• Deployment of an aid tool for economic piloting of dairy operations in France.</li> </ul>	<ul style="list-style-type: none"> <li>• Objectives set by the executive committee for 2000-2010: 30% less water and thermal energy consumption, 20% less electrical energy consumed 10% reduction in weight of packaging and 80% increase in waste recycling.</li> </ul>	

## 1.5 The DANONE business model

### ● Key dates 1972-2007

- 2007** • Creation of the DANONE communities fund.  
• Creation of the Social Responsibility Committee in the Board of Directors.
- 2006** • Creation of the Grameen DANONE Foods Ltd company.
- 2005** • Food, Nutrition and Health Charter  
• Integration of Fundamental Social Principles in conventions revised and signed again with IUF  
• Review of Business Conduct Policies and creation of a system of alert for employees.
- 2004** • Groundwater Resources Protection Policy.
- 2003** • Membership of the Global Compact of United Nations.  
• DANONE a founder member of the Sustainable Agriculture Initiative.
- 2001** • Launch of DANONE Way.  
• Formalisation of Fundamental Social Principles.  
• Restructuring of Biscuits business line in Europe.
- 2000** • Over 70% of Group's employees outside Western Europe.
- 1999** • Creation of the Managers Survey, an opinion survey for measuring adhesion to the Group's strategy and values.  
• DANONE selected for the Dow Jones Sustainability Index.
- 1998** • Publication of the first annual social and environmental responsibility report.  
• Support for the Ramsar international convention relating to the protection of wetlands.
- 1997** • Refocusing on three core activities with high significance in terms of healthy nutrition: Fresh Dairy Products, Biscuits and Beverages.  
• First listing of DANONE shares on Wall Street.  
• DANONE number one for water in China.
- 1996** • Appointment of Franck Riboud as CEO.  
• Environmental charter.  
• Business Conduct Policies.  
• Creation of DANONE Conseils, consumer relations department in France .
- 1992** • Creation of first collection and recycling network for packaging, Eco-Emballage.
- 1991** • Creation of the first DANONE Institute.
- 1985** • Signature of the first accord with IUF, inaugurating social dialogue within the Group.
- 1977** • Creation of employment antennae in charge of accompanying the restructuring of flat glass plants.
- 1972** • Antoine Riboud's speech in Marseilles (dual commitment to business performance and social progress).

### Reference documents

- **Antoine Riboud's speech in Marseille** (1972) constitutes the Group's cultural heritage. It was formalised in 1974 in the dual commitment to business performance and social progress.
- **The Fundamental Social Principles**, based on the standards defined by the International Labour Organisation, constitute the basis to be respected by all companies within the Group, subsidiaries, partners and suppliers.
- **The joint statements signed with IUF** since 1985 are the reference for international union dialogue within the Group.
- **The environmental charter** (1996) commits the Group from the design of products to the recycling of packages to management that is more environmentally-friendly.
- **The Business Conduct Policies** (1997, revised in 2001 and 2005) detail the behaviour expected of managers on issues such as corruption and conflicts of interest.
- **The Group's values**, formalised in 1997: openness, enthusiasm, humanism and proximity.
- **The Food, Nutrition and Health charter** (2005) formalises the Group's commitments. It is based on five strong convictions: balanced food, variety of choices, pleasure of eating or drinking, conviviality of meals and consumer information.
- **Groundwater resources protection policy** (2004) commits the Group to sustainable management of its sources.

### An original company model anchored in the Group's history

In 1972, Antoine Riboud affirmed that "the corporate responsibility does not end at the factory or at the office door. The jobs a business creates are central to the lives of employees and the energy and raw materials we consume change the shape of our planet. Public opinion is there to remind us of our responsibilities in the industrial world of today". This vision was formalised in the DANONE dual commitment to business performance and social progress, which is the basis for the DANONE model and is based on one simple principle: economic performance and attention to people go hand by hand.

The Group has developed a very distinctive business culture that promotes reactivity, adaptation and the capacity to accelerate innovation by working in networks. Operational responsibilities are broadly decentralised. DANONE's values, "humanism, enthusiasm, openness and proximity", are the subject to very extensive internal communication and the company is now making efforts to translate them into the individual and group practices.

This original business culture has helped the Group to develop quickly in the new markets that include Asia, Latin America, Eastern Europe, Africa and the Middle East. Cultural information, in fact, plays a vital role in terms of food. Analysing nutritional needs, tastes and eating habits are an essential part of DANONE's marketing.

Groupe DANONE directors consider that this business model is a major competitive advantage. First of all, it is a factor for collective efficiency and internal motivation. It is also an attraction factor, since employees are becoming more and more aware of this idea of a competitive and responsible company. Finally, it is a powerful lever for developing bonds of trust between the company and stakeholders.

### A gradually formalised initiative

In order to ensure that this philosophy is disseminated throughout the company, DANONE mainly makes use of DANONE Way, a participative initiative that helps each subsidiary to integrate economic performance and social and environmental responsibility.

Over the years, the DANONE view of the company has been formalised in documents that define the Group's principles and policies: Fundamental Social Principles, Business Conduct Policies, Environmental Charter and Food, Nutrition and Health Charter are some of the key documents that shape the actions of the DANONE teams throughout the world.

Dialogue with stakeholders has been structured gradually. Since the food industry is at the core of important debates within the society, the Group has tried to organise its relations with very diverse partners, from the social, public, economic, industrial and scientific sectors. This desire to dialogue, which may be seen in terms of regular meetings, written communications or collaborations with consumer and environmental protection associations, employees' trade unions, scientific institutions or public authorities, has been developed even further by means of:

- Cooperation with suppliers, clients and competitors,
- The creation, in 2007, of multi-stakeholder task forces for the purpose of finding new solutions to specific challenges.

Since 2004, managers in charge of social responsibility, external communication or even public affairs have started to be put into subsidiaries. The purpose of this is to set up sustainable contacts with the authorities in countries where the Group operates, not just as a reaction to crisis situations.

In addition, DANONE has:

- A Sustainable Development and Social Responsibility Department within the General Human Resources Department
- A Scientific and Regulatory Affairs Department within the General Secretariat

These two departments are given the task of helping company's business lines and units recognise the company's emerging expectations in anticipation of the emerging subjects, risks and opportunities.



# 02

## Profile, governance structure and management systems

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## 2.1 Company's profile

The company name and the trading name of the Company that is compiling the report is Groupe DANONE (hereafter "Groupe DANONE" or "DANONE").

The information requested in this section is available in Groupe DANONE's reference document. The references to the relevant pages are given in the GRI index published on page 24 of this report.

This report covers the economic, social and environmental performance of Groupe DANONE during the period from 1st January to 31st December 2006. The published indicators and management systems described in this report:

- follow the recommendations and the framework of the Global Reporting Initiative
- correspond to the information requested by the NRE law,
- take into account the "annual social indicators" that IUF and Groupe DANONE together compiled in September 2004.

The data published in this document has been checked internally, but has not been externally audited, except for the key financial figures, the results of DANONE Way that are the subject of a reasonable statement of opinion signed by PricewaterhouseCoopers and Mazars & Guérard, published on page 20, and feedback systems for social data that are the subject of a moderated statement of opinion, published on page 16.

The previous report covered the period from 1st January to 31st December 2005 and was published for the General meeting of shareholders, which took place on 27th April 2006.

The figures and information communicated within the context of this report are, unless stated to the contrary, are reported within a worldwide perimeter of companies controlled by Groupe DANONE (list of consolidated companies in the 20-F), the reference document and economic and social report being complementary and downloadable from <http://www.danone.com>.

## 2.2 Governance structure and management systems

The information required on the governance of the company is available in the Groupe DANONE 20-F.As before, page references are indicated in the GRI Index published on page 24 of this report.

### Stakeholders' commitments

The table opposite summarises the way in which Groupe DANONE works with its various stakeholders. It is not exhaustive, as much as the Group does not necessarily consolidate centrally all the initiatives carried out by its various subsidiaries.

### Strategy and management systems

#### 3.13 To Explanation of whether and how the precautionary approach or principle is addressed by the organisation.

See PRI indicator.

#### 3.14 Externally developed, voluntary economic, environmental, and social charters, sets of principles or other initiatives to which the organisation subscribes or which it endorses.

The commitments of Groupe DANONE, as defined in its Business Conduct Policies, are based on a certain number of principles that refer to the following international documents:

- The Universal Declaration of human rights,
- The international conventions of the International Labour Organisation,
- The guiding principles of the Organisation of Economic Cooperation and Development for multinational companies,
- The Global Compact relating to human rights, human rights at work, the protection of the environment and the fight against corruption.

These commitments are anchored in the values of Groupe DANONE and the philosophy of "DANONE Way" and are applied to all employees of companies controlled by Groupe DANONE worldwide.

Groupe DANONE undertakes to promote these principles within all companies, in which they invest.

#### 3.15 Principal memberships in industry and business associations and/or national or international advocacy organisations.

(See table opposite).

#### 3.16 Policies and/or systems for managing upstream and downstream impacts.

The DANONE Way initiative has been implemented in response to the objective of managing our relations and our impacts with the company's stakeholders. Several initiatives and complementary initiatives within the sector of environmental policy or with suppliers also illustrate this commitment.

See HRI indicator.

#### 3.17 Reporting organisation's approach to managing indirect economic, environmental and social impacts resulting from its activities.

See previous paragraph.

#### 3.18 Major decisions during the reporting period regarding the location of, or changes in, operations.

The information relating to the main decisions regarding the installations of activities or modification of sites during 2006 are available in the 2006 20-F. Refer to the information given in "performance sectors" section of this report, for example, the EN6, EN7, EN14, EN33 EN34 and HR2 indicators.

#### 3.19 Programmes and procedures pertaining to economic, environmental and social performance.

See previous paragraph.

#### 3.20 Status of certification pertaining to economic, environmental and social management systems.

See the table giving the number of ISO 14001 certified sites presented in the introduction of the section relating to the environmental performance indicators.

Stakeholders	Method of dialogue
<b>Social sphere</b>	
- Employees	<ul style="list-style-type: none"> <li>• Dialogue and negotiation of accords with representatives of personnel and trade union organisations at company establishments and country level</li> <li>• International social dialogue within the context of the International union of Food Workers</li> <li>• Negotiation and signatures of conventions with the IUF.</li> <li>• Regular information of employees during site meetings, information via internal journals and intranets</li> <li>• Participation in the DANONE Way initiative.</li> </ul>
- Consumers and consumer associations	<ul style="list-style-type: none"> <li>• Regular meetings with consumer associations</li> <li>• Product tests with consumers</li> <li>• Information on nutrition via DANONE Institutes, internet sites, brand consumer departments, packaging, brochures and the DANONE et Vous magazine (in France).</li> </ul>
<b>Public sphere</b>	
- Public authorities	<ul style="list-style-type: none"> <li>• Regular exchanges with administrations and local councillors/MPs at Group and site level</li> <li>• Regular contacts at national and European level (External Relations Department)</li> <li>• Contacts with international organisations</li> <li>• Membership of the United Nations' Global Contact and information from the internet site.</li> </ul>
- Social and environmental associations and NGO	<ul style="list-style-type: none"> <li>• Consultations during regular meetings at Group level (Sustainable Development and Social Responsibility Department, External Relations Department)</li> </ul>
- Organisations for the promotion of social responsibility	<ul style="list-style-type: none"> <li>• Participation in CSR Europe, IMS-Entreprendre pour la cite, ORSE (Observatory of Company Responsibility in Europe)</li> <li>• Compilation of the awareness-raising document with the National Council for Packaging (France)</li> <li>• Collaborations with GAIN (Global Alliance for Improved Nutrition).</li> </ul>
- Media	<ul style="list-style-type: none"> <li>• Daily relations with the national or international press</li> <li>• Press conferences.</li> </ul>
<b>Economic sphere</b>	
- Shareholders	<ul style="list-style-type: none"> <li>• General meeting</li> <li>• Economic and Social Report, 20-F</li> <li>• Letter to shareholders</li> <li>• Meetings with institutional shareholders ("road shows")</li> <li>• Participation in food industry conferences.</li> </ul>
- Financial community and social and environmental notation agencies	<ul style="list-style-type: none"> <li>• Meetings with financial and extra-financial analysts</li> <li>• Meetings and responses to extra-financial rating agencies questionnaires</li> <li>• Requested notations</li> <li>• Integration within DJSI World and STOXX ethical indices, Ethibel, ASPI</li> <li>• Integration in the INNOVEST list of the 100 worldwide companies most committed to sustainable development.</li> </ul>
- Distributors	<ul style="list-style-type: none"> <li>• Participation in inter-professional organisations.</li> </ul>
- Suppliers	<ul style="list-style-type: none"> <li>• Partnerships with milk producers, cooperatives and upstream producers</li> <li>• Participation in inter-professional organisations</li> <li>• Compilation of good agricultural practices within the Sustainable Agriculture Initiative (Groupe DANONE is one of four founding companies of this initiative)</li> <li>• ORSE Purchasing and Sustainable Development Club (France).</li> </ul>
<b>Industrial and scientific sphere</b>	
- Professional organisations	<ul style="list-style-type: none"> <li>• Participation in national and international inter-professional organisations (ANIA, CIAAA, GMA, etc.).</li> </ul>
- Scientific community	<ul style="list-style-type: none"> <li>• Regular contacts between the Group and the scientific community</li> <li>• Support and encouragement for nutritional research (International DANONE Prize for Nutrition awarded by an independent jury invited by the DANONE Institute, participation in nutrition research programmes: SU.VI.MAX, INC, EU Childhood Obesity, etc.)</li> <li>• Collaboration between DANONE Research and independent research institutes</li> <li>• Organisation of scientific conferences, publications and debates by DANONE Research and the DANONE Institute.</li> </ul>

## 2.3 Explanation of the perimeter, method, sources, data feedback cycle and formats

### Consolidation perimeter

The company indicators are consolidated for all accounted subsidiaries of Groupe DANONE through global integration into the perimeter of financial consolidation, whatever their activities (production sites, research sites, logistics bases, administrative offices).

The environmental indicators only cover the impacts of production sites. The environmental impact of the administrative offices and logistics bases is not included in the consolidation perimeter.

100% of the social data and environmental data is included in this perimeter (global integration of data).

In order to take into account any disparities in data feedback, a coverage rate is calculated for each if the indicators published. For social data, this is calculated on the basis of the total workforce on the books at the end of 2006. For the environmental data, it is calculated on the basis of total production.

### Perimeter variations

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

- acquisition: the body's data is included in the consolidation perimeter from the first calendar year under the Group's control
- creation: the entity's data is integrated into the perimeter from the first calendar year of operation
- sale/closure: the entity's data is withdrawn from the perimeter of consolidation in the year of sale or closure of the entity and for subsequent years.

Where applicable, the nature of the perimeter is stated in the report.

### Choice of indicators

The choice of social indicators presented:

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

The choice of environmental indicators presented:

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

### Data feedback references

In order to ensure that indicators are standardised throughout the perimeter, common references for social and environmental data feedback are deployed and updated every year following data consolidation work and comments from contributors. They detail the methodologies to be used, the main methodologies, calculation formulae and standard factors.

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

- Social data: a specific bundling of the Magnitude financial data feedback system allows social data to be collected from all organisations within the Group. Where necessary, a calculation sheet is made available to contributors.
- Environment data: the environmental indicators presented in this report are collected using a specific IT tool developed by the Enablon company.

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

### Precisions and methodological limits

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

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

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

### Workforce

An insignificant fraction of the manager workforce is not collected within the context of data feedback. In fact, the data feedback system based at "subsidiary" level may sometimes pose a problem when capturing part of the internationally mobile workforce. More detailed instructions will be given in 2007 so that the internationally mobile workforce is represented faithfully.

### Consumption of raw materials

This indicator is estimated on a world scale on the basis of the consolidated information supplied by the purchasing department. The monetary data is converted into tonnage through the use of average ratios. It groups together purchasing of milk, sugar, dairy products, fruits, flour, fats and chocolate.

### Consumption of packaging

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

### Recycling rate

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

### Waste

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

It may also happen that some waste not taken into account by the categories are not reported, the relevant quantities are insignificant and the definitions of categories of waste will be redefined for the 2007 campaign.

### Water consumption

The consumption of borehole water or surface water are likely to be estimated if the sites do not have counters available. Outflows (water pumped and ejected into the river) are not systematically taken into account by sites for feeding back water samples. The definition will be defined for the 2007 report.

### Frequency rate of accidents at work

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

Accidents during home-workplace journeys are not taken into account in this indicator.

### Atmospheric CO<sub>2</sub> emissions

Direct emissions are calculated from data from the Greenhouse Gas Protocol Initiative according to emission by combustible factors. Indirect emissions from other energy sources procured externally are assessed according to emission factors specific to each site. Those from the transportation of material flows are not included in this total.

The emissions of other greenhouse gases are not significant compared to those of CO<sub>2</sub>.

### Waste ejected into water

The data presented correspond to effluents from internal or external processing, if no information is available regarding external processing, a purification yield of 50% is considered.

### Consolidation and internal controls

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

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

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

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

### External controls

In order to obtain an external opinion on the reliability and robustness of the data feedback process, we have asked one of our auditors, PricewaterhouseCoopers, to carry out specific verification work on certain social and environmental indicators that appear in this report and identified with the following symbol: ♦. Their assurance report that details the work carried out and their comments and conclusions is included on page 16.

In addition, the Group has entrusted additional verification work regarding the social and environmental data feedback process to SGS within the context of its certification audits. At the Group's request, PricewaterhouseCoopers used the conclusions from the work carried out by SGS.

### Adjustments to subsequent data

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

## 2.4 Investigation report by one of the auditors on the processes used in establishing certain social and environmental information published in the 2006 Groupe DANONE Sustainability Report.

Following the request made to us in our capacity as auditors to Groupe DANONE, we carried out an investigation that allowed us to express moderate assurance regarding the processes used to put in place certain social and environmental indicators published in the 2006 Groupe DANONE Sustainability Report and identified by the symbol ◆.

These processes, as well as the information published in the 2006 Groupe DANONE Sustainability Report, have been implemented under the responsibility of the "Sustainable Development and Social Responsibility Department" of Groupe DANONE, in accordance with the internal reporting references of Groupe DANONE, available on request at their registered offices. Our task is to express a conclusion on the processes used to put this information in place, based on our work.

### Nature and extent of the works

We have put in place the following diligences leading to a moderate assurance that the processes for putting social and environmental information in place with regard to the afore-mentioned indicators do not include any significant anomalies. Furthermore, the purpose of this work was not, and therefore did not allow, the formulation of a conclusion on the exactness of the information and figures published.

Our work comprised:

- Analysing the procedures for reporting this social and environmental information with regards to their relevance, reliability, objectivity and comprehensible character;
- Conducting interviews with people affected by the application of these reporting procedures, at the registered offices and within the various entities of the Group, to check the comprehension and correct application of these procedures;
- Carrying out consistency checks, based on samples, to verify the correct centralisation and consolidation of numeric data.

We also met with the following Directors and Departments:

- With regard to social data:
  - The "Human Resources Competence Centre" in charge of collecting and consolidating data relating to social indicators;
  - Managers from the "Human Resources Departments" in charge of feeding back social data for the following subsidiaries: DANONE Spain, DANONE France and DANONE Portugal.
- For environmental data:
  - The "Group Environment Department" in charge of collecting and consolidating data relating to environmental indicators;
  - The environment directors in charge of feeding back environmental data for the following subsidiaries: DANONE Spain, DANONE France and DANONE Portugal.
  - The Environment manager in charge of feeding back environmental data for the Parets industrial site (DANONE Spain).

For the following entities: the offices of LU France and DANONE Eaux France as well as the sites at Toulouse and La Haye-Fouassière for LU France and Amphion for DANONE Eaux France, we based our conclusions on the work carried out by an office of independent experts mandated by Groupe DANONE. In this precise instance, we complied, together with this office, an audit procedures manual and we reviewed their work and conclusions.

To help us carry out this work, we called on experts from our Sustainable Development department.

### Information on applied methodologies

In its methodological memorandum, the Group provides detailed information on:

- the methodologies used to establish this information,
- the coherence controls used and the improvements envisaged,
- the methodological limits linked to some indicators.

Furthermore, for some indicators, a description of the methodologies used is also given under the "Methodology" tab in the "indicators" page.

### Conclusion


Based on the work we carried out, we did not find any significant anomalies to could call into question the process for establishing social and environmental information, with regard to the afore-mentioned indicators in relation to the reporting procedures defined by Groupe DANONE.

Signed as Neuilly-sur-Seine, 11th April 2007.

PricewaterhouseCoopers Audit

Olivier Lotz  
Associate  
Auditor

Sylvain Lambert  
Associate  
Sustainable Development Department

PRICEWATERHOUSECOOPERS 

# 03

## DANONE Way

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## 3.1 DANONE Way: a company initiative to confirm our commitments

Constructed from the history of Groupe DANONE, the foundation of which is the "dual commitment to business performance and social progress", DANONE Way is both an initiative and a tool designed to ensure that all Group subsidiaries progress in the areas where their responsibility is engaged: social policy, product quality, relations with suppliers or customers... Any subsidiary that enters into DANONE Way takes part in a continuous progress initiative that results in it self-evaluating every two to three years with regard to a set of practices illustrating the various policies of Groupe DANONE with regard to its stakeholders.

At the end of 2006, DANONE Way had been deployed in 94% of the Group's subsidiaries. In all the continents, employees were urged to discuss topics ranging from equality of opportunities, training, listening to consumers, respecting "fundamental social principles" with suppliers, the recycling of packages or actions undertaken with local communities.

This self-evaluation is usually spread over five successive stages, from the launch in Department Committee to the implementation and monitoring of action plans. Between these two significant points, the involvement of the greatest number of employees (at least 10% of their employees) is an essential element in the success of the self-evaluation exercise.

There is no typical way to implement DANONE Way, but general recommendations regarding essential key stages are distributed by the Group in the form of a manual.

### I. Participative implementation of the initiative

#### Involvement of the CODI

Initially, the initiative, as well as the implementation timetable, is presented to the subsidiary's Department Committee (CODI) by the project team. Then, each member of the CODI must carry out his own evaluation of his company, this allows them to get to know the content of DANONE Way and to choose those practices that they consider to be relevant for discussion within the working groups involving employees. Each member then shares his answers with the rest of his colleagues, with the final discussion resulting in an initial documented consensual evaluation and in the common selection of practices to be discussed in group sessions.

#### Participation of employees

Working groups are then organised transversally, with all positions, levels and sites involved, by topic and by groups of practices selected in the various themes. They must involve a minimum of 10% of the total number of subsidiaries' employees (some subsidiaries have involved up to 40% of their staff) and their objectives are as follows:

- To gather together the ideas and perceptions of people with different levels of responsibility,
- To remove the barriers from jobs, reinforce exchanges and give everyone a global vision of the company's impacts on its environment in the broadest sense of the term.

Not all practices are relevant for discussion in working groups. Each subsidiary has to choose those that are in line with the challenges it faces, its activity and its strategy.

#### Final validation

Following these discussions, the fourth stage consists of sharing and validating all the data obtained (the initial evaluations of the CODI and the answers proposed by the working groups) at the CODI, in order to decide collectively on the subsidiary's final self-evaluation.

#### Construction and implementation of action plans

The result of the self-evaluation allows a snapshot to be taken of the subsidiary's situation, in order to assess its strengths and weaknesses. This diagnostic allows the department committee to identify areas of progress. The resulting action plans are designed in accordance with the subsidiary's environment, in its broadest sense, and the most relevant practices for the subsidiary's strategy. They are not necessarily specific and may be integrated into the subsidiary's strategic plan.

Whichever option is selected, the actions to be implemented must be realistic and described stage by stage, the monitoring indicators must be clear and the managers appointed. Their progress must be tracked at least twice a year by the CODI.

This fifth and final stage that necessarily follows the self-evaluation means that DANONE Way has a daily existence, since it is included in the individual objectives of employees.

At the end of a period of 18 months to two years, a new phase of self-evaluation is launched. This allows progress to be measured against the action plans deployed and, subsequently, to determine the new areas of progress for the subsidiary, taking into account once again the expectations of Groupe DANONE and stakeholders in the company.

Since its launch, DANONE Way has allowed those companies that have implemented it to construct over 700 actions allowing them to progress in various areas. These actions impact on the company's various operations thus contributing to breaking down barriers and to exchanges within the company. The most popular subjects are human resources (salary policy, employee training), quality (implementation of quality policies, being better placed to listen to consumers' wishes), purchasing (managing relations with our suppliers), the environment (implementing environmental policy, better recognition of packaging problems), as well as more transversal themes, such as the management of confidentiality, ethical rules and the local involvement of subsidiaries in the territories where they operate.

DANONE Way also allows Groupe DANONE to, by consolidating all the results, to visualise those areas where progress has to be made. This global approach allows existing policies to be evolved, by defining new ambitions and actions that are closer to stakeholders' expectations. Several transversal worksites have, therefore, been launched relating to the respect of fundamental social principles with suppliers, diversity as a performance lever, or the improvement of initiatives set up around the Business Conduct Policies.

## 2. Initiative audit and results

The choice of a self-evaluation initiative, for which the local subsidiary is responsible, also means that checks have to be carried out by independent third parties. Since 2001, PricewaterhouseCoopers and Mazars & Guérard have audited this initiative for Groupe DANONE, resulting in an option statement being issued. These audits allow the reliability of deployment to be checked with regard to the Group's recommendations and the sincerity of the answers given for 30 practices, the results of which have been published since 2002.

These practices cover various topics tackled in the DANONE Way reference, relating to safety at work, good remuneration, training and personal development practices, as well as the quality policy, listening to consumers, the steering policy for purchasing or the recycling of packaging.

30 audits have been carried out over five years within the 51 subsidiaries that had completed their DANONE Way self-evaluation by the end of 2006 (including 13 for the second time). Some subsidiaries have been audited twice:

- three in 2002 in the following subsidiaries: LU Spain, Font Vella, DANONE Spain,
- nine in 2003 at Aguas de Argentina, DANONE Argentina, DANONE Brazil, DANONE Hungary, DANONE Portugal, LU Benelux, Opavia in the Czech Republic, Saiwa in Italy, DANONE Vitapole
- seven in 2004 in the following subsidiaries: DANONE Canada, Dannon US, DANONE Germany, DANONE Poland, DANONE Rumania, LU Gyori in Hungary and Robust in China,
- eight in 2005 in the following subsidiaries: DANONE UK, DANONE Waters UK, DANONE Waters Germany, LU Finland, Shenzhen heath in China, DANONE Bulgaria, Zywiec Zdroj in Poland, DANONE Canaries,
- three in 2006 in the following subsidiaries: DANONE France, DANONE Spain and DANONE Portugal.

The audited subsidiaries have been selected in accordance with PricewaterhouseCoopers and Mazars & Guérard, to reflect to the optimum the distribution between the Business lines and geographic zones.

The audits related to:

- The quality of the deployment of the initiative centrally (policy drive, contents of the reference, resources used to deploy this initiative worldwide) and locally (organisation, involvement of departmental teams, number of people),
- The relevance of the evaluation levels selected compared to the reported reality (how the responses are documented and justified), i.e. the validation of the sincerity of the responses carried out by the subsidiaries.

In total, 90% of all the practices audited have seen their score confirmed by the audit. The measured differences were, in most cases, linked to an error of judgement, poor comprehension linked to translations, the complexity of certain questions, which led to an increase in the initial score for a third of the modified practices and a reduction in the score for the remaining two thirds.

## 3. Consolidated results

For the 5<sup>th</sup> consecutive year, we are publishing below the consolidated results for the 30 DANONE Way reference practices that illustrate various policies implemented by the Group. These results are the subject to an audit, the conclusions of which form part of the auditors' report ("See the investigation report of the auditors on the initiative and "DANONE Way results" published in this report on page 20) and relate to the 38 subsidiaries that have validated their evaluation between 2003 and 2006. This is, therefore, a consolidation of the results for a four-year period and not a snapshot of the Group's situation for 2006.

The purpose of consolidating the DANONE Way results is to:

- Obtain a snapshot of the Group's practices, whatever the country in which they operate,
- Identify the subjects from which it is beneficial for the Group to provide a more marked and/or better tooled policy drive for its subsidiaries,
- Measure, over time, the progress made over a period of time from when the subsidiaries were able to self-evaluate.

The results are consolidated by taking the following points into account:

- The practices for which the consolidated results are published in the 2006 report must be audited,
- All the practices, without exception, have a link to the equivalent practices in the DANONE Way references of 2003, 2004 and 2005.
- If a 2005 reference practice corresponds to a synthesis of several detailed practices from previous years, the results of the relevant years is reduced to the lowest common denominator,
- In the margin, an increase in the conditions required in a level has been able to be observed (for example, the practice entitled "positioning within good practices of the country in terms of remuneration" for which has been introduced a notional 80% in each category). In this instance, a subsidiary by subsidiary analysis has been carried out to check the coherence of the consolidation,
- Modifications to the scores following audits are, of course, taken into account
- For subsidiaries that have carried out a second self-evaluation, the most recent results are taken into account.

## 3.2 DANONE Way statement

### Investigation report of the auditors on the initiative and “DANONE Way results” published in this report.

Following the request made to us in our capacity as auditors to Groupe DANONE, we carried out an investigation that allowed us to express reasonable assurance regarding the processes used to put in place certain social and environmental indicators published in this report indicating the consolidated performances of the group's subsidiaries within the context of the DANONE Way initiative. These indicators are entitled “DANONE Way results”.

This data has been prepared under the responsibility of the General Management of Groupe DANONE in accordance with the deployment, collection and consolidation procedures for the DANONE Way initiative, which may be consulted at the Group's registered offices (DANONE Way manual guide to 2003, 2004, 2005-2006 practices and consolidation procedures and rules). It is our task, on the basis of our work, to express a conclusion relating to the deployment of the DANONE Way initiative and the DANONE Way results.

#### Nature and extent of works

For the selected data covering all the published practices and, to this end, shaping the DANONE Way results, we have put in place the following diligences, allowing us to obtain reasonable assurance that the data does not present any significant anomalies.

At the Group's headquarters:

- Interviews with the DANONE Way project team
- Review of deployment, collection and consolidation procedures;
- Review of the main functions of the DANONE Way intranet tool;
- Validation of the consolidation perimeter specific to the DANONE Way initiative;
- Validation that the data reviewed in visited subsidiaries is properly taken into account in consolidation;
- Validation, by sampling, that unvisited subsidiaries are properly taken into account in consolidation;
- Validation of the recognition of evolutions of the DANONE Way questionnaire between 2003, 2004 and 2005-2006 in the calculation of consolidated results and due to the fact that DANONE Way always constitutes a reliable, relevant, objective and comprehensible reference;
- Review of the quality of deployment throughout all unvisited subsidiaries.

In the 3 subsidiaries visited in 2006:

- Review of the organisation put in place to deploy the initiative with regard to the Group's procedures: interviews with managers in charge of the project and examination of documents (organisation chart, meeting minutes, decisions of the Department Committee, internal presentations and communications, etc.);
- Review of the results of self-evaluations for 30 key practices: interviews with the managers of DANONE Way working groups, members of the Department Committee, employees, trade union representatives, examination of documents (procedures manual, management tables, internal policies and charts, contracts, etc.).

To assist us, we have called on the services of Mr. Sylvain Lambert and Mr. Philippe Moutenet, associates in charge of our sustainable development departments.

The DANONE Way results from the subsidiaries that we have visited cover 58% of the DANONE Way results published by Groupe DANONE, i.e. 22 of the 38 subsidiaries that have finalised the subsidiary between 2003 and 2006.

Furthermore, since all of our work has been realised in 30<sup>(1)</sup> of the 51 subsidiaries that have completed the DANONE Way approach since 2002, we estimate that the DANONE Way results form a reasonable basis for the conclusion expressed below.

#### Conclusion

We have noted significant evaluation differences, mainly for 8 practices<sup>(2)</sup> of the DANONE Way reference. These differences have been corrected in the published indicators.

In our opinions, subject to the above reservations:

- The DANONE Way initiative has been effectively deployed in accordance with the Group's procedures
- The DANONE Way results have been established, in all their significant aspects, in accordance with the procedure defined by the Group.

Paris 27th March 2007.

PricewaterhouseCoopers Audit  
Olivier Lotz

 PRICEWATERHOUSECOOPERS

Mazars & Guérard  
Thierry Colin

 MAZARS

(1) List of the 30 subsidiaries presented on page 19

(2) These eight practices are: compliance with applicable law, cover for basic healthcare, insurance and related needs for employees and their families, identifying risks, meeting customers' expectations, respect for fundamental social principles by suppliers, reduce consumption of natural resources, promote ISO14000 certification, and define a policy for the environment.

### 3.3 DANONE Way results

As percentages for 2003-2006, 38 consolidated subsidiaries

Definition of practice	Total in %			
	Lowest level	Level 2	Level 3	Highest level
Compliance with applicable law	16	29	45	11
Progress in workplace safety	5	58	32	5
Cover for basic healthcare, insurance and related needs of employees and their families	0	24	34	42
Salaries in line with good practices for the country	0	11	47	42
Clearly defined, fair rules on compensation	5	76	11	8
Wages reflecting skills	0	32	58	11
Giving employees a share in business success	21	21	53	5
Progress in training	0	58	37	5
Favoring diversity in career paths and profiles	0	47	37	16
Encourage local communication	0	42	50	8
Sharing information	0	37	42	21
Providing necessary resources for employee representatives	15	44	26	15
Favoring in-house dialog	29	9	49	14
Support for individual progress	0	45	45	11
Identifying risks	8	29	47	16
Communications based on proven facts	8	5	63	24
Meeting consumer expectations	3	29	58	11
Meeting customer expectations	16	29	32	24
Implementing a quality strategy	8	34	34	24
Implementing efficient quality structures	8	56	19	17
Responsive to consumers	5	32	43	19
Monitoring risks linked to purchasing	6	22	47	25
Respect for fundamental social principles by suppliers	65	27	8	0
Reduce consumption of natural resources	21	35	35	9
Promote ISO 14000 certification	48	21	15	15
Reduce packaging at source	68	16	11	5
Recover and recycle packaging materials	32	35	27	5
Define a policy for the environment	50	34	11	5
Contributing to local communities	11	79	8	3
Quality of financial information	0	27	70	3

Each practice published in the table opposite has been assessed on a scale of 1 to 4. Level 4 corresponds to the highest level of application, i.e. a level of excellence and/or innovations in the practice, of the capacity to share with other subsidiaries. Level 3 corresponds to putting up a dedicated policy in place, which is disseminated to all personnel and the application of which is controlled and monitored over time by means of relevant indicators. Level 2 represents the phases where measures are applied (these may be one-off measures) and Level 1 is defined the lowest level of application (for example the definition of measures to be implemented).

The results presented above confirm that the best scores are awarded for practices that illustrate policies that have links with the Group's history and values, ones that are closest to the Group's activities and are the most standardised, with regard to:

- the attention paid to humans (social cover for employees and their family in the majority of cases, good remuneration practices, accompanying personnel development, nearby communication);
- the quality policy (quality organisation and strategy, management of food risks shared by all personnel involved), and the management of suppliers (detailed specifications taking into account the analysis of potential risks are integrated into specifications sent to suppliers);
- the dialogue and recognition of consumers' expectations (70% of subsidiaries at Levels 3 and 4);
- communication of the health and nutritional benefits of products (almost 90% of subsidiaries at Levels 3 and 4). The very good scores with regard to the quality of financial information (no company at the lowest level) confirm:

- The effective deployment and real use of internal control systems, as well as the Group's risk assessment tools;
  - The correct application of instructions in terms of financial flows linked to third parties. The relevant managers, particularly purchasing managers and marketers, have clear instructions regarding precautions to be taken and the rules to be respected.
- Some results, which relate to policies whose implementation has been recent or difficult, since the cover realities that vary according to country, seem to be more mitigated, such as for:
- The effective and generalised recognition of fundamental social principles in the management of suppliers,
  - The employability of employees and accompanying them with training throughout their time with the company.

First and foremost, it should be remembered that the Group's aim, in terms of DANONE Way, is not to demand that subsidiaries achieve Level 3 or 4 as soon as possible, but to identify what their progress priorities are within a reference that evolves each year. In several areas, the DANONE Way has allowed points of weakness to be identified, leading to a more significant investment by the Group in these areas over two years, particularly via transversal working groups that have set up new as hoc tools as well as assorted objectives for indicators. Therefore:

- The RESPECT initiative was disseminated throughout the Group at the start of 2006, after a two-year pilot phase that involved voluntary subsidiaries, to help purchasing managers to ensure that suppliers respect the Fundamental Social Principles.
- In October 2005, a new version of the Business Conduct Policies was disseminated to the Group's subsidiaries, accompanied by instructions to promote management and appropriation by teams, guided by Human Resources.

The results obtained for the "environment" practices indicate a situation with a number of contrasts. All the Group's subsidiaries have put in place actions aimed at reducing water and energy consumption in plants and regularly monitor suitable indicators. However, not all subsidiaries have yet formalised an environmental policy, which may be disseminated to all employees.

"Environment" practices, as well as those relating to "local involvement", whose aims as stated by the Group are set voluntarily, are the subject of several action plans within the subsidiaries themselves, according to their challenges, situation and socio-economic context, within the territories where they are located, thus improving the visibility of these areas within the company's various functions.

8 DANONE Way practices have had their scores changed significantly (i.e. more than four times), following audits carried out by the auditors since 2003. The changes have, of course, been taken into account in the results published in the table opposite. They relate to the following practices:

- Compliance with applicable law
- Cover for basic healthcare, insurance and related needs of employees and their families
- Identifying risks
- Meeting customer expectations
- Respect for fundamental social principles by suppliers
- Reduce consumption of natural resources
- Promote ISO 14000 certification
- Define a policy for the environment.

In general, the changes made to scores (changes are cancelled or they are made between two close scores, between Levels 1 and 2 or between 3 and 4) only have a marginal effect on the consolidated results and do not alter any global comments that may be made.

The differences that have been reported during audits with regard to these practices may be explained by:

- A lack of documentation proving that the score selected by the subsidiary during its self-evaluation was a proper reflection of its situation (as is the case with the "Compliance with applicable law" and "Respect for fundamental social principles by suppliers" practices),
- A tendency towards over-evaluation ("Cover for basic healthcare, insurance and related needs of employees and their families" and "Reduce consumption of natural resources"),
- Incorrect interpretation of the practice ("identifying risks" and "promote ISO 14000 certification").



04

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Keys

- F : fully reported (within the perimeter of companies controlled by Groupe DANONE)
- P : partially reported
- NR : not reported

Additional information may be obtained from [www.danone.com](http://www.danone.com)

# 05

## Performance indicators

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## 5.1 Economic performance indicators

More detailed information regarding Groupe DANONE's economic performance is available in the Group's 2006 20-F.

### EC1 Net sales.

The net turnover of Groupe DANONE for 2006 was 14,073 million euros, with a net result of 1.9 billion euros.

### EC2 Geographic breakdown of markets.

61% of the Group's turnover comes from Europe (compared with 63% in 2005), 17% from Asia (identical to 2005) and 22% from the rest of the world (compared with 20% in 2005).

### EC3 Cost of all goods, materials and services purchased.

In 2006, total purchasing represented a cost of 9,248 million euros, including:

- 692 million euros of industrial investments, broken down as follows: 45% in Europe, 15% in Asia, 38% in the rest of the world and 3% at Group DANONE's registered offices
- 5,381 million euros for purchasing of raw materials and energy
- 1,639 million euros for purchasing of non-logistical services (advertising and promotions represent 18% of the total amount of purchasing).

### EC4 Percentage of contracts that were paid in accordance with agreed terms, excluding agreed penalty arrangements.

This indicator is not monitored at DANONE.

### EC5 Total payroll and benefits.

The total of salaries or provisions paid out in salaries, pensions, other non-salary benefits and dismissal indemnities by Groupe DANONE in 2006 represented a total of 1,807 million euros (1,793 million in 2005 and 1,729 million in 2004).

In addition, 121 million euros have been paid out to employees by way of investments and contributions (116 in 2005 and 115 in 2004).

### EC6 Distribution to providers of capital broken down by interest on debts and borrowings and dividends.

105 million euros (83 million euros in 2005) have been paid in 2006 by way of financial costs and interest paid to banks, and 523 million euros (1,173 million in 2005) by way of reimbursement of capital on borrowings contracted by the Group.

610 million euros (489 in 2005), representing dividends paid to shareholders in 2006. In addition, the repurchase of own shares represented a total of 731 million euros in 2006 (685 million euros in 2005).

### EC7 Increase/decrease in retained earnings at end of period.

See 2006 20-F.

### EC8 Total sum of taxes of all types paid broken down country.

The amount of national and local taxes paid in 2006 by Groupe DANONE represented a total of 601 million euros (701 in 2005).

### EC9 Subsidies received broken down by country or region

This indicator is not used at Groupe DANONE.

### EC10 Donations to communities, civil society, and other groups broken down in terms of cash and in-kind donations per type of group.

DANONE donated 16.7 million euros in 2006 (the same figure as in 2005) to solidarity operations principally with regard to sport and children's aid. This sum is broken down as follows:

- 6.1 million for associations in the children's sector,
- 1.8 million for research institutes,
- 1.75 million for sporting associations,
- 7 million for other causes.

This amount of 16.7 million is broken down as follows:

- 8.5 in cash,
- 4 in shared products (repayment of part of turnover to benefit a cause, such as the Volvic/Unicef operation),
- 4.2 in kind (product gifts).

### EC11 Suppliers breakdown by organisation and country.

This indicator is not used at Groupe DANONE.

### EC12 Total spent on non-core business infrastructure development.

This indicator is not used at Groupe DANONE.

### EC13 The organisation's indirect economic impacts.

This indicator is not used at Groupe DANONE.

## 5.2 Environmental performance indicators

Groupe DANONE has made the protection of the environment a distinctive element in its reputation. To achieve this, it has made some significant commitments since 1996 by signing the Environmental Charter and setting target figures for all its subsidiaries, each of which defines the Group's policy and objectives proactively whilst taking its own environment into account.

The Group has defined the following priorities:

- Managing the environmental risks of sites and reducing water and energy consumption;
- Reducing the environmental impact of packaging
- Protecting water resources

Precise objectives for the environment have been set up by the Group's Executive Committee in 2001:

- Compliance of sites with regulations and controlling risks;
- Reduction of water and energy consumption between now and 2010;
- Progressive generalisation of ISO 14001 certification.

A network of environment correspondents within the Group's various subsidiaries ensures that these objectives are monitored and implemented.

The verification of the management of environmental risks on production sites, as well as the regulatory compliances was initially managed by means of specific audits. A dedicated initiative is currently being deployed on all sites, covering all the fundamental risks for the Group.

### The Group has constructed its environmental policy around the ISO 14001 international reference

Several guides and tools created around this standard allowing production sites to move towards certification. Therefore, 90 out of the 186 production sites that are part of the Group's global integration perimeter, have been certified by the end of 2006.

Number of ISO 14001 certified sites

	2006	2005	2004
Total number of sites ♦	186	200	199
Total number of ISO 14001 certified sites ♦	90	84	75

NB; The coverage rate of the environmental indicators indicated by the symbol ♦ is 77%, except for those that are presented in EN1, those relating to the recyclability and recycling of packaging (page 40) and that relating to the total number of sites, for which the coverage rate is 100%..

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

In 2006, investments were worth 25 million euros, i.e. around 3.6% of the Group's total industrial investments (compared with 2.6% in 2005 and 3.1% in 2004). These investments relate to:

- water: water processing, sewage plants, consumption savings
- waste: improving collections, storage, sorting;
- energy: consumption savings, movement towards using cleaner energies.

Operating expenses were around 40 million euros in 2006 (around 32 million euros for 2005). These include the management of water, energy, waste and taxes other than contributions relating to packaging.

### Global data on DANONE's environmental policy: challenges, objectives, methods of implementation and monitoring.

Challenges	Objectives	Methods/Tools	Indicators
To manage risks and reducing the environmental impacts of plants	Regulatory compliance and control of risks	<ul style="list-style-type: none"> <li>• Audits</li> <li>• Monitoring of regulations</li> <li>• Action plans</li> <li>• Investments</li> <li>• Budget review</li> </ul>	<ul style="list-style-type: none"> <li>• Number of audits carried out and action plans monitored</li> <li>• Environment investments</li> </ul>
To include the management of the industrial environment into a dynamic of continuous improvement	ISO 14001 certification for plants	<ul style="list-style-type: none"> <li>• Training</li> <li>• Environment network</li> <li>• Sharing good practices</li> </ul>	<ul style="list-style-type: none"> <li>• Number of plants in certification process</li> <li>• Number of plants certified</li> </ul>

DANONE's policy in terms of water and energy savings and the reduction of greenhouse gases: challenges, objectives, methods of implementation and monitoring.

Challenges	Objectives	Methods/Tools	Indicators
<ul style="list-style-type: none"> <li>• To reduce energy and water consumption</li> <li>• To tackle the greenhouse effect</li> </ul>	<ul style="list-style-type: none"> <li>• 30% reduction in terms of water and heat energy ratios per ton of product (2000-2010)</li> <li>• 20% reduction in terms of the total energy ration per ton of product (2000-2010)</li> <li>• Reduction and recycling of waste</li> </ul>	<ul style="list-style-type: none"> <li>• Energy diagnostics</li> <li>• Water and Energy savings guide</li> <li>• Internal benchmarking of results and sharing experiences</li> </ul>	<ul style="list-style-type: none"> <li>• Results of physical indicators</li> <li>• Ratios:                             <ul style="list-style-type: none"> <li>- Water m<sup>3</sup>/ton</li> <li>- Energy kW/ton</li> <li>- Waste kg/ton</li> <li>- % recycling</li> </ul> </li> </ul>

### 5.2.1 Raw materials

#### EN1 Total materials use other than water by type.

Total consumption (in thousands of tones) of raw materials over 3 years compared with annual production (in thousands of tons).

Performance indicators	2006	2005	2004
Agricultural raw materials ♦	5 811	5 297	5 209
Consumption of primary and secondary packaging (not reused bottles and carboys) ♦	757	735	743
Total production ♦	18 226	17 848	16 896

#### EN2 Percentage of materials used that are waste (processed or unprocessed)

This type of data is not consolidated at Groupe DANONE.

### 5.2.2 Energy

The "Sensible plants" programme launched in 1995 has already allowed reductions to be made in terms of water and energy consumption by plants, the production of waste to be limited and waste to be recycled optimally. The results of this programme based on an initiative of continuous improvement, are measured by specific indicators.

#### EN3 Direct energy use, broken segmented by primary source.

The data for the direct consumption of energy indicated below is expressed as megawatt/hour (MWh).

Direct consumption of energy (in MWh) by type of primary source

Performance indicators	2006	2005	2004
Natural gas	1 674 188	1 485 625	1 286 954
Heavy fuel	312 883	402 665	455 555
Domestic fuel	84 830	91 703	65 747
Butane/propane	62 259	58 743	76 203
Coal	97 498	131 557	117 656
Other sources*	11 044	9 897	29 938
Thermal energy consumption ♦	2 384 999	2 370 784	2 188 057

\* Other energy sources

### EN4 Indirect energy use

Indirect consumption of energy (in MWh) by type of source

	2006	2005	2004
Steam (bought)	142 297	218 009	139 571
Electricity consumption ♦	1 744 193	1 668 307	1 536 207

Total consumption of energy (in MWh)

	2006	2005	2004
Total consumption of energy ♦	4 129 192	4 039 092	3 724 264

It should be noted that the table of data relating to total energy consumption takes into account the direct consumption of energy given in the EN3 indicator table as well as the indirect consumption of energy in the first table for the EN4 indicator.

#### EN17 Initiatives to use renewable energy sources and to increase energy efficiency

There are two sources of energy required for activities on the Group's sites: the electricity used to power the production equipment and domestic electricity for installations and buildings (lighting and heating).

Activities are gradually developing regarding the use of renewable energies within the context of domestic use (e.g. solar panels for lighting at Stoneyfield). To date, Groupe DANONE is not engaged in renewable energy activities to power equipment. With regard to the improvement of the energy yield, DANONE has set up a network of electrical efficiency experts and engineers with Barrault industries in all its Fresh Dairy Products production sites.

#### EN18 Energy consumption footprint of major products

Groupe DANONE has carried out analyses of its products' lifecycle. These demonstrate the low impact of direct emissions linked to its activities compared with other industries.

**Analysis of the lifecycle of a 1.5 litre bottle of Evian mineral water**

The primary energy consumed corresponds to a 1/34th of the impact of one person on 1 day (consumption of energy for heating and domestic usage).

The LCA demonstrates that the major contributors in terms of primary energy consumption are:

- the production of PET used to make the bottle,
- the production of energy consumed at the bottling site,
- the distribution of the product (road).

**Analysis of the lifecycle of a 1.5 litre bottle of Evian mineral water: consumption of energy for 1 litre of product**

Daily consumption of one French person (MJ)	103
Total lifecycle (MJ)	3,04
PET	61 %
Production	33 %
Distribution	16 %
End of life*	-10 %

\* The -10% at the end of the bottle's life relates to incineration with recovery of energy and recycling.

**Analysis of the lifecycle of 1 kg of natural yoghurt: primary energy consumed**

Daily consumption of one French person (MJ)	103
Total lifecycle (MJ)	15,3
Sale and purchase by the consumer	33 %
Primary packaging	25 %
Yoghurt production	23 %
Milk production	15 %

The LCA of the yoghurt demonstrates that the major contributory stages in terms of primary energy consumption are:

- putting the product on sale and its purchase by the consumer (33%) due to the consumption of electricity for refrigerating products in the shop (up to three quarters of the energy consumed at this stage) and the consumption of fuel required to go to the shop to buy the product;
- the production of the primary packaging (yoghurt pot) by 25%
- the production of the yoghurt (23%)
- the production of the milk (15%).

**EN19 Other indirect (upstream/downstream) energy use and implications, such as organisational travel, product lifecycle management and use of energy-intensive materials.**

Groupe DANONE is not able to issue consolidated data on the problems covered in this indicator. The significant indirect environmental impacts of our products are presented in indicator EN14.

**5.2.3 Water**

Water is a renewable resource, albeit one that is distributed unequally and threatened by pollution. Water is part of a cycle linked to the phenomena of evaporation, precipitation, run-offs and infiltration. Whilst on a terrestrial scale, this equilibrium persists, as for instance in a hydro-mineral deposit, poor management and over-exploitation could harm the resource. This may also be reduced by pollution. It is estimated that every day, two million tons of waste are dumped onto water surface worldwide.

The world's consumption of water doubles every 20 years and this has affected the three major users of water. Agriculture is the main user taking 70% throughout the world. The considerable progress made in terms of production over the last 50 years has been made possible in the main by increased irrigation. Industry uses 22% of the fresh water available, with domestic use only accounting for 8% of resources. This includes water for daily activities and for drinking. From its 47 springs, Groupe DANONE uses up only 0.0014% of the fresh water available in the world.

The bottled water sector represents 120 billion litres/year. This sector is continuously growing, including in regions with low income, because bottled water is synonymous to health safety. In this context, Groupe DANONE is leading a global initiative to protect its springs as far as it can and to preserve the resource.

To communicate its strategy clearly to all its subsidiaries worldwide, the Group has compiled a charter entitled "Groundwater Resources Protection Policy", signed by Franck Riboud in October 2004.

This policy defines the obligation, both in terms of exploiting natural and patrimonial resources, of sustainably managing underground water. It restates the major protection objectives and precisely describes the principles of application by all subsidiaries worldwide. These principles of application are the subject of a systematic diagnostic for each spring, as well as action plans under the responsibility of the subsidiaries' general directors.

In international terms, Groupe DANONE is a very active partner within the Ramsar convention, which works for the conservation of wetlands, a key element in ecosystems, which filters rainwater and tops up water tables.

**EN5 Total water use.**

Groupe DANONE uses water both as a raw material (put into finished products) and as a consumable within its production processes in plants (cooling cycles, cleaning, etc.).

**Total consumption of water (in thousands of m<sup>3</sup>) per type**

	2006	2005
Total water taken from the surrounding environment, of which:		
- Water from boreholes	50 662	45 830
- Municipal water	34 511	30 730
- River water	11 946	10 603
- River water	4 205	4 497
Sites' water consumption (not water put into containers) ♦	35 628	33 658

**EN20 Water sources and related ecosystems/habitats significantly affected by use of water.**

See indicator EN5 for the various origins of the water used. Groupe DANONE uses around 15,000 thousand cubic metres of water in its finished products, mainly from 47 springs that it exploits worldwide.

The Group has set itself the target of ensuring the protection of the supply zone (impluvium), the transition zone (the path along which the water runs within the geological strata) and the emergence zone (area where the spring exits). See the explanations given in indicator EN6.

**EN21 Annual withdrawals of ground and surface water, as a percent of annual renewable quantity of water available from the sources.**

See indicators EN5 and EN20.

**EN22 Total recycling and reuse of water.**

The water used for production (manufacture of products, cleaning of installations) is ejected into the natural environment after processing at a mean rate of 139.5 mg/l of CDO (which is lower than current regulations in European countries). 90% of industrial sites recycle water for the cooling cycles on production lines.

**5.2.4 Biodiversity**

**EN6 Location and size of land owned, leased or managed in biodiversity-rich habitats.**

Groupe DANONE's production sites are located in habitats that are rich in biodiversity, such as Villavicencio in Argentina. In the context of its programmes for protecting its groundwater resources, the Group has initiated actions to protect the biodiversity of the sites.

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

Each spring is the subject to extensive geological research in addition to environmental studies to determine the risk factors for the environs and actions are put in place to protect the natural and rural heritage. The Group uses local and national legislations, as well as contractual agreements to ensure the guarantee of exploitation that may be seen in the implementation of constraining prescriptions (prohibited boreholes, regulated polluting activities, etc.).

Water is mainly collected from boreholes within an enclosed perimeter, where unauthorised persons have no access. The collection equipment guarantees the hygiene and constancy of the working and is tailored to the resource's hydrodynamics. This is why Groupe DANONE has surrounded itself with experts so that the rational and sustainable exploitation of the springs to be assured. For each layer worked, the renewal of the natural resources is the necessary and vital criterion. The Group never takes more than the spring can naturally produce.

The constancy of the water composition is checked by regular samples, taken by approved external laboratories. Bottling is carried out under very strict conditions of hygiene and daily checks are made to check the quality of the water.

**A local development that respects the resources**

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

Evian, for example, was a pioneer, when, in 1992, it created the Association for the Protection of the Impluvium of Evian Mineral Waters (APIEME) in collaboration with the local players: the communes of the impluvium and emergences, the Chamber of Agriculture and the authorities.

**Protecting the impluvium of Evian mineral waters**

The recognised zone of infiltration of the water that gives birth to Evian Mineral Water extends over 34 km<sup>2</sup> at a mean altitude of 850 metres. The impluvium has been specifically preserved. 85% of the surface is made up of forests, natural meadows and peat-bog. Human activity takes place in some villages and there is artisan agriculture based on AOC milk production that is still the main economic activity.

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

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

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

It is with this same desire to protect the environment that, since 1999, the Evian Golf Club has put in place strict rules in terms of maintenance. For example, the use of chemical fertilisers has been prohibited, because of their influence on the increased rates of nitrate in water. In 1997, Evian put in place an observatory, together with the National Institute for Agronomic Research, to measure the effectiveness of existing policies, as well as to create indicators to measure the impact of human activities, such as the evolution of demographic pressure.

**Villavicencio, a nature reserve in Argentina**

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

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

The objectives of the Villavicencio nature reserve have been to:

- Preserve the region's water resources
- Develop the study of resources and to promote their conservation, by means of education in environmental protection;
- Extend awareness of the natural, cultural, archaeological and historical heritage;
- Encourage tourist activities that have a low impact on the environment.

The project was rolled out in two stages:

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

An environment education and information centre was set up and now contains a hydrological museum, which has hosted almost 60,000 visitors to date.

**EN7 Description of the major impacts on biodiversity associated with activities and/or products and services in terrestrial, fresh-water and marine environments.**

In terms of its activities, Groupe DANONE does not have a significant impact on biodiversity, except for the one described with regard to actions to protect its springs (see indicator EN6).

The Group has also put in place with some of its raw material suppliers (mainly milk) suppliers programmes for the promotion of considered agriculture, that respects biodiversity (DANONE Quality Safety Environment programme for milk, Sustainable Agriculture Initiative, etc.).

**EN23 Total amount of land owned, leased or managed for production activities or extractive use.**

Groupe DANONE does not have any consolidated data relating to the total surface area of land held, leased or managed for its production activities.

Estimated data based on the number of sites and the mean surface area of the production site may, however, be communicated.

Estimated surface area of land occupied by production activities (in millions of m<sup>2</sup>)

	2006	2005	2004
Surface area of land occupied by buildings	7,44	8	7,96
Total surface area	13,83	14,86	14,78

**EN24 Amount of impermeable surface as a percentage of land purchased or leased.**

This type of data is not consolidated at Groupe DANONE.

**EN25 Impacts of activities and operations on protected and sensitive areas.**

Groupe DANONE's production sites are not located in protected and sensitive areas, such as, for example, UICN protected zones in categories 1 to 4, Humanity heritage sites and biosphere reserves.

**EN26 Changes to natural habitats resulting from activities and operations and percentage of habitat protected or restored.**

Groupe DANONE is not affected by this indicator. See indicator EN6 with regard to the programmes for the protection of underground water resources.

**EN27 Objectives, programmes and targets for protecting and restoring native ecosystems and species in degraded areas.**

The Group is not affected by this indicator. It is, however, involved in the protection of wetlands by its support for the Ramsar convention.

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

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

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

- To develop the decision-makers and the public's awareness of challenges facing water
- To raise awareness of local populations in water management, particularly children, through the development of educational tools,
- To enhance noticeable actions. Since 1999, the Group has awarded a special prize to winners of the 3 Ramsar Prizes
- To share good practices for the management of natural sites.

The objective is to network all the Group's players involved in the exploitation and protection of springs.

**Communication actions**

- Participation in the world wetlands day (February 2): On this occasion, information documents for the public (poster, stickers, etc.) are disseminated widely by Ramsar correspondents worldwide. Ramsar proposes appropriate software so that each country can edit these documents and reproduce them in its own language.
- Communication of the Ramsar action programme: Ramsar has a presence at various international trade shows, thus allowing it to be aware of the challenges of the protection of wetlands and to make decision-makers aware: United Nations' sustainable development commission in New York, UICN Congress, etc.)

- Educational game developed by UNESCO: A game on the topic of water, for children aged 7 to 10, circulated to schools within the UNESCO network. The game aims to raise awareness about the rational use of water by means of simple everyday actions,

**A partnership with WWF**

The WWF is an institutional partner of Ramsar. In March 2004, a protocol was signed in Paris that established the bases of the partnership between Ramsar, WWF International and Groupe DANONE for the implementation of cross-border cooperation.

WWF International's "Living Water" Programme is charged with implementing four pilot projects under Ramsar's direction and in coordination with the DANONE-Evian Fund within the context of the "Acting from the mountain to the sea for the protection of water quality and resources" programme:

- In South America, the region of Paramos to the north of the Andes (sites in Peru, Columbia, Ecuador and Venezuela),
- In West Africa: the Niger basin (sites in Guinea, Mali, Burkina Faso, Nigeria, Benin, the Cote d'Ivoire Niger, Chad and Cameroon),
- In Central Asia: the region of the Himalayas (sites in India, China, Bhutan, Pakistan and Nepal),
- In Southern Asia: Mekong basin (sites in China, Thailand, Laos, Vietnam and Cambodia).

**International cooperation: the networking of Ramsar sites**

Ramsar organises workshops for exchanges between the representatives and managers of Ramsar sites in various countries. This programme covers over fifty countries and around two hundred sites distributed throughout the six major regions of the world. There are three main types of geographic and thematic networks:

- Ramsar biodiversity networks: water and birds (north-east Asia, the cordillera of the Andes, and Europe),
- Ramsar major river networks: water to be shared (Niger basin, Mekong River),
- Ramsar mountain networks: water sources (Himalaya, Paramos in the Andes).

**Rewarding remarkable initiatives**

What is the status of the world's water resources? How can we reduce poverty by managing water rationally? These kinds of questions were asked at the Ramsar Convention Conference for wetlands held in Uganda in November 2005. On this occasion, Groupe DANONE, in support of the Ramsar Convention, awarded three prizes. Created in 1996, the Ramsar Prize rewards and honours, every three years, individuals, organisations and government bodies that have made a significant contribution to conservation and the rational use of wetlands and water resources anywhere in the world:

- **Ramsar Prize: management category**  
Dr Sh.A. Nezami Baloochi (Iran) was rewarded for the pivotal role he played in setting up an effective plan for conserving the Ramsar site in the Anali wet area, Iran. Throughout his career, Dr Sh.A. Nezami Baloochi has played a major role in creating several protected areas and educational and public-awareness initiatives.
- **Ramsar Prize: science category**  
Pr Shuming Cai, of the Academy of sciences of China, was rewarded for his research into the Yangtze River. Professor Cai also insists on the importance of wetlands for sustainable economic development and human well-being.

- **Ramsar Prize: education category (ex-aequo)**  
Mrs Reiko Nakamura (Japan) was rewarded for the role that she has played for over 15 years in the promotion of the conservation of wetlands and the Ramsar Convention in Asia, within the context of projects, activities and research work in terms of communication, education and raising the awareness of the public.

- **Ramsar Prize: education category (ex-aequo)**  
The Wetlands Centre in Australia was rewarded for its initiatives to promote conservation of wetlands by means of its work in terms of communication, education and raising the awareness of the public, convinced that, in the future, we will need "to promote more clearly the role played by wetlands in the history of water supply to humans and the environment".

→ More information at [www.ramsar.org](http://www.ramsar.org)



**EN28 Number of UICN Red List species with habitats in areas affected by operations.**

See indicator EN25.

**EN29 Business units currently operating or planning operations in or around protected or sensitive areas.**

See indicators EN6, EN25 and EN26.

**5.2.5 Emission, effluents and waste**

Groupe DANONE, faced with the problem of greenhouse gases, has assessed its activities and identified their impact in order to orient new initiatives better in addition to the programmes undertaken since 2000 relating to the sensible and sustainable use of resources in its industrial activities and within the context of the Kyoto protocol.

Analysis of the lifecycle of products from Groupe DANONE indicate a low impact by direct emissions linked to its activities compared with other industries. The direct emissions from the 186 sites were estimated in 2006 at 510 Ktons of CO<sub>2</sub> (96% of indirect emissions), i.e. a reduction of 2% compared with 2005. Total emissions worldwide were estimated at 28.9 billion tons of CO<sub>2</sub>.

In 1992, Groupe DANONE initiated a policy that prioritises:

- The reduction of the consumption of thermal and electrical energy having direct consequences for CO<sub>2</sub> emissions, particularly with the "Sensible Plants" Programme,
- The application of the Montreal Protocol relating to the use of refrigerating gases.

Since 2000, these points have been the subject of precise commitments for the period 2000-2010 aimed at reducing energy ratios by 30%. At the end of 2006, heat energy ratios from all sites had decreased by 30.7% and the composition of organo-fluoride gases has been divided by three from 2000.

In 2000, each of the three Business lines has decided to implement a more ambitious "Energy" plan in tandem with the "Sensible Plants" initiative and focused on three areas:

- Management of the "Energy" plans by putting in place indicators for each site and energy experts in each plant. This network of experts has existed since 2006 in the three Business lines and is supervised by a manager within each Business line,
- Integration of "Energy" standards into the new investments,
- Revision of industrial processes (e.g. the burners in biscuit ovens).

For developed countries subject to quotas: Groupe DANONE plants are only slightly affected by all the national transpositions of the Kyoto protocol for the initial period from 2005-2007: five plants out of 67. For example, the quotas for Groupe DANONE sites in France represent 0.02% of the national plan for the attribution of quotas.

For developing countries that have signed the protocol: even if no plant is subject to a quota, all sites are engaged in achieving targets of reducing energy consumption and applying the Montreal protocol.

**New initiatives for reducing greenhouse gases**

For nearby sales activities:

Current installations are equipped with refrigerating gases that respect current local regulations relating to technologies in accordance with the Montreal protocol both for fresh products and drinks distribution activities.

Since 2005, Groupe DANONE has taken part in the "Refrigerants Naturally!" programme supported by UNEP and Greenpeace, to find natural alternatives. For example, since 2005, 1200 refrigerated distributors have been tested with HC that have zero impact on the ozone layer and 900 vehicles from the Argentinean subsidiary "La Serenissima" have been equipped with new refrigerant generators.

In terms of product transport:

Groupe DANONE is gradually engaged in initiatives relating to alternative solutions to traditional road transport. In France:

- all bottled water for export is transported by barge and then by boat to its country of destination. Result: the environmental impact of the transportation of such a bottle is lower than the transportation of a bottle by lorry in France
- all the milk from the Normandy basin is collected by a fleet of lorries fitted with biofuels.

Groupe DANONE wishes to improve the sustainable recognition of the CO<sub>2</sub> problem in its choices of transport. For example, the Group has created the first CO<sub>2</sub> plan for its English beverages subsidiary over three years, leading to savings and a 25% reduction in CO<sub>2</sub> by choosing the best transport mix and by putting in place transport alternatives. This experiment will be gradually rolled out to all beverages subsidiaries in 2007.

For agricultural raw materials.

In the context of its Quality programme for raw materials, since 2005 Groupe DANONE has developed an environment programme that engages all its milk suppliers in a programme of energy savings and a reduction in phytosanitary products, the production of which results in the emission of CO<sub>2</sub>.

**EN8 Greenhouse gas emissions.**

Emissions over three years of greenhouse gases (in tons of gas) detailed by component relating to Groupe DANONE's activities

	2006	2005	2004
CO <sub>2</sub> emissions	483 815	487 950	466 538
CH <sub>4</sub> emissions	33,4	31,9	30,6
NO <sub>2</sub> emissions	19,1	18,1	16,5
CFC emissions	0,24	0,95	1,22
HCFC emissions	10	11,5	12,2
HFC emissions	1,8	0,8	1,7

Emissions over three years of greenhouse gases (in equivalent tons of CO<sub>2</sub>) detailed by component relating to Groupe DANONE's activities.

	2006	2005	2004
CO <sub>2</sub> emissions	483 815	487 950	466 538
CH <sub>4</sub> emissions	702	670	644
NO <sub>2</sub> emissions	5 924	5 611	5 243
CFC emissions	1 936	7 679	9 882
HCFC emissions	15 045	17 217	18 369
HFC emissions	1 787	1 082	2 227
total emissions ♦	509 744	520 208	502 903

**EN9 Use and emission of ozone-depleting substances.**

Consumption over three years of substances that harm the ozone layer in equivalent tons of CFC.

	2006	2005	2004
CO <sub>2</sub> emissions	0,24	0,95	1,22
HCFC emissions	0,55	0,63	0,67
total emissions ♦	0,79	1,58	1,89

**EN10 NO<sub>x</sub>, SO<sub>x</sub> and other significant air emissions by type.**

Emissions of NO<sub>x</sub> over three years (in equivalent tons of NO<sub>2</sub>) and SO<sub>x</sub> (in equivalent tons of SO<sub>2</sub>)

	2006	2005	2004
Consumption of NO <sub>x</sub> (nitrogen oxides) in equivalent tons of NO <sub>2</sub> ♦	1 221	1 136	1 151
Consumption of SO <sub>x</sub> (nitrogen oxides) in equivalent tons of SO <sub>2</sub> ♦	2 128	2 608	2 652

**EN11 Total amount of waste by type and destination.**

Quantity of generated and recycled waste

	2006	2005	2004
Total quantity of waste generated (in millions of tons, except for sludge from sewage plants) ♦	238	239	275
Total quantity of waste eliminated by specific subsidiary (in millions of tons, except for sludge from sewage plants) ♦	192	180	218
Proportion of waste eliminated by specific subsidiary (except for sludge from sewage plants) ♦	81 %	75 %	72 %

**EN12 Significant discharge to water by type.**

By their activity, Groupe DANONE sites do not eject hazardous materials into the water. See indicator EN22.

The table below gives the charge of the water ejected into the natural environment after processing.

Final ejection of Chemical Demand for Oxygen (in thousands of tons) into the natural environment

	2006	2005	2004
Final ejection of CDO (chemical demand for oxygen) ♦	5 576	4 103	4 263

The 36% increase in 2006 is linked to the integration of a recently acquired plant that did not have a purification plant (belonging to a subsidiary that was previously a joint venture). An investment is planned in 2007 for a new purification plant for waste water. Without this plant, the 2006 figure would have been 11% lower.

**EN13 Significant spills of chemicals, oils, and fuels in terms of total number and total volume.**

A single accidental leakage of chemical products occurred in 2006 within the installations. This was a fuel leak, with no environmental consequences, following an accidental break in a pipe during work. The liquid was collected and thermally destroyed.

**EN30 Other relevant indirect greenhouse gas emissions.**

The analysis of the yoghurt lifecycle (see indicator EN 18) demonstrates that potential indirect atmospheric impacts are estimated at 1.8g of equivalent CO<sub>2</sub> per gram of finished product, with the following contributions: CO<sub>2</sub> (31%), CH<sub>4</sub> (28%) NO<sub>2</sub> (22%) and HFC/HCFC (18%).

The main contributory stages are respectively:

- The production of milk at 53%, which may be broken down into 48% CO<sub>2</sub> emissions (herd and composting) and 41% emissions of NO<sub>2</sub>
- The sale of the product and its purchase by the consumer at 26%, two thirds in emissions of refrigerant gases (refrigerated cabinets in points of sale), the remaining third in CO<sub>2</sub> emissions, linked to the petrol used by the consumer to get to the point of sale,
- The production of primary packaging is in third positions with 9% (percentage mainly linked to emissions of CO<sub>2</sub> from energy consumption).

The production of yoghurt is therefore responsible for 6%.

**EN31 All production, transport, import or export of any waste deemed "hazardous" under the terms of the Basel Convention, Annex I, II, III and VII.**

Groupe DANONE is not affected by this indicator.

**EN32 Water sources and related ecosystems/habitats significantly affected by discharge of water and runoff.**

See indicators EN6, EN 290 and EN27.

**5.2.6 Suppliers**

Links with suppliers are defined by a context, where companies' responsibly are expanded upstream of their activity, even if their influence may only be indirect.

The main challenges are:

- The food safety of the products. This is the first requirement of consumers. It is ensured by the selection of suppliers and by managing supply,
- The economic challenge. Producers of raw materials are faced with international competition that exerts pressure on prices. Prices must ensure both sufficient profitability for them and a supply of quality products at prices that are competitive for manufacturers,
- The environment. The considerable increase in agricultural productivity is accompanied by a pressure on the natural environment. Sustainable agriculture may open up new prospects,
- Working conditions. Companies are more and more asked about their suppliers' compliance with the fundamental social principles.

Groupe DANONE, by means of central negotiations and/or through the intermediary of its subsidiaries, deals with thousands of suppliers of agricultural raw materials, packaging, equipment and services. The Group's policy aims to:

- Establish partner relations with its suppliers of strategic raw materials to ensure the safety, traceability and quality of the products;
- Promote considered agriculture in direct cooperation with farmers and by participating in inter-sector initiatives,
- Have a better awareness of the application of the fundamental social principles by suppliers, (see indicator HR2).

**EN33 Performance of suppliers relative to environmental components of programmes and procedures described in response to Governance structure and management systems section.**

**DQSE programme for milk producers**

Since the mid-nineties, relations with milk producers have evolved, moving from the collection of a raw material to a partnership. The Group has put in place the DANONE Quality Safety Environment (DQSE) programme, the aims of which are:

- Managing the quality of the milk and its safety at each stage in the chain (milk production, transport, storage). DANONE has defined a set of practices to warn of the presence of pathogenic agents or chemical contaminants within the milk;
- The implementation of practices that respect the animal's well-being and the environment. The DANONE Guide " Good practice for milk producers" has, since 2005, included the systematic monitoring of seven environmental criteria and five criteria for the animal's welfare that derive from international standards for sustainable agriculture and the European criteria of the Common Agricultural Policy.

This objective is valid for all the countries where DANONE collects milk and is part of a logic of reforms of the Common Agricultural Policy in Europe (aid subject to environmental practices being respected), but goes beyond this.

- An operational programme of vigilance, traceability and management of health alerts. Traceability allows us to know which group of farmers have provided the milk for a batch of yoghurts. Vigilance is ensured by national monitoring cells and by the Daniel Carasso research centre. This allows those responsible for collecting the milk to be alerted immediately and so, depending on the nature of the problem, be able to identify to potentially affected herds.

DANONE, by disseminating the DQSE initiative throughout all the countries in which it collects milk, is one of the very few -food companies to have developed a quality and safety approach to milk coordinated worldwide and based on training. This programme is completed by specific actions with farmers to help them progress in the way they deal with their herds. In Spain for example, preventive actions are carried out in terms of animal health by specialist veterinarians. In Russia and France (VITAL programme), DANONE advises farmers to increase milk quality alongside their profit margins. In France and in Portugal, DANONE has set up an internet site that can be accessed by farmers and is the source of a lot of information. Loans to farmers have been set up in Turkey and Bulgaria.

**Promoting sustainable agriculture: the Sustainable Agriculture Initiative**

Groupe DANONE was one of the first groups to commit itself to sustainable agriculture as an indispensable tool in meeting consumers' expectations, which it considers to be a complementary approach to biological agriculture, as indicated by the purchase of Stoneyfield Farm Ltd in the United States and the launch in France of the "Les 2 vaches" brand by Stoneyfield Europe.

Sustainable agriculture is a competitive and productive way of farming that, in addition to the quality and safety of its food, takes into account, in a balanced way:

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

The studies carried out since 2001 regarding the analysis of the environmental impact of yoghurt have allowed us to confirm that the movement to sustainable agriculture is a significant lever for reducing these impacts.

Since 2002, Groupe DANONE has been in partnership with Nestlé and Unilever to promote sustainable agriculture through the "Sustainable Agriculture Initiative" (SAI Platform). Today, it comprises 22 companies and has the following objectives:

- to acquire and exchange knowledge between companies
- to share the same definitions of sustainable agriculture
- to confirm and develop sustainable agriculture practices
- to communicate with decision-makers and consumers
- to involve other agro-foods industries and players in the agro-foods strand.

Six specialist working groups have been set up within the SAI Platform (milk, cereals, coffee, palm oil, potatoes, and fruits). Groupe DANONE chairs the cereals working group, which was the first to adopt "Sustainable agricultural practices for the production of cereals in Europe" and takes part in the milk and fruit working groups.

Within the context of these working groups, the principles of sustainable agriculture are translated into farming practices that, for the groups, are the most advanced worldwide pilot operations.

In Europe, when the concept of sustainable agriculture is translated into a national plan (as for example with "considered agriculture" in France), DANONE helps to promote it. In France, in 2006, almost a hundred dairy farmers, working for DANONE France, qualified for the "Reasoned Agriculture" label after being introduced to the initiative by DANONE technicians.

**Integration onto the General Terms and Conditions of Purchase**

Since 2002, a specific clause has been added into Groupe DANONE's General Terms and Conditions of Purchase, requesting suppliers to comply with all current laws and regulations in terms of the environment.

**5.2.7 Products and services**

**ENI 4 Significant environmental impacts of principal products and services.**

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

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

● Significant environmental impacts of yoghurt and a bottle of mineral water. Results of lifecycle analyses

	Environmental impact of a 1.5 litre bottle of mineral water (lifecycle analysis of 1 litre of product)	Environmental impact of natural yoghurt (analysis of lifecycle for 1kg of product)	Daily environmental impact of one French person
Consumption of water (litres)	1,93	16	168
Consumption of non-renewable energy (in MJ)	3,04	15	103
Greenhouse gases (g of CO <sub>2</sub> equivalent)	110	1 800	3 954
Production of waste (kg)	0,02	0,3	0,57

These studies have been carried out in accordance with the prescriptions of the ISO 14040 series of standards on the entire manufacturing cycle of the products and packaging referred to.

**Impact of packaging:**

Packaging fulfils vital functions as with any pre-packaged food:

- **Conservation:** The packaging allows products to be conserved as long as necessary, without any loss of quality.
- **Hygiene:** Good packaging is the best guarantee of good hygiene.
- **Diversification:** The diversification of packaging allows the product to be adapted to preferences, according to the consumer's habits and methods of usage.
- **Portion :** The packaging allows the quantity of the product to be adapted to the consumer's needs and the size of his family.
- **Transport :** Good packaging means that the product is transported from the place of production to the processing or consumption site, without being damaged or suffering loss of quality; packaging must allow products to be stacked effectively without damaging them, at the production site, during transport, in warehouses and at the processing site or point of sale.
- **Information :** Packaging constitutes the best location for identifying the product (place of sale), the instructions, all the indications required by law, (price, weight, list of ingredients, table of analytical composition for natural mineral water, etc.), management tools (barcodes, customer service number, address etc) and any other desirable indications relating to the environment. Packaging allows communication with the consumer and, as such, is an information tool.

Since 2001, DANONE has used lifecycle analysis techniques in terms of making a responsible selection of packaging. Convinced that its awareness of eco-design must come in at the design stage, DANONE has developed a simplified tool internally that allows employees to see quickly the impact on the environment of a modification to a system or a packaging material.

• **Making packaging lighter**

The Environmental Charter signed by the CEO of Groupe DANONE, Franck Riboud, in 1996, requires the environment to be taken into consideration from product design up to and during production processes. From the design of new products, the marketing, packaging, purchasing and logistics teams use a "guide to the ecological design of packaging" and a checklist that includes both the reduction at source and the possibility of recycling materials at the end of their life.

In 2001, the Groupe DANONE Executive Committee set itself the target of reducing the average weight of packaging by 10% over 10 years (period 2000-2010). To do this, monitoring indicators (weight of packaging/product weight ratio) have been put in place. Some 19 subsidiaries reported the packaging to product ratio of 75% of their sales. Between 2000 and 2006, ratios went down by 6%.

Result: the weight of a 1.5 litre bottle of Evian decreased by 15% from 2000 to 2005, i.e. the consumption of 30,000 cars was saved. The efforts of DANONE in France have meant that the weight of packaging used has been reduced by 12,000 tons per annum, i.e. an equivalent of a town of 150,000 inhabitants with no packaging waste for a year.

• **Collection and sorting in different countries**

With metal cans and glass bottles, PET bottles are the packaging with the highest recycling rates. European Directive 94/62 relating to the management of packaging and packaging waste predicts a minimum of 22.5% recycling of plastic packaging by 2008. In some countries, this target is reached by commercial and industrial plastic packaging alone (United Kingdom and the Netherlands). In most other European countries, it is achieved by sorting PET bottles by means of a system of collecting household waste that involves the consumer making the effort to sort his waste. The "green point" systems, such as Eco-Emballages in France, Ec-Embes

in Spain, FORST Plus in Belgium today allow between 40 and 75% of plastic bottles put on the market to be collected.

DANONE is a member of 23 "green point" organisations with a presence in Europe and helps promote these organisations' initiatives in countries with high population densities as in Turkey (CEVKO) or Mexico (ECOCE).

**Recyclability and recycling of packaging**

	2006	2005	2004
Recyclability of plastic bottles ♦	100 %	100 %	Data not published
Effective recycling of plastic bottles ♦	22.7 % in Europe	22 % in Europe	20 % in Europe
Recyclability of paper and cardboard packaging ♦	100 %	100 %	Data not published
Effective recycling of paper and cardboard packaging ♦	77 % in Europe	100 % in Europe	50 % in Europe

• **"Wild" waste**

The resolution of this problem includes both raising public awareness and starting programmes for cleaning sensitive sites. A concrete example of success in this area is the "Vacances Propres" initiative in France. This is an association created by major companies in the packaging and consumption sector to invite tourists to act sensibly and respect the environments of holiday sites by means of annual campaigns. The Vacances Propres may be summarised in three points:

- Providing help for holiday resorts confronted, in summer, by an influx of tourists and a proliferation of abandoned waste;
- Offering councils equipment and bags for collecting waste, specific to leisure sites, in the Vacances Propres colours and therefore identifiable at a glance and identical throughout France;
- Developing in tourists and inhabitants civic behaviour by urging them not to abandon their waste in the open air and to sort it on holiday as they would do at home.

In emerging countries, DANONE is studying the setting up of sorting initiatives with regard to rubbish to ensure the collection of materials, the residual value of which is a source of revenue and local development.

• **PET plastic**

Since their creation, plastic materials have resulted in an extraordinary reduction in the consumption of raw materials and just as significant a reduction in the production of waste: without plastics, the volume of packaging waste would have increased by 185% (Source Plastics Europ).

Packaging based on biodegradable polymers is about to appear and will, perhaps, find their niche in the food industry in the years to come. The production of these polymers is based on starch and may be processed by composting. In 1998, DANONE was the first to launch, in Germany, yoghurt with a pot made from biodegradable polymers: PLA (PolylactateAcid). This production was halted because the consumer failed to recognise the value of this innovation (PLA is only biodegradable under composting conditions) and the cost of the material was very high.

DANONE uses old technology in this area. This type of material must also become accessible in terms of cost. There is still a lot of research required in the drinks sector.

• **PET bottle recycling**

The increases in oil costs have meant that PET plastic recovered in selective collections now have a real value. There is a very high demand in several countries, including Italy, the Netherlands, and China, which have significant requirements in terms of PET. This demand stimulates the collection of bottles.

The 40% recycling rate of PET in France allows 210,000 tons of oil to be saved within the transformation strands: textile articles such as rugs, fillings for anoraks, non-food packaging and, more recently, food packaging.

All the plastic packaging used for food or other products are made from crude oil. Most of the time, this packaging is not recycled like PET bottles, but are recycled with energy recovery.

**EN15 Percentage of the weight of products sold that is reclaimed at the end of the products' useful life and percentage that is actually reclaimed.**

This indicator is not monitored by Groupe DANONE.

**5.2.8 Compliance with agreements and regulations**

**EN16 Incidents of and fines for non-compliance with all applicable international declarations/ conventions/ treaties, and national, regional and local regulations associated with environmental issues.**

In 2006, Groupe DANONE paid out a total of 150 thousand euros in penalties, fines and damages for third parties relating to environmental problems in four different countries. In 2005, this amount was 133 thousand euros (in six different countries).

**EN34 Significant environmental impacts of methods of transport used for logistical purposes.**

The group has defined good environmental practices in terms of transport, formalised within a manual designed for logistical departments worldwide:

- Any transport company working for Groupe DANONE must, as a minimum, comply with social and environmental regulations current in the country, both for its depots and its fleet of lorries and their maintenance;
- The manual contains a list of good practices to be respected by the transporters. This initiative may be adapted to the local context;
- The subsidiary and its transporters must also be engaged in an initiative to reduce the impact of transport by acting on the lifecycle connections.

For example, in the case of bottled water:

- Rail; most of the bottling sites can, technically, provide rail flows from production sites. The development of transport by rail depends on the cost per km and the period required for distribution.
- All products are exported by boat, with an environmental impact 25 times lower than lorries. The 11,000 kilometres between France and Japan can be broken down as follows: 120 km by

lorry, 450 km by river transport, and 10,500 km by sea in containers. This is equivalent to 650 kilometres by lorry (Evian-Paris for example).

- DANONE has put in place software to optimise pallets to maximise the weight of products transported/surface area to reduce wasted surface area.

**Greenhouse gas impact on the transportation of bottles in g equivalent of CO<sub>2</sub> per ton of product and per km travelled (analysis of global lifecycle)**

Type of transport	Emissions of greenhouse gases in g of equivalent CO <sub>2</sub> per ton of product and per km travelled
Lorries (25 tons)	158
River transport	45
Rail transport (Europe)	39
Rail transport (France)	24
Sea transport (boat)	11
Sea transport (containers)	6

**EN35 Total environmental expenditures by type.**

Environmental costs per type (in euros)

	2006	2005
Packaging contributions (Green point)	63 950	62 652
Fines and penalties	95	133
Third party damages	55	0
Processing of waste	11 447	9 870
Processing of water	14 326	12 525
Reduction of atmospheric emissions	665	448
Other costs	4 089	2 552
<b>TOTAL</b>	<b>99 650</b>	<b>90 636</b>

In the table above, the "other costs" line includes significant costs not previously reported and, in particular:

- Feeds and expenses for studies carried out by specialist consultants (site extension and silo explosion event studies, risk/impact study, permits/authorisation, ISO 41001 certification),
- Cost of integrating the site into the landscape, retentions in storage areas, and costs of making good polluted ground...
- Salaries and social contributions for persons involved in these activities.

## 5.3 Social performance indicators

### What are the major challenges facing Groupe DANONE in terms of social performance?

- Employment: a problem that affects both developed and emerging countries. Jobs cannot be guaranteed anywhere in the world.
- The Group's globalisation: Groupe DANONE employs people worldwide. This means that the diversity of social contexts has to be taken into account and the strict application of the fundamental social principles monitored. Sustainable growth must allow social responsibility to be reconciled, based as it is on shared values and the economic performance within a context where competition is high.

### How does Groupe DANONE respond to this?

Groupe DANONE's human policy gives it the means of meeting the challenges of globalisation and developing competences and social responsibility. This human policy is based on the following 6 areas:

- 1 - Developing professionalism among all employees, to anticipate the evolution of jobs and contribute to their employability
- 2 - To improve managerial performance with the Odyssey initiative designed to develop the skills of team managers
- 3 - To develop organisations, skills and networking attitude
- 4 - To base management on proximity and social dialogue
- 5 - To construct a policy of attractive recognition, based on individual and collective contribution
- 6 - To implement a socially responsible company, based on the DANONEWay.

### DANONE's values

Groupe DANONE is one of those companies that have a strong and attractive identity, as it is based on its own, specific values. These values are ethical principles and, like all ethical principles, partly ideal but translated into principles of behaviour and broadly disseminated within the company.

**Humanism:** "the attention paid to the individual, whether a consumer, employee or resident". Humanism, for DANONE, means sharing, responsibility and respect for others.

**Openness:** "diversity as a source of riches and change is a permanent opportunity". Openness means curiosity, agility and dialogue.

**Proximity:** "drawing nearer and starting to understand. Understanding means already adapting". Proximity means accessibility, authenticity and empathy.

**Enthusiasm:** "there are no limits, only barriers to be overcome". Enthusiasm means daring, passion and appetite.

### 5.3.1 Social performance indicators - Labour practices and decent work

#### Employment

#### LAI Breakdown of workforce.

On 31<sup>st</sup> December 2006, DANONE had a total of 88,124 employees worldwide. The table below indicates the total number of employees and their distribution by geographic area and area of activity on 31<sup>st</sup> December 2004, 2005 and 2006.

	At 31 <sup>st</sup> December		
	2006	2005	2004
Total number of employees (not interims) ♦	88 124	88 184	89 449
Including managers as % ♦	11 %	11 %	11 %
<b>By geographic area:</b>			
France	13,3 %	13,7 %	13,8 %
Rest of Europe	23,5 %	22,9 %	23,6 %
China	23,6 %	26,8 %	27,2 %
Rest of Asia-Pacific	15,0 %	19,8 %	18,7 %
North and South America	20,3 %	13,8 %	16,3 %
Africa and Middle East	4,3 %	3,0 %	0,4 %
<b>Total</b>	<b>100,0 %</b>	<b>100,0 %</b>	<b>100,0 %</b>
<b>By activity area:</b>			
Fresh Dairy Products	32,6 %	30,0 %	26,7 %
Beverages	49,1 %	44,4 %	43,7 %
Biscuits and Cereal products	16,7 %	21,3 %	24,4 %
Other food activities <sup>(1)</sup>	-	2,6 %	2,8 %
Central operations	1,6 %	1,7 %	2,4 %
<b>Total</b>	<b>100,0 %</b>	<b>100,0 %</b>	<b>100,0 %</b>

(1) Corresponds to employees of Amoy Foods Ltd and Shanghai Amoy Foods sold in January 2006.

These figures are presented historically. Like for like, the workforce increased by 0.5%, i.e. 404 jobs.

### Distribution of workforce by permanent, temporary and interim contracts

	2006		2005 (comparable périmètre)		2006/2005 evolution	2005 (historical data)		2006/005 evolution
	permanent employees	Temporary employees	permanent employees	Temporary employees		permanent employees	Temporary employees	
<b>Total</b>	<b>84 % ♦</b>	<b>16 % ♦</b>	<b>83 %</b>	<b>17 %</b>	<b>-3 % ↘</b>	<b>82 %</b>	<b>18 %</b>	<b>-11 %</b>
Europe	86 %	14 %	87 %	13 %	+5 % ↗	86 %	14 %	-0 %
Asia	76 %	24 %	74 %	26 %	-10 % ↘	75 %	25 %	+2 %
Rest of the world	88 %	12 %	89 %	11 %	+5 % ↗	91 %	9 %	-3 %
<b>By area</b>								
Africa and Middle East	92 %	8 %	92 %	8 %	-5 % ↘	90 %	10 %	-25 %
Pacific Asia	76 %	24 %	74 %	26 %	-10 % ↘	75 %	25 %	-5 %
Eastern Europe	84 %	16 %	86 %	14 %	+10 % ↗	85 %	15 %	+5 %
Latin America	91 %	9 %	91 %	9 %	-2 % ↘	91 %	9 %	-2 %
North America	85 %	15 %	87 %	13 %	+8 % ↗	91 %	9 %	+54 %
Western Europe	87 %	13 %	87 %	13 %	+1 % ↗	87 %	13 %	-0 %
<b>By business line</b>								
Beverages	87 %	13 %	87 %	13 %	-0 % ↘	89 %	11 %	+24 %
Biscuits and Cereal products	80 %	20 %	80 %	20 %	+2 % ↗	80 %	20 %	-1 %
Fresh Dairy Products	83 %	17 %	81 %	19 %	-6 % ↘	77 %	23 %	-24 %
Other food activities <sup>(1)</sup>	-	-	-	-	-	88 %	12 %	-
Others	94 %	6 %	92 %	8 %	-21 % ↘	93 %	7 %	-16 %

NB: the "temporary" column includes fixed-term contracts and interim contracts.

(1) corresponds to employees of Amoy Foods Ltd and Shanghai Amoy Foods sold in January 2006.

This distribution has been calculated on the basis of the mean workforce (obtained by taking the mean workforce on the books at the end of each month).

Analysis of temporary contracts: like for like, an increase in interim contracts can be observed (8.4% of permanent workforce compared to 7.9% in 2005) and a reduction in temporary contracts (11% of permanent workforce compared with 12% in 2005).

Globally, the reduction in temporary contracts (interim + fixed-term contracts) is 3% on a like for like basis.

From the indicators below, Wahaha, Stoneyfield and Papadopoulos are no longer included in the economic data. With no management of these consolidated companies, the only figures communicated by these companies are those indicated in LA1.

#### LA2 Net employment creation and average turnover segmented by region/country.

In gross historic terms, 60 jobs have been lost. In reality, like for like, the net creation of jobs stands at 404.

#### LA12 Employee benefits beyond those legally mandated.

	2006	2005	2004
% of employees with insurance against major risks (death, invalidity) ♦	97 %	94 %	> 90 %

These figures are given on a like for like basis for a coverage rate of 81% of employees.

Additional pensions systems have been put in place for directors and for all employees in some countries (for example, France).

Many subsidiaries have personalised consultation services that are due either to the initiative of directors or to negotiations with employees. These services include notaries, lawyers, medical advice etc, in addition to specialist services that allow employees to look after their family life better: all French employees benefit from insurance that allows them, for a modest contribution, to benefit from an immediate service that cares for sick children.

**Labour/ Management relations**

**A dialogue with IUF lasting over 20 years**

DANONE has developed extensive relations with IUF (International Union of Food Workers), an international federation that represents the food sector and that includes 336 trade union organisations in 120 countries. Six joint statements have been signed relating to sexual equality, economic and social information, and training, exercising trade union law, modifications of activities affecting employment and working conditions.

From 2004, the Group informed the information and consultation committee, IUF's dialogue body, of the annual results of 20 social indicators defined mutually by convention. For IUF and its affiliated unions, this is an information tool that fuels exchanges with the Group based on concrete results.

In 2005, Groupe DANONE and IUF reinforced the worldwide character of the conventions signed since 1985 and integrated the Fundamental Social principles based on the conventions of the International organisation for Work (see below, chapter of human rights).

Finally, regular dialogue with IUF has been maintained throughout 2006 with regard to diversity: a draft agreement is in its final study phase prior to signature.

**LA3 Percentage of employees represented by independent trade union organisations.**

The tables below provide information relating to the percentage of employees represented by independent trade union organisations or other legitimate personnel representatives.

	2006	2005
% of employees covered by a collective company or sector convention	90 %	90 %

	2006	2005
% of subsidiaries with personnel representatives elected or appointed by trade union organisations ♦	81 %	83 %

These figures are given on a like for like basis, reconstituted for 2005 based on a coverage rate of 80% of employees.

**LA4 Policy and procedures involving information, consultation, and negotiation with employees over changes in the reporting organisation's operations.**

Groupe DANONE has signed a specific convention with IUF, applied worldwide, relating to the methods of consulting employees' representatives if modifications are made to activities with consequences for employment (May 1997).

**LA13 Provision for formal worker representation in decision-making or management, including corporate governance.**

This indicator is not monitored by Groupe DANONE.

**Health and Safety**

Improving safety at work is a priority for DANONE and constitutes one of the key areas of HR policy.

The Group has put more weight behind its policy since 2004 and has set itself the target of reducing the number of accidents at work by half within three years. The Group's Executive Committee now receives and analyses safety results from all sites every three months. All the Group's general managers have reduction targets that impact on their variable remuneration. Information from all employees is monitored according to a safety barometer. The safety management audits have been deployed in all sites of the Biscuits Business line (WISE programme) and are gradually being rolled out to sites in the other Business lines. A specific communication effort has been made internally to ensure that everyone is aware of it, especially internal conventions and within the exchanges of good practices (Networking programme).

**LA5 Practices on recording and notification of occupational accidents and diseases.**

The method of calculating accidents at work is based on the number of accidents with at least a one-day stoppage per million working hours (including accidents to intermediaries).

**Accident rate**

Year	Biscuits	Beverages	Fresh Dairy Products	Asia	Group average ♦
2004	17,7	18,1	10,7	3,5	10
2005	11,1	15,6	10,4	2,1	8,4
2006	10,1	13,1	8,9	2,6	7,6

These figures are given on a like for like basis, based on a coverage rate of 90% of employees.

**LA6 Description of formal joint health and safety committees comprising management and worker representatives and proportion of workforce covered by any such committees.**

The health and safety committees monitor the correct operation of installations and compliance with standards. Some 80% of sites worldwide have a health and safety committee and 90% of these sites organise regular meetings relating to safety at work. Audits analyse risk and help to construct action plans. The management of safety includes the visible engagement of teams of directors on the ground, training and the setting-up of a dialogue between operators and managers.

**LA7 Standard injury, lost day, and absentee rates and number of work-related fatalities.**

Year	Number of accidental deaths
2004	5
2005	1
2006	1*

\* death of a subcontractor's employee.

**LA8 Description of policies or programmes (for the workplace and beyond) on HIV/AIDS.**

The DANONE subsidiary in South Africa has set up awareness-raising initiatives as well as the possibility of anonymous screening for all employees in the plant.

**LA14 Evidence of substantial compliance with the ILO Guidelines for Occupational Health Management Systems.**

All the companies in Groupe DANONE are engaged in the WISE initiative, inspired by tried and tested methods within major companies, in line with the Group's desire to reduce significantly its rates of accidents at work.

The method used begins with audits, initially carried out in plants and are currently extended to the sales forces, warehouses and registered offices. These audits allow the detection of any dysfunctions and points of risk to be treated.

The success of the method is based on the involvement of the entire hierarchical structure, installation of a steering committee, regular site observations that are the subject of a dialogue and the integration of objectives linked to safety for all team managers.

**LA15 Description of formal agreements with trade unions or other bona fide employee representatives covering health and safety at work and proportion of the workforce covered by any such agreement.**

This indicator is not monitored by Groupe DANONE.

**Training and education**

**LA9 Average hours of training per year and per employee by category of employee.**

	2006	2005	2004
Total employees trained ♦	56 812	48 687	51 165
Managers ♦	8 381	8 515	7 571
OETAM ♦	48 431	40 172	43 594

These figures are given on a like for like basis, based on a coverage rate of 83% of employees.

The number of employees benefiting from training in 2006 has shown a significant increase (+17%) mainly for the benefit of OETAM (workers, employees, technicians and management agents: +20.6%).

In correlation, the time devoted to training per employee has been low, given that only the training hours spent in teaching rooms are accounted here and that DANONE carries out training on site under employment conditions, known as "teaching employment organisations" that are hard to account.

Number of hours' training/employees	2006	2005	2004
Total employees training ♦	19	22	23
Managers ♦	41	46	43
OETAM ♦	16	18	20

These figures are given on a like for like basis, based on a coverage rate of 83% of employees.

**LA16 Description of programmes to support the continued employability of employee and manage career ending.**

**Continuous employability**

Faced with the need to adapt continuously to economic and technological changes, major groups cannot guarantee employment for life. Within this context, Groupe DANONE considers that the company must provide employees with the opportunity to develop professionally in order to preserve and improve their employability.

In the context of hardened competitive challenges, where notions of quality, innovation and respect of time periods are playing an increasingly large role, where computerised machines are gradually replacing manual tasks and the global performance of the company is in correlation to the competence and commitment of the operators.

In 2004, Groupe DANONE set itself the target of defining a global policy of the employability of workers, employees and management agents. After a pilot phase, carried out in several countries (South Africa, China, Spain, France, Indonesia, Morocco, the Czech Republic and Russia), the EVOLUTION programme was launched in 2005. Several tools were designed (notably a diagnostic designed to find the most suitable actions for each situation, from the development of literacy to obtaining professional diplomas and including the development of organisations to improve collective performance and individual skills, etc.). The five key points of this worldwide programme are:

- An average of 24 hours a year annual training over three years for each employee
- Mastering basic skills (reading, writing, communicating, mastering basic safety rules, mastering basic quality rules)
- A skills passport for each worker and employee (allowing the training path to be monitored, qualifications gained and changes of post)
- A professional appraisal at least every two years
- A change of post proposed at least every five years.

**Evolucione: the French operator qualification experiment**

Groupe DANONE's plants, logistics platforms and registered offices in France account for over 8,000 employees, in the categories of workers, line staff and supervisors. 46% of them are aged over 45, with around 35% not having the Baccalaureate level of education and 10% with a very low level of general training. The Evolucion project launched in 2003 offers employees at the 39 sites (including 22 plants) of DANONE Group in France the opportunity to study for a diploma. In July 2003, an initial convention was signed between Groupe DANONE, the Minister for National Education and AGEFAFORIA (a body that manages professional training funds for the food industry), which was renewed in 2006.

Since its launch, 983 employees have been involved in various professionalisation courses, of which 861 have opted for the VAE (validation of the acquisition of experience, a system that allows a diploma of national education to be obtained on the basis of a dossier of professional experience).

In addition, at the end of 2006, 294 young people were welcomed into Groupe DANONE companies in France within the context of alternative training, i.e. 2.6% of the permanent workforce. The aim is to accentuate this effort until the target figure of 4% of the workforce is achieved by the end of the 2008 school holidays.

**Age management**

Since the issue of demographics is a sensitive one within European countries, a practical manual for the identification of challenges and assistance in setting up action plans, "the seniors' handbook" was compiled in 2005 for use in plants. Based on site studies carried out in five European plants and compiled in collaboration with the coordinating doctor of the Group's French subsidiaries, this manual tackles four problem areas:

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

This manual allows plant teams to construct an appropriate action plan for their local context within the terms of the EVOLUTION project that, whose aim is to ensure that all employees are employable throughout their working life.

five plants have completed a senior diagnostic with three plants in 2006: Villecomtal (DANONE France), Badoit (DANONE Eaux France) and Brive (Blédina). These diagnostics allow action levers to be identified to maintain employability and motivation and experience shows that the steps taken benefit all employees (ergonomic adaptations for example).

**LA17 Specific policies and programmes for skills management or for lifelong learning.**

See indicator LA16.

For over ten years, Groupe DANONE has put in place training for managers for areas known as "Strands" that are gradually internationalised within the context of the DANONE Campus, the DANONE version of the company university. It allows skills to be developed alongside the development of networks between managers from various areas and all countries.

The concept is a simple one. It involves 200 to 300 managers meeting for five years, five or six times a year, in a different place each time. Professional training is completed by a transversal session that is common to all participants, the Group strategy,

the concrete example of conducting business in a country in the spirit of DANONE Way, etc. In 2006, over 2,000 people have taken part in Campus, the last session of which was held in Budapest. In the 2007 programme, four sessions will be held in Europe. Two on the American continent and two in Asia-Pacific.

**Recruiting young managers attracted by Groupe DANONE's values**

In 2003, the TRUST simulation game was designed. It is aimed at university students, management schools and engineering schools. TRUST offers teams of students the opportunity to manage a fictional DANONE subsidiary by targeting performance and economic objectives and by taking the DANONE Way into account. Launched in a pilot phase in six countries, (Mexico, Spain, Italy, Czech Republic, China, France), TRUST is now an international competition that allows the Group to get to know its company plans better and to identify the profiles of future "managers of complexity", of which DANONE will have more or less need: professionals in their area of speciality capable of integrating the complexity of social cultural or local political situations. In March 2007, 16 teams of students coming from 16 different countries took part in the fourth international final of TRUST organised in Paris.

**Diversity and opportunity**

**LA10 Description of equal opportunity policies or programmes, as well as monitoring systems to ensure compliance and results of monitoring.**

By reason of its internationalisation, Groupe DANONE is a company that is diversified in terms of:

- the companies where the Group operates
- the men and women that constitute the local teams in all subsidiaries
- its products, adapted to local cultures and eating habits.

The challenges facing the Group are:

**Developing its leadership in rapidly changing sectors**

- Opening up new markets and countries,
- Being close to consumers,
- Being in step with the local environment.

**Permanent innovation**

- Inventing new business models,
- Making evolve of the organisation modes to find the best solutions.

**Being coherent with its reputation**

- Responding to society's expectations,
- Attracting and retaining talents,
- Translating values into actions.

"Refusing any form of discrimination based on race, sex, religion, nationality, age..." is engraved in the Groupe DANONE human resources policy in the chapter "Implementing socially responsible business".

The working group set up at the end of 2004 put in place by the Group Human Resources Department met six times during 2006 and presented its analyses and recommendations to the Executive Committee in June 2006.

The first concrete orientations and objectives have been decided by the Group's Executive Committee in 2006 on the following two themes:

- women's access to the higher positions within the hierarchy
- the inclusion of handicapped persons.

A regular dialogue was conducted with IUF (International Union of Food Workers) and a draft agreement is in the final study phase prior to signature. In this draft agreement, specific attention has been paid to equality of opportunity and equity in terms of recruitment, promotion and remuneration for all workers and employees.

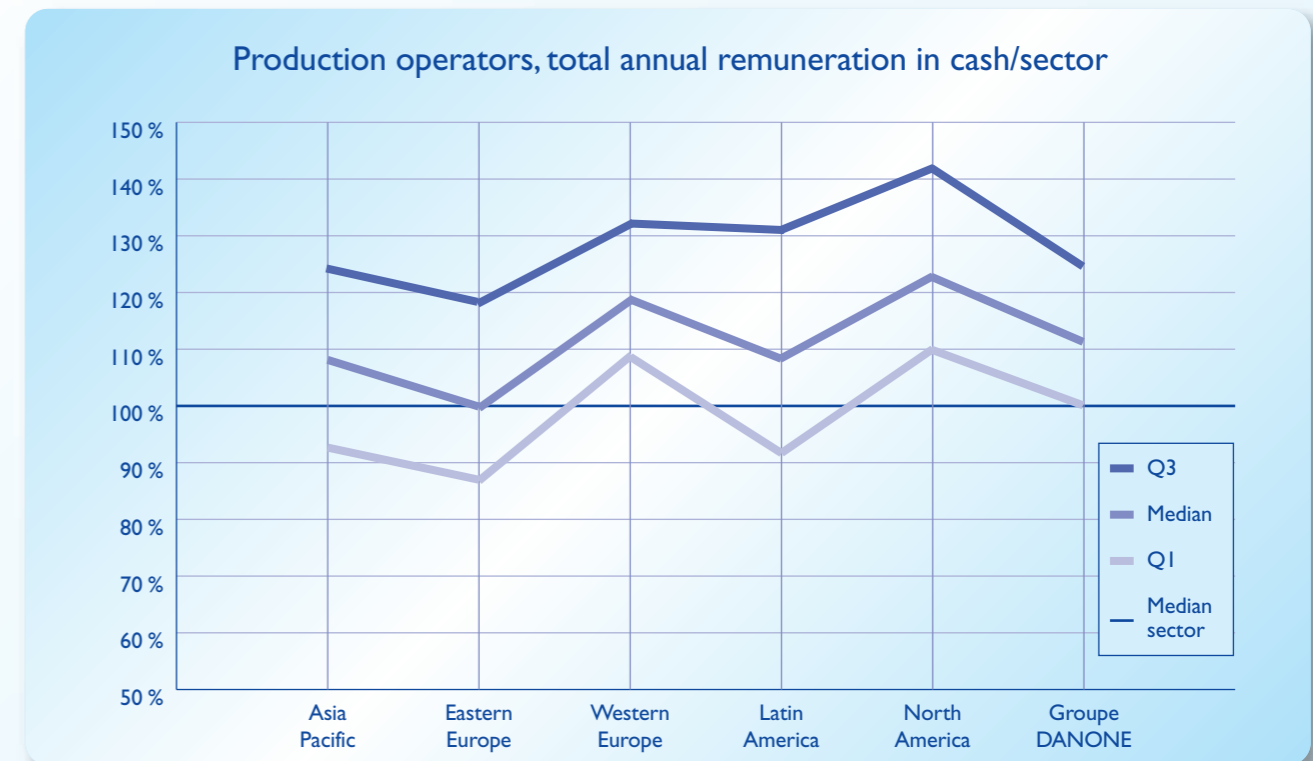
Each year, the Group collects that data that allows it to measure the application of instructions in terms of remuneration, country by country, for the least qualified section of these categories, i.e. the basic operators.

The Group's aim is to position itself within the good practices of the relevant countries for equivalent activities. In the graphic below, two areas may be observed that require improvements, Latin America and the Eastern Europe zone.

This data is partial, based on a population of 14,630 production or logistical operators.

The positioning vis-à-vis the sector may sometimes be hard to interpret, with not all countries having solid surveys to which to refer.

The French companies in Groupe DANONE have all signed the Diversity Charter and have started concrete actions (diagnostics, training, the signature of agreements with social partners, etc.). Finally, two meetings, one including 100 managers from the Group Human Resources Department in June and the other for the Group's 150 general managers in September have resulted in working groups for the exchange of perceptions and practices on the ground as well as concrete proposals to advance diversity within the Group



**LAI I Composition of senior management and corporate governance bodies (including the board of directors) including male/female ratio and other indicators of diversity as culturally appropriate.**

There are no women on the Executive Committee of the Board of Directors. With regard to the managers:

M/F distribution according to management status

	Men			Women		
	2006	2005	2004	2006	2005	2004
Manager	60	60	61	40	40	39
Director	77	79	79	23	21	21
Including General managers	89	87	90	11	13	10
Total ♦	61	62	63	39	38	37

These figures are given on a like for like basis, reconstituted based on a coverage rate of 100% of employees.

The mean age of female managers is 34 compared to 38 for men. The mean time in post is 2.4 years for women compared with 2.8 for men.

The mean time in the Business Unit is 5.3 years for women compared to 7 for men.

The mean time in the Group is 6.4 years for women compared to 8.6 for men.

M/F distribution OETAM

Total	2006	2005
Men	57 315	54 817
Women	21 350	23 647
% of women ♦	27 %	30 %

These figures are given on a like for like basis, reconstituted based on a coverage rate of 100% of employees.

The differences in the percentage of women is the result of two large subsidiaries in Asia, Aqua and Wahaha.

Distribution by age, all employees categories included

	2006	2005	2004
< 18 ans ♦	0,1 %	0,1 %	NA
De 18 à 25 ♦	15 %	16 %	17 %
De 26 à 35 ♦	40 %	41 %	40 %
De 36 à 45 ♦	27 %	26 %	24 %
De 46 à 55 ♦	14 %	14 %	14 %
> 55 ♦	4 %	4 %	4 %

These figures are given on a like for like basis, reconstituted based on a coverage rate of 100% of employees.

In total, 55% of Groupe DANONE employees are under 35 years old (57% in 2005), 27% are between 35 and 45 (26% in 2005) and 18% older than 45.

Distribution by given age brackets worldwide (88,124 employees) as %

Age bracket	ALL		
	<35 (35 à 45)	>45	
Africa Middle East	58%	30%	12%
Asia	69%	23%	8%
Eastern Europe	51%	29%	20%
Western Europe	31%	31%	38%
North America	63%	26%	11%
South America	59%	28%	13%

Age bracket	MANAGERS		
	<35 (35 à 45)	>45	
Africa Middle East	42%	41%	18%
Asia	37%	45%	18%
Eastern Europe	57%	31%	12%
Western Europe	52%	29%	20%
North America	43%	39%	19%
South America	53%	33%	14%

Age bracket	OETAM		
	<35 (35 à 45)	>45	
Africa Middle East	60%	29%	11%
Asia	70%	22%	8%
Eastern Europe	50%	28%	22%
Western Europe	24%	32%	44%
North America	65%	24%	11%
South America	60%	28%	12%

**Handicapped employees within Groupe DANONE**

Despite interesting local initiatives, Groupe DANONE subsidiaries have delayed appointing handicapped persons.

In 2005, the consolidation of the worldwide figures was deemed to be incomplete since some countries had no legislation or did not have the same definition of a handicap. Only 32 subsidiaries had replied to the questionnaire. In 2006, specific attention was paid to the collection of data from all subsidiaries, in order to check which were subject to legislation and the reality of the communicated figures. 87 subsidiaries replied, with 38 declaring that they were subject to a legal employment obligation and 33 reporting that they employed handicapped persons.

In total, 1% of the Group's employees are handicapped.

In Western Europe, considering those companies that employ handicapped persons, the mean employment rate is 2.4%, slightly down on last year's figure of 2.5% on a like for like basis. However, the Group's head offices have led the way by signing an agreement with social partners to act and improve the number of handicapped persons employed at Parisian sites.

Since 2007 :

- The progression in the disabled persons' integration was included in Danone Way Fundamentals, applicable in all Business Units worldwide.
- In France, where the most important steps are to be done, the position of responsible for "handicap" mission was created in order to mutualize actions undertaken by the Headquarters last year, sensibilization actions, coepration with all institutions for professional integration of disabled persons.

**5.3.2 Social performance indicators - Human Rights**

**Strategy and management**

**HRI Description of policies, guidelines, corporate structures and procedures to deal with all aspects of human rights, relevant to operations, including monitoring mechanisms and results.**

Within a context of significant internationalisation, with an ever increasing presence in emerging countries, in October 2005, Groupe DANONE and IUF decided to review the content of all their six conventions (1) with a view to their worldwide application. Groupe DANONE's seven Fundamental Social Principles (2), based on the conventions of the International Labour Organization (ILO), have been integrated with them to form the basis of these and future conventions.

Written in 20 languages, the conventions are part of a process of continuous dialogue, started 20 years ago, and characterised since that time by a mutual commitment that is continually renewed. This pioneering initiative was the result of the company's vision that, since 1972, has been formalised as Groupe DANONE's "dual commitment to business performance and social progress". It is based on a fundamental conviction that there is no sustainable economic performance without the personal and professional development of people. The quality of the social dialogue, at all levels of the company, has always been a major area in the group's human resources policy.

During the Groupe DANONE Information and Consultation Committee held on 20th and 21st October 2005, the general management undertook to put its weight behind conventions in all countries where the Group had a presence. The application of the conventions is monitored in various ways:

- information flows from local trade unions directly to IUF offices;
  - a social reporting process applied to Groupe DANONE subsidiaries according to 20 social indicators defined jointly by the Group and IUF;
  - a IUF-Groupe DANONE steering committee that meets every quarter to ensure that conventions are applied correctly.
- A full-time representative from IUF with Groupe DANONE was also appointed in 2006.

In addition to its subsidiaries, Groupe DANONE wanted to extend these Fundamental Social Principles to all of its suppliers. This is why, in 2003, it started the RESPECT initiative that aims to provide the resources, with which to apply the Fundamental Social Principles to all its suppliers. RESPECT offers the various bodies of Groupe DANONE a method and tools to allow them to monitor their suppliers with regard to this problem. Drawn up with an international company that is recognised within the social audit sector, the RESPECT initiative is itself part of the more global Groupe DANONE initiative for evaluating company practices in all areas where its responsibility is engaged: the DANONE Way initiative (see consolidated results on page 22).

Groupe DANONE wishes to use these steps to develop and disseminate its social culture within a context of rapid internationalisation.

(1) Since 1985, six Conventions have been signed between Groupe DANONE and IUF (available from [www.DANONE.com](http://www.DANONE.com) or on request)

This convention updates all these texts.

- Joint statement between BSN (former name of Groupe DANONE)/ IUF, 23rd August 1988
- Platform of economic and social information from complies within the BSN Group, 26th September 1989
- Platform of action in favour of sexual equality at work, 26th September 1989
- Platform of BSN/IUF application for qualifying training, 12th April 1992
- Joint statement by IUF/BSN on exercising rights to membership of a trade union, 25th May 1994
- Joint statement in the case of modification of the activity relating to employment or employment conditions, 9th May 1997.

(2) The seven Fundamental Social Principles based on the conventions of the International Labour Organisation and included in the Groupe DANONE-IUF conventions:

- No child labour
- No forced labour
- No discrimination
- Freedom of association and right to collective bargaining
- Health care and safety at work
- Respect of national legislation in terms of working hours
- Appropriate pay for employees, with reference to salaries paid in the country.

**HR2 Evidence of consideration of human rights impacts as part of investment and procurement decisions, including selection of suppliers/ contractors.**

Within the global context of its purchases, Groupe DANONE deals with thousands of suppliers worldwide. Links with suppliers lie within a context where companies' responsibility is expanded upstream of their activity, even if their influence may only be indirect. One of many challenges is the question of working conditions. Like all major companies, Groupe DANONE is being questioned more and more about its suppliers' respect for the Fundamental Social Principles.

The Fundamental Social Principles (FSP) set minimum standards anywhere in the world which DANONE undertakes to see respected not only in its subsidiaries but also by its commercial partners and particularly its suppliers.

The application of the Fundamental Social Principles is controlled according to local situations, by means of the signature of a specific clause included in the General Conditions and terms of Purchase, a self-evaluation by means of a social questionnaire, site visits carried out by DANONE managers and external and/or internal social audits.

**The history of the initiative**

Between 2003 and 2005, the RESPECT initiative has been the subject of a pilot in the form of a multipartite project, involving the Purchasing and Quality Departments and under the responsibility of the Sustainable Development and Social Responsibility Department. This pilot phase had three objectives:

- Being better aware of local situations: 35 social audits were carried out in collaboration with an external provider, using a predefined audit grid
- Defining a global strategy that allows the supplier relationship to be managed more efficiently with regard to the dangers of non-compliance with the Fundamental Social Principles defined by the Group,
- Constructing practical tools to help purchase managers in subsidiaries bring this question under control.

**Better awareness of local situations**

At the end of 2006, over 40 social audits had been carried out in 17 countries, from Thailand to Mexico, and including Argentina and Pakistan, for various types of purchases including raw materials (starch, sugar, dried fruits, flour), packaging (PET used for mineral water bottles, cardboard, pots), finished products or services. To do this, the following procedure was used, defined in collaboration with an external provider:

<b>1. PREPARATION FOR THE AUDIT</b>	The local audit office contacts the supplier to agree a date for the audit and provide him with a list of the documents to be supplied.
<b>2. ON-SITE PROCESS</b>	<ul style="list-style-type: none"> <li>• <b>Opening meeting</b></li> <li>• <b>Interview with management:</b> The auditors collect general data on the company.</li> <li>• <b>Documentary review</b></li> <li>• <b>Plant visit:</b> the auditors note the working conditions of employees at work, as well as the situation in terms of hygiene and safety.</li> <li>• <b>Interview with employees:</b> the auditors carry out interview with individuals and groups of employees, selected by them during the tour of the plant. These interviews are confidential and take place in a protected room.</li> </ul>
<b>3. CLOSING MEETING</b>	The auditors take their observations to the company directors. A debate is started with a view to find agreement on corrective actions and their deadline: it ends with the joint signature of a corrective plan of action, a copy of which will be sent to purchasing manager of the relevant subsidiary.
<b>4. POST AUDIT</b>	The full report is sent to the relevant subsidiary. The corrective action plan appended to the report is used as a basis for discussions between the procurer and the audited supplier. The subsidiary then leads discussions with a view to deploying a corrective action plan in the way that it deems to be most constructive given its relation with the supplier, within an initiative of progress and effective cooperation.

The results from each audited site are compared with the average situations that prevail in the relevant sector of activity and region. Compliance with the local social laws is also included within the audit.

Assessments of working conditions are based on a qualitative approach, which requires finesse and intelligence relating to the situations. Following the first social audits, the audit checklist has been improved to provide as precise a snapshot as possible of the

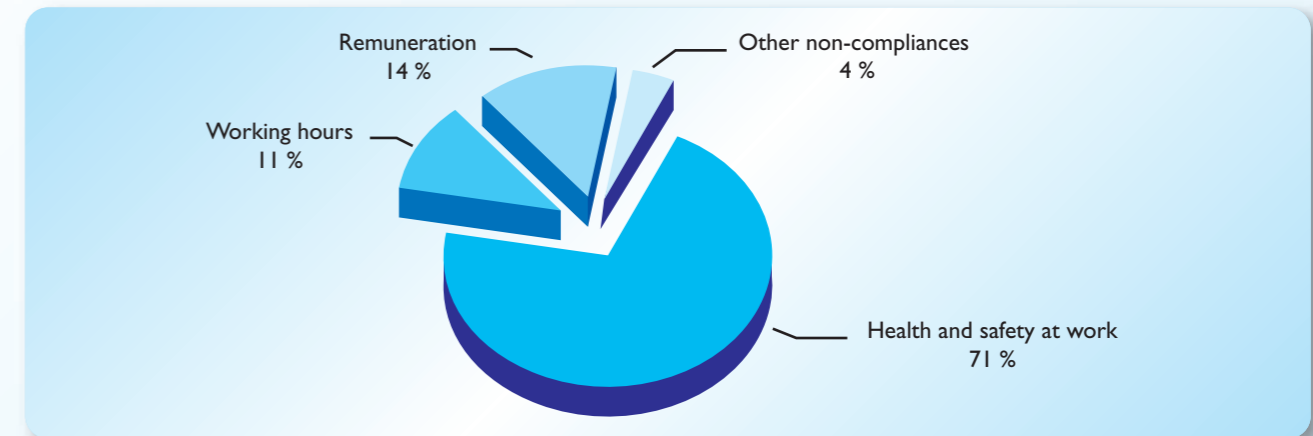
reality of working conditions at the premises of the audited suppliers.

The themes assessed by means of these audits (the correct application of the Fundamental Social Principles) also involve human factors. This is why it is important to combine documentary reviews, site visits and interviews with employees



The main results obtained were as follows:

Percentage of non-compliances found during audits



Almost 400 instances of non-compliance have been detected, with over two thirds relating to health and safety at work (fires systems missing or not checked, emergency exits not indicated, lack of first aid training, etc.). Next come the instances of non-compliance linked to remuneration (lack of payslips, partial payment or no payment for overtime, etc.) and those linked to compliance with local legislation on working times (11%).

Checks at some plants have noted:

- That local legislation regarding the employment of young people is not always respected (especially in terms of night work) and that more formalised procedures have to be put in place to check the age of employees
- Instances of illegal sureties
- Two cases of discrimination against pregnant women.



At the end of the audit, the plan of corrective actions, signed by the plant management (see the description of the audit procedure above for more details), serves as a basis for the negotiations between the relevant purchasing manager and the supplier, to define in more detail the actions to be undertaken and their timings.

Naturally, some examples of non-compliance will be easier to correct than others both in terms of cost and realisation period, especially in the area of health and safety at work. However, other topics, such as respect for working times and remuneration, the cost of becoming compliant may be significant and may mean that a plant's competitiveness is called into question. According to the situation, this compliance may be managed over a period of time so that costs may be better taken into account or even avoided through better organisation.

The presence of instances of non-compliance on a site does not mean that all commercial relations stop suddenly. However, if the supplier continues to refuse, after dialogue, to put in place suitable corrective actions, Groupe DANONE reserves the right to cease any activity with this supplier. This is why programmes have to be designed and put in place on an individual case basis.

**Designing a global strategy**

In 2005, the final stage of the RESPECT pilot phase was devoted to implementing specific actions aimed at promoting subsidiaries' appropriation of the initiative:

- Finalisation of practical tools for purchasing managers in the form of a booklet with CD-ROM. This document was sent to all purchasing managers to help them understand RESPECT better and implement this initiative on the ground, as well as to Supplier Quality managers and legal experts,
- Information campaigns regarding the various positions of responsibility involved, including all hierarchical levels,
- Training sessions for Purchasing and Quality managers: RESPECT has been integrated into existing training modules and, in 2005 and 2005, was the subject of two interactive working sessions within the context of Campus DANONE Europe with over 60 managers taking part,
- Setting up the RESPECT Committee that, under the responsibility of the Purchasing department, ensures that the initiative is implemented correctly, and will analyse the consolidated results of the audits that have been carried out each year.

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

- **Internal communication:** with the internal managers involved in this initiative. These may use the booklet entitled "FSP at a glance", which gives simple examples, for each Fundamental Social Principle, of hazardous situations that may be encountered in plants.
- **Information for suppliers:** by using the Guiding principles for sustainable purchasing. This document summarises all the major points with which suppliers must comply with regard to the Fundamental Social Principles with regard to the environmental legislation, business ethics and food quality and safety in supplies.
- **A risk analysis** process of non-compliance of suppliers with regard to the Fundamental Social Principles.

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

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

**Helping purchasing managers to control this issue**

Since the beginning of 2006, the RESPECT initiative has been deployed in all the Group's subsidiaries, under the responsibility of various local and central Purchasing departments. The Group's aim is to be able to have all its suppliers under its control by the end of 2008. 2006 was a year of transaction, thus allowing the Purchasing department to manage respect of the risk of non-compliance with the Fundamental Social Principles, by suppliers, with, of course, external social audits being carried out.

Purchasing managers must now:

- Ensure that their suppliers are informed of the Group's requirements with regard to respecting the Fundamental Social Principles
- Check that these Fundamental Social Principles are properly taken into account in all contracts (whether new or renewed),
- Identify which of their suppliers are at risk with regard to the observance of the Fundamental Social Principles and to check them using the methodology and tools defined in the pilot phase,
- If an external social audit is carried out, to ensure that corrective action plans are monitored.

**Three other departments** are called to be involved in the implementation of the initiative at the request of the Purchasing: **Quality, Human Resources** and **Legal** departments.

**HR3 Description of policies and procedures to evaluate and address human rights performance within the supply chain and contractors, including monitoring systems and results of monitoring.**

See indicator HR2 for suppliers.

With regard to subcontracting (subcontractors are any companies that are delegated by a subsidiary to make any delivery of products or services that could be realised internally, for example, co-packers, industrial maintenance companies, producers using the DANONE brand name), a charter has been drawn up and is included with the subcontracts that are signed. Subcontractors are the subject of very regular monitoring including respect of human rights.

**HR8 Employee training on policies and practices concerning all aspects of human rights relevant to operations.**

Adhesion to the Global Compact is communicated within the company, as well as the conventions signed with IUF, including the seven Fundamental Social Principles resulting from the international conventions of the International Labour Organisation.

Since 2001, all the teams of directors of the subsidiaries have had experience of the DANONE Way initiative, which requires discussion on the questions relating to human rights at work, and an evaluation on a four-level scale for all these questions. The first item of the DANONE Way, seen as critical (no evaluation at the lowest level without an obligation for an action plan) relates to the international conventions of the International Labour Organisation.

**Item : I.1 Respecting human rights in the workplace .**

The Business Unit is recognised not only for its scrupulous respect of human rights at work, but also for its driving role in terms of social legislation. Its action is in line with the respect for the Universal Declaration on Human Rights. The Business Unit makes the application of the conventions that the Group has signed with IUF an opportunity for dialogue and progress.

I.1.1 : In addition to its adherence to the principles embodied in the standards of the International Labour Organization, the Business Unit complies with applicable labour law in its country of operation and implements agreements with IUF.

<p><b>1</b></p> <p>The Business Unit is familiar with the fundamental social principles. It has identified areas of non-compliance and corrective action is under way. Describe relevant local conditions and the related action plan with a schedule for implementation.</p>	<p><b>2</b></p> <p>The Business Unit complies fully with the fundamental social principles of labour relations and monitors application of these principles on a regular basis. It is fully acquainted with the labor law applicable in its country of operation and has conducted a review of its own application of this law. Any areas of non-compliance have been identified and corrective action is under way. (cf. DOM 8.14.1).</p>	<p><b>3</b></p> <p>The Business Unit complies with labour law applicable in its country of operation and monitors compliance on a regular basis. It is aware of the agreements with IUF and monitors their application.</p>	<p><b>4</b></p> <p>The Business Unit complies with the spirit and letter of applicable labour law in its country of operation as well as with the agreements with IUF. Innovative practices are shared with other Business Units in the country/WWBU.</p>
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Extract from DANONE Way questions in the "Employees" chapter.

**Non-discrimination**

**HR4 Description of global policy and procedures/programmes preventing any forms of discrimination in operations including monitoring systems and results of monitoring.**

See information given in indicators HR1, LA10 and LA11.

I.1.2 : The Business Unit works to ensure equality of opportunity as regards employment, pay and promotion to positions of responsibility. It refuses all forms of discrimination or of harassment.

<p><b>1</b></p> <p>As a minimum, the Business Unit knows the content of local legislation and the fundamental social principles related to these subjects. It has not circulated rules of conduct. Indicate the implementation schedule.</p>	<p><b>2</b></p> <p>The Business Unit circulates rules of conduct to be complied with on these issues to managers. Any shortcomings detected are dealt with on a case-by-case basis.</p>	<p><b>3</b></p> <p>The Business Unit takes preventive and corrective action to ensure that all cases of discrimination or harassment are detected and dealt with by management and the HR department. The situation is regularly reviewed.</p>	<p><b>4</b></p> <p>The Business Unit tracks relevant indicators annually; (Specify the indicators used). These show that it is clearly in the vanguard in its country of operation. The Business Unit shares its experience with other BUs in the region and WWBU.</p>
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Extract from DANONE Way questions

I.4.4 : The Business Unit draws strength from the diversity of employee's personal, professional and educational backgrounds, giving added depth to its organizational resources and, by the same token, favouring openness and ties to the social environment.

<p>1 Uniformity is the general rule in recruitment and staff development. No review of the situation is under way. Action plan and schedule.</p>	<p>2 The Business Unit is reviewing the issue of diversity as it concerns their environment and takes occasional initiatives. Specify.</p>	<p>3 The Business Unit has adopted policies on diversity in line with its strategy and needs. Employees are informed and the BU ensures that recruiters and human resource staff implement policies. Indicators have been adopted.</p>	<p>4 Managers all share an acceptance of diversity and willingness to support atypical career paths. This policy adds value to the business and is perceived positively. Experience is shared with other Business Units in the same country.</p>
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**Freedom of association and collective bargaining**

**HR5 Description of freedom of association policy and extent to which this policy is universally applied independent of local laws, as well as description of procedures/ programmes to address this issue.**

See information given in indicators HRI and HR8..

I.6.3 : The Business Unit provides the necessary resources for employee representatives to carry out their duties effectively.

<p>1 If it does not provide such resources, the Business Unit at least recognizes unions and organizes elections in accordance with the law of its country of operation. Describe relevant local conditions and the related action plan with a schedule for implementation.</p>	<p>2 The Business Unit provides the basic resources for effective representation. Examples: - training courses for employee representatives - time off work for union activities - administrative help in organizing elections - loan of room for union meetings, etc.</p>	<p>3 Management and employee representatives agree on other resources, in addition to the minimum, to allow the latter to carry out their duties. Specify. Representatives benefit from personal attention to their professional development</p>	<p>4 Resources made available to employee representatives allow them to carry out their duties effectively and fully, at the same time helping them to fulfil their professional aspirations. The Business Unit's practices in the areas of employee representation and the provision of resources for this purpose are among the most advanced in its country of operation.</p>
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Extract from DANONEWay questions

**Child Labour**

**HR6 Description of policy excluding child labour as defined by the ILO Convention 138 and extent to which this policy is visibly stated and applied, as well as description of procedures/ programmes to address this issue, including monitoring systems and results of monitoring .**

See information given in indicators HRI, HR2 and HR8..

**Forced and Compulsory Labour**

**HR7 Description of policy to prevent forced and compulsory labour and extent to which this policy is visibly stated and applied, as well as description of procedures/ programmes to address this issue, including monitoring systems and results of monitoring.**

See information given in indicators HRI, HR2 and HR8.

**5.3.3 Social performance indicators - Society**

Before it is international, a large company is first and foremost local. Plants, logistics platforms and registered offices exist with the territories in which they are located. The challenges are economic (salaries paid, purchasing and subcontracting, local taxes, etc.), as well as social (employment, know-how, role in training, reliance on local initiatives, etc.). The company's capacity to develop positive relations with its local environment plays a significant role in overall performance. The company must find the right balance between this social involvement and the economic outcomes that are its reasons for being.

How does Groupe DANONE respond?

The commitment for local communities is to be found in the "dual commitment" line:

- Knowing local players and developing sustainable connections with them;
- Taking part in the maintenance of activity and employment by reindustrialising the Group's sites, which are being restructured,
- Carrying out solidarity actions to benefit children,
- Partnering key institutions in the area of solidarity and sustainable development.

**Community**

**SOI Description of policies to manage impacts on communities in areas affected by activities, as well as description of procedures/ programmes to address this issue, including monitoring systems and results of monitoring.**

**Training for beneficial involvement**

Training is one of the levers of local involvement. In France, for example, plant and logistics centre directors and the human resources managers attend a seminar entitled "Being a player in the local environment", the object of which is to provide elements of information and comprehension relating to the environment in which they work, particularly with regard to the expectations of society and local councillors etc with regard to the company, as well as to provide the tools to realise concrete actions: aids for the foundation of companies and apprenticeship, participation in the training of young jobseekers and the employment of individuals in difficulty, corporate patronage actions, partnerships with local sports clubs...

2006 saw the compilation of a cartography handbook of local players for all site managers worldwide, which included good practices that exist in the group worldwide. This manual is currently being distributed to production directors and human resources directors.

**Promoting local development: the Evian example**

The Evian water company employs 50% of its production workforce from the region, and the Royal sector (golf course, hotels and casino) held by Groupe DANONE, therefore, has a significant local responsibility in terms of employment and economic activity, especially because the exploitation of the spring means that non-pollutant activities have to be developed. Since 1992, Evian has acted in strict collaboration with other players in the area in two directions: assisting the foundation of small business and the economic inclusion of young people. Evian is heavily involved in the creation of the Chablais Evian Développement and Chablais Initiatives. The latter is a platform of local initiatives that includes manufacturers, the Chablais banks and local collectives; its specific task is to provide active support for the creation or development of small and mid-sized companies and businesses by granting loans and acting as sponsors.

**Listening proactively to stakeholders**

Since 2004, a complementary initiative to the DANONE Way subsidiary evaluation initiative has been offered to subsidiaries to want a better idea of the given DANONE image for a given territory. Teams of directors are invited to identify people from their key stakeholders, in all sectors in which they interact, universities, schools, corporate clients, local suppliers, administrations, local authorities... and to carry out interviews in such a way as to identify their contacts' perception of the company.

Several subsidiaries have tried this method that has allowed them to strengthen the points of contact with their environment, identify points of improvement, expectations and new opportunities and to construct a dialogue over a period of time.

**Engaging in solidarity initiatives**

Local involvement also includes solidarity initiatives for the benefit of society. For several years, DANONE has selected a federating topic: children. This engagement is connected with the Group's professional areas and takes three main forms: the mobilisation of employees, marketing-led initiatives and emergency aid where required.

Through the DANONE Children's Day programme, DANONE can offer its employees the opportunity to work to help institutions that care for underprivileged children. This programme has been in place for four years and involves a hundred sites worldwide. The projects and methods of mobilisation are selected by the employees according to the local context. The aim is to respond in a satisfactory way to clearly identified social needs and to create a dynamic collective around the work carried out with the selected associations and employees: organisation of sports events and games to raise funds, voluntary work to help an association, educational support, collection of equipment and toys from employees, etc. according to the country's needs, help if given to all types of structures: schools, paediatric hospitals, associations caring for children in distress, sports clubs in poor areas, etc.

Solidarity actions via marketing are developed, because they are an effective way of engaging with causes and are based on a simple mechanism of reversion of part of the sale price of a product to a charitable institution.

The Group is anxious to develop win-win partnerships with associations and NGOs and has set up training for marketing managers.

In 2006, around ten programmes were put in place to benefit associations working for the good of children in countries as diverse as France, Mexico, South Africa and Poland. Finally, a worldwide programme carried by the DANONE brand name, the DANONE Nations Cup has, for the last six years, seen 2.5 million players participate, aged between ten and twelve. Any money received from these competitions is ploughed back into the associations.

**Tackling emergency situations**

Groupe DANONE is able to mobilise resources to respond to emergency situations. At the end of 2004, this solidarity took on an unexpected dimension with the tsunami in South-East Asia. In the early days of the emergency, three DANONE subsidiaries in Indonesia, supported by the Group, responded to the initial needs of the population by distributing almost five million products (water, biscuits and dairy drinks). These gifts of products were possible thanks to the logistical resources of the DANONE distributor on site and the Indonesian authorities. Secondly, the Group mobilised its employees and launched DANONE Solidarity for Asia initiative to help a global partner, the International Red Cross/Red Crescent Federation and 420,000 euros were collected from the Group's employees. A programme of solidarity for schools was set up by Aqua, the Drinks subsidiary in Asia, in cooperation with Evian and, in 2006, five employees from DANONE Eaux France went to see the results of their efforts (the construction of a school at Banda Aceh) and to meet the inhabitants.

**Accompanying restructuring**

In Europe, the Biscuits Business line was faced with a problem of production over-capacity in Europe, and in 2001 set up a programme to reduce the number of production sites and rationalise its industrial operation. The Group made a dual commitment with regard to the social aspects of the programme:

- to allow the affected employees to find a reclassification solutions,
- and, to maintain the vitality of the employment pools for the creation of new activities.

On all the sites affected by the restructuring plan, Groupe DANONE has, since the end of 2001, set up teams dedicated to the reclassification of affected employees, known as Employment Mobility Relays (EMR). In 2003, the year that saw the plants at Calais, Ris-Orangis (France) and Beveren (Belgium) shut down, teams were mobilised to help employees that had not yet been reclassified to find a solution: internal or external reclassification, long-term training, creation of businesses or personal projects.

This plan of restructuring biscuit production activities in Europe was completed on 30th June 2004. At the end of the plan, the situation was as follows:

Of the 2025 people affected, a solution was found for 1897 employees, i.e. 94%, 30% of which found other posts within the Group.

In 2006, nine restructuring initiatives were announced and implemented with social accompaniment, including the merger of two HOD companies in Mexico into a single body.

**SO4 Awards received relevant to social, ethical and environmental performance.**

Groupe DANONE does not consolidate this type of data.

**Bribery and Corruption**

**SO2 Description of the policy, procedures/management systems and compliance mechanisms for organisations and employees addressing bribery and corruption.**

In 2005, Groupe DANONE's Business Conduct Principles were revised and foundation texts integrated such as the universal declaration of human rights, a reminder of Groupe DANONE's commitment to the Global Compact, the guidelines of the OECD and the Fundamental Social Principles.

The Business Conduct Policies have been distributed to all directors and managers by the subsidiaries' Human Resources Departments, which confirmed that this distribution was accompanied by formats to ensure that employees were informed. Since this date, not only the directors but also all managers have signed a specific clause in their employment contract that recognises that they are aware of the Business Conduct Principles, which they undertake to respect and to ensure that their teams respect. Various resources have been made available to allow these principles to be properly taken on board: video, posters, Q&A, etc. This question forms part of the control points of the internal checks and internal audit.

In addition, a specific programme to avoid fraud was drafted in 2006 aimed at General Managers: a training handbook and intranet site for reporting and assisting the Risks Department in case of problems have been disseminated to all subsidiaries.

Finally, since 2005, an alert system available for all employees has been put in place. It allows them to announce failures that could have a financial impact on the Group.

**Political contributions**

**SO3 Description of policy, procedures/management systems and compliance mechanisms for managing political lobbying and contributions.**

As indicated in the Groupe DANONE' Business Conduct Policies, employees are prohibited from using Groupe DANONE funds or other assets, directly or indirectly, for the benefit of organisations of a political nature, other than within the context of the laws and regulations current in the country and the principle of transparency.

However, Groupe DANONE encourages its employees to lend their assistance to local and associative life.

**SO5 Amount of money paid to political parties and institutions whose prime function is to fund political parties or their candidates.**

See indicator SO3.

**Competition and Prices**

**SO6 Court decision regarding cases pertaining to anti-trust and monopoly regulations.**

On 5th December 2001, the European Commission concluded the existence of agreements relating to the Belgian beer sector and ordered Groupe DANONE to pay a fine of 44.6 million euros, which was fully provided for on 31st December 2001 and was paid in 2002. DANONE filed a counterclaim with the Court of First Instance of the European Communities in February 2002 aimed at reversing the Commission's decision or, at least, reducing the amount of this fine. In October 2005, the Court of First Instance of the European Court of Justice confirmed the judgement against the Company. The Court also decided to slightly reduce the fine imposed from 44.04 to 42.41 million euros, judging that the Commission had wrongly retained an aggravating circumstance with regard to the Company.

The Company lodged an appeal against this decision with the Court of Justice of the European Communities. This appeal was rejected by the Court of Justice of the European Communities in February 2007.

**SO7 Description of policy, procedures/management systems and control mechanisms for preventing anti-competitive behaviour.**

The reminder of the prohibition on anti-competition practices was reinforced in Groupe DANONE's Business Conduct Policies. Groupe DANONE expects its employees to respect the applicable rules with regard to competition. No agreement or arrangement may interfere with competitors that are designed to restrict free competition.

**5.3.4 Social performance indicators – product responsibility**

Groupe DANONE must guarantee healthy and safe products for its consumers. To do this, it must be beyond reproach in terms of the evaluation and management of real and potential risks, as well as in communication in terms of the safety of food.

**Customer Health and Safety**

**PRI Description of policy for preserving customer health and safety during use of products and services and extent to which this policy is visibly stated and applied, as well as description of procedures/ programmes to address this issue, including monitoring systems and results of monitoring.**

The Group has drawn up a Food Quality and Safety policy, which is shared by all employees in charge of quality. Quality management is organised according to the ISO 9000 and ISO 22000 international references, which has the characteristic of being applicable to any production chain, from raw materials to finished products.

At Corporate level, the Quality department defines the Group's quality policy: definition of coherent standards, systems and performance indicators between the various Business lines. The task of the Fresh Dairy Product, Biscuits and beverages Business lines is to translate this policy according to the specific details of the jobs (production processes, number of ingredients, sources of supply, etc). The subsidiary applies the policy in accordance with national legislations and is responsible for translating the expectations of consumers into the development of products. The quality department has reviewed its organisation and has redefined the skills profiles. It now covers all the following areas: raw materials and packaging, Food safety, regulations, management of crises and quality systems. The Group recommends that, in each of its subsidiaries, the Quality Director reports to the General Manager. A Quality Committee must be created within the subsidiary. Its mission is to deal with consumer's claims and to decide on the corrective measures to be taken.

On the other hand, Groupe DANONE must guarantee healthy and safe products for its consumers. To do this, it must be beyond reproach in terms of the evaluation and management of real and potential risks, as well as in communication in terms of the safety of food. Within the Group, the mission of the food safety department may be subdivided into three parts:

- defining the DANONE food safety policy
- identifying, evaluating and contributing to the management of emerging and existing risks,
- coordinating the management, and measuring of food safety by Groupe DANONE.

This policy is expressed by means of reference documents (or Directives) that define the Group's position on key topics, explain regulations or define the correct practices between Business lines.

Food safety at Groupe DANONE involves the Group Food Safety Department (integrated into the Group Quality Department), the Food Safety Centre (CSA), the Business lines Quality Department and the Plant Quality Department. The CSA is responsible for matters upstream of risk piloting.

Groupe DANONE has put in place a method for managing risks that is common to all three of the Group's Business lines. It means that any risks may be managed that are likely to be carried by products in any phase of their lifecycle, from design to production.

The Food Safety Centre (known by its French initials CSA) is the centre of expertise for Groupe DANONE in terms of the safety of food with regard to biology and toxicology:

The CSA has a three-fold mission:

- To identify and evaluate risks
- To contribute to the control of risks
- To disseminate and the FSC's knowledge.

In collaboration with each Business line, the CSA ensures that risks are placed in rank order of seriousness and occurrence. This stage means that major risks can be identified that are specific to Business line. Risks are classified into four categories: chemical, physical, microbiological and allergic: active scientific surveillance, with the assistance of international experts, allows emerging dangers to be identified and characterised as early as possible and developments in scientific knowledge to be assimilated. The quality directors of the Business lines determine the objectives and methods used to bring risks under control. Subsidiaries appropriate control plans and reinforce them where necessary to meet the specifics of their activity and their local environment. To do this, they use tools designed by each Business line's quality department.

The objectives and methods of managing risks are globally defined by Groupe DANONE (foreign bodies, allergens, etc.), then specifically defined within the Business line (good manufacturing practice, etc.) and finally within the subsidiaries (cleaning and disinfection of plants, identification of critical points). All of the means for managing the safety of food are regularly audited to ensure that they are effective and relevant.

Since April 2006, the CSA has been ISO 22000 certified. In 2007, the scope will be extended to all the Group's Food Safety departments.

## PR4 Number and type of instances of non-compliance with regulations concerning customer health and safety, including the penalties and fines assessed for these breaches.

This indicator is not consolidated at Groupe DANONE.

## PR5 Number of complaints upheld by regulatory or regular official bodies to oversee or regulate the health and safety of products and services.

This indicator is not consolidated at Groupe DANONE.

## PR6 Voluntary code compliance, product labels or awards with respect to social an/ or environmental responsibility that the reporter is qualified to use or has received.

Groupe DANONE's desire to be a form player in public health implies responsibilities that the Group has chosen to express in the form of a demanding line: a constant logic of progress relating to all its tasks and activities. The foundation of this "Governance" is listing to the expectations of society and identifying the channels of progress in terms of healthy nutrition. It includes research and development, as well as information and educating consumers. It is constructed on three fundamental pillars:

- 1) Respect for the principles of self-regulating, particularly those formalised in the Group's Food, Nutrition and Health Charter, including nine commitments.

Two of the charter's key commitments are today subject to self-evaluation, piloted by the Sustainable Development and Social Responsibility Department, within the Group's subsidiaries:

- Optimisation of the nutritional profile of products,
- Informing consumers and setting up initiatives to promote good hygiene.

Nutritional and health claims are subject to an internal validation procedure, piloted by the General Secretariat and involving marketing, regulations, nutritional matters, quality assurance and the general directorate of subsidiaries.

- 2) Support for national, community or international consultation actions, involving manufacturers and society, particularly when they are designed to promote clear information for the consumer or promoting responsible behaviour in terms of nutrition and health: support for codes of good practice in terms of publicity (BVP in France, PAOS in Spain), support for the CIAA initiative relating to nutritional labelling, support for the draft European regulation that aims to provide a better framework for nutrition and health, support for the principles of PNNS2 (National Health and Nutrition Programme in France), etc.

- 3) The scientific foundation of the health benefits of Groupe DANONE products and the communication associated with it, thanks to a continual and open exchange with the scientific community through public and/or private partnerships, meetings of experts, conferences...

### The Food, Nutrition and Health Charter

The Food, Nutrition and Health charter is the reference for all employees worldwide to develop suitable products and responsible communication.

This charter has been drawn up by a working group involving the various departments of the company: General Secretariat, R&D, quality, marketing, nutritional matters, regulation, communication, external relations...

Groupe DANONE's directors are involved at the highest level in terms of implementing and respecting these commitments.

#### New commitments with regard to nutrition and the health of consumers:

- 1) To propose products meeting consumers' needs and tastes
- 2) To dialogue with scientists
- 3) To support research
- 4) To promote the sharing of knowledge with the scientific sector, health professionals and the public
- 5) To listen to public opinion
- 6) To communicate clearly and transparently
- 7) To guarantee the scientific validity of the benefits claimed for products
- 8) To promote responsible advertising in terms of healthy nutrition
- 9) To encourage physical exercise

## Products and services

Since its creation, Groupe DANONE has responded to changes in lifestyles and has taken part in the evolution of scientific knowledge, to develop foods and drinks that meet people's needs and provide health benefits.

In 1919, Isaac Carasso, a Spaniard, created the first DANONE yoghurts from selected lactic bacteria from the Institut Pasteur (directed by Elie Metchnikoff, Nobel Prize 1908). These yoghurts were then sold in pharmacies in Barcelona, on medical prescription.

This health mission was reaffirmed by Franck Riboud in 1996, when he became the head of Groupe DANONE, whilst refocusing activities around three core Business lines, with significant food-health positioning:

- fresh dairy products
- water and beverages
- biscuits and cereal products.

Today, Groupe DANONE is the sixth largest food industry group in the world and is aware that food has a concrete role to play in the health sector, by helping tackle malnutrition in its widest sense (over- and under-nutrition) as well as helping consumers select a balanced diet.

Also, in addition to the safety and quality of products, pre-requisites that have to be guaranteed by the company, Groupe DANONE has defined four strategic areas in terms of nutrition and safety:

- 1) To design products that combine nutritional benefits with organoleptic qualities, which meet the needs and preferences of consumers.  
Some 75% of the Groupe DANONE product portfolio is classified in the nutritionally "healthy" products category (JP Morgan analysis, January 2006).
- 2) To adapt the nutritional profile of existing products to meet changing consumer needs and to correspond to developing scientific and technological knowledge, particularly by optimising certain nutrients where necessary (reduce fats, sugars, increase fibres, vitamins, etc.).
- 3) Developing the accessibility of products with high nutritional values for people with poor or very poor purchasing power,
- 4) Promoting nutritional information and education, to help consumers develop good eating habits and a healthy way of life, particularly by practicing regular physical exercise.  
This information/education includes:
  - Simple and useful information on product packaging: nutritional compositions, advice. In Europe, over 85% of Groupe DANONE products contain nutritional information on their packaging (at least: calories, proteins, carbohydrates, lipids for 100g of product). Groupe DANONE is publicly committed, along with 6 other companies, to implement, within Europe and in the next two years, the nutritional labelling plan developed by the CIAA (Confederation of the major players in the Food Industry in Europe), indicating the quantity of energy and nutrients per portion, with their absolute value and as a percentage of GDAs (Guideline Daily Amounts).
  - The setting up of an information and education programme by the Group's subsidiaries and the Instituts DANONE, often in partnership with social bodies and Scientific Societies.

These commitments have led Groupe DANONE to put in place research structures, set up numerous public and private partnerships, create the DANONE Institutes and to promote research as well as inform and educate children and adults in terms of nutrition and, more widely, hygiene.

## PR2 Description of the policy, procedures/management systems, and compliance mechanisms related to product information and labelling.

### 1 - Focussed research connected to the scientific sector

DANONE Research, the R&D community of Groupe DANONE, involves 800 people worldwide, including 200 scientific experts (biologists, nutritionists, gastroenterologists, etc.), who work in close collaboration with the worldwide scientific community. Today, DANONE Research maintains over 200 scientific collaborations worldwide with public or private partners.

This organisation is the response to a strategic decision taken by Groupe DANONE: to maintain an equilibrium between internal and external skills that offer great flexibility and allow the group to work with the best experts, be aware of the latest scientific advances and keep itself at the forefront of progress.

DANONE Research is focused on a few key areas of expertise and the research areas support the Group's four strategic areas in terms of nutrition and health.

### 2 - A historic policy of partnerships

Whether in terms of R&D, activity Business lines, directors at head office or subsidiaries, partnerships have always had a place in the development of Groupe DANONE, in terms of:

- Research
- Sharing knowledge and searching for consensus
- Understanding public health problems
- Informing and educating consumers.

Each year, DANONE Research sets up several partnerships to carry out its work of finding the best skills with regard to its priority themes. These collaborations apply to basic research (fully externalised), as well as applied in vitro, in vivo or clinical research (clinical studies also externalised).

In the field of probiotics, for example, DANONE Research set up, in 2005, a renewable four-year partnership with the Institut Pasteur, mainly relating to understanding the action mechanisms of probiotics.

The collaborations with the INRA (National Institute of Agronomic Research) relates to the study of bacterial strains of genes and, with the University of Washington, it is aiming to develop new approaches to understanding the impact of the intestinal flora on our health.

DANONE Research is also involved in several European framework programmes, co-financed by the European union and partner manufacturers:

- The Eurostarch programme, the aim of which is to study the digestibility and use of various types of starch by the organism
- The Healthgrain programme, which aims to explore the nutritional potential of cereals to develop further foods and ingredients based on cereals that are beneficial to health,
- The EU Childhood Obesity programme that tests the existence of a relationship between the level of consumption of proteins during early childhood and the incidence of obesity in children.

Finally, DANONE Research also sets up educational partnerships such as the "Heart and Arteries" Foundation that allows it to take part in awareness-raising and cardiovascular illness-prevention campaigns, as well as encouraging innovative work with regard to the relationship between nutrition and cardio-vascular health.

Sharing knowledge with experts allows knowledge to be improved and consensus to be updated. The "Probiotics Convention", the fourth version of which took place at the start of 2006, has the aim of using the best experts in the world to highlight the latest scientific advances in terms of probiotics and to assess their practical application. From year to year, this conference is attracting ever increasing interest and more and more participants (160 experts from 30 countries in 2006). As witness to the quality of the interventions, the convention documents have been published in scientific journals (American Journal of Clinical Nutrition in 2002, Current Nutrition and Food Science in 2003, European Journal of Nutrition in 2004 and 2005).

In terms of public health, Groupe DANONE works in close collaboration with local experts, in order to have a better knowledge of the nutritional situation in each country and according to the age of the population (children, adults, seniors): nutritional deficits or, in the contrary, over-consumption of some nutrients, to adapt its products to the reality of local nutrition

### 3 - Tools to support its commitments

Groupe DANONE's strategic choice has always been to have a decentralised operation and giving its various subsidiaries the greatest autonomy.

This initiative means that each local context can be better appreciated, so that a standard worldwide is not offered on every occasion. Specifically adapted products are tailored to meet needs, cultures, tastes, the environment and the socio-economic and public health realities of each country.

To respect these commitments in terms of health and nutrition, the Group has developed specific framing tools that correspond to logics of responsibility and local suitability.

These include:

- **The International Nutritional Framework: a precise nutritional "framework"**

This tool provides, for each category of Groupe DANONE products, minimum-maximum thresholds for ingredients and nutrients (sugars, fats, proteins, vitamins, minerals) used in their composition, in accordance with the recommendations of the WHO (World Health Organisation), the FAO (Food Agriculture Organisation) and the European Eurodiet programme.

Each Groupe DANONE subsidiary is, therefore, responsible for adapting the composition of its products to the needs, tastes, context and specific regulations of the local sector, whilst respecting this framework.

- **The Brand Nutritional Platforms: true "nutritional identity cards" for brands"**

This initiative aims to describe, in precise terms, the global identity of each brand: its positioning, nutritional characteristics, health-nutrition benefits and their scientific bases, and the possible channels of evolution. This "identity card" means that a very strict framework can be defined for the renewal and development of products, especially in terms of the adaptation of their nutritional composition when deployed in several countries.

In addition, it also means that a product's nutritional profile (formulation, composition, etc.) is consistent with product communication and promise.

The Brand Nutritional Platform initiative, which is one of the key conditions for products developed under the umbrella of Groupe DANONE's major brands, such as

Activia/Actimel/Tallefine/Vitalinea, Danonino, Biscuits Petit Déjeuner, etc. is currently being deployed worldwide.

- **The communication guidelines: frameworks for translating science into benefits for consumers**

These communication guides, designed for marketing teams and local publicity agents, are used to prepare product communications/ for the major Groupe DANONE brands (Vitalinea, Actimel, Danonino, Danacol, etc.), they present the scientific foundations of products and the advice and rules to be respected to translate them into benefits for consumers (claims, visuals and graphic representations illustrating the benefits, description of the scientific arguments). They are prepared by multi-disciplinary teams covering research, development and nutritional and regulatory matters, in particular, for example:

- The image (drawings, films, etc.) of the way Actimel acts on the intestinal wall's defence capabilities or even a graph indicating how Danacol tackles cholesterol may be expressed in various creative ways, although they must respect the instructions given in the guidelines, which faithfully represents scientific realities,
- The expression of the benefits of products is governed by a strict framework: therefore, the communication guidelines for Activia provide a reminder that it is possible to quantify Activia's action on transit or elimination and never on digestion, purification or detoxification for example.

Each subsidiary is therefore in a position to develop communications that are suitably adapted to the local context, and comply with the scientific bases for the products concerned. Each item of communication then undergoes internal procedures for validating nutritional and health claims.

### 4 - Understanding and acting locally: Groupe DANONE's credo

Since listening to and understanding consumers are prerequisites for "contributing to health by feeding the greatest number" in both developing and emerging countries Groupe DANONE, on a local level, provides itself with specific and suitable resources.

The group has therefore undertaken a carefully targeted study of the various population groups, including socio-economic environment, dietary habits and behaviour, preferences and tastes, traditions and cultures, deficiencies and excesses, distribution circuits, etc. The aim is to be able to adapt products constantly to satisfy local requirements and issues.

- **The "nutripack" nutritional map**

Launched in 2002, by the Nutrition Business line of the Groupe DANONE research centre, the Nutripack programme draws up a map of the precise nutritional and public health situation in countries where Groupe DANONE has a presence. Developed in partnership with local experts (paediatricians, nutritionists, researchers), it consists of:

- defining a country's nutritional profile: quantitative and qualitative additions to the food consumed, distribution of meals, deficiencies and nutritional deficits,
- analysing public health problems: incidence of the main pathologies linked to food, main active local institutions and major national programmes currently in place on these topics.

To date, 17 Nutripacks have been created and others are planned.

The fine-tuned knowledge of nutritional and public health problems therefore allows Groupe DANONE to adapt its existing products to the market as well as identifying the opportunities to develop new products that meet local health and nutrition priorities.

- **Targeted local initiatives to tackle nutritional deficiencies**

The composition of Groupe DANONE's flagship brand for children, Danonino (known as Petit Gervais aux fruits in France) is now specifically tailored to meet nutritional needs in 14 countries:

- In Brazil, for example, where anaemia and malnutrition rank alongside obesity, Danonino has added calcium, iron, vitamins A and D as well as zinc, to meet children's needs
- In Mexico, the product has added iron, in Japan vitamins A and D, in Spain calcium and in France vitamin D.

The aim is the same everywhere: helping children to grow up better.

- **Making DANONE products financially accessible to the greatest number: concrete realisations**

Groupe DANONE also markets low-price products that are affordable for people with low, or very low incomes. These products meet Groupe DANONE's quality and safety standards and are of high nutritional value, especially adapted to local nutritional deficiencies (added vitamins and minerals).

This "accessible nutrition" initiative is conducted as a partnership with local communities and NGOs such as the World Food Program in Indonesia or GAIN (Global Alliance for Improved Nutrition) in Bangladesh, which help confirm the choice of added vitamins and nutrients and measure their effectiveness in tackling deficiencies.

These low price products are developed thanks to the implementation of a new production and distribution model, specifically adapted to emerging countries: development of the production of local raw materials (for example in coordination with micro credit banks and local farming cooperatives), industrial equipment that allows production at very low cost, whilst respecting strict quality rules and favourable social conditions...

Some products have already been launched:

- Biskuat biscuit and Milkkuat lactated drink (Indonesia): 500 to 1200 rupees (around 5 to 10 eurocents),
- Danimal Yoghurt (South Africa) 1 rand (around 10 eurocents)
- DANONE Milk Calcium + biscuit (China): around 15 eurocents
- Mleczny Start breakfast (Poland): 0.60 zloty (around 15 eurocents).

- **Adapting distribution resources: the vital complement of financial accessibility**

Distribution in emerging countries is organised around a great number of neighbourhood shops, which are dispersed and have poor storage capacities which must be stocked up everyday. New methods of distribution must, therefore, be imagined, such as the 3,000 mobile "Rombong" micro points of sale, developed DANONE in Indonesia to distribute Biskuat and Milkkuat.

Other initiatives are to be found in various parts of the world, such as, for example, the subsidiary in South Africa, DANONE Clover, which entrusts the distribution of the Danimal yoghurt in the Soweto townships to the women of the community who were hitherto unemployed. These "Dani Ladies" sell the yoghurt from door to door, whilst also raising mothers' awareness regarding the importance of providing their children with the proper nutrition.

### 5 - Information and education: from conviction to action

Groupe DANONE is also responsible for helping to inform and educate consumers by promoting good eating habits and an active lifestyle. This is on this point that players in the health sector make significant demands on food manufacturers.

To achieve these objectives, Groupe DANONE and its subsidiaries multiply their nutritional information initiatives with various partners, health and/or education professionals in particular, especially with regard to children. Here are a few examples:

- In Belgium, the "Bon appétit la santé" programme was launched in 2003 as the result of collaboration between DANONE and the Belgian Society of Paediatricians. This educational games kit allows children aged 5 and to discover, through play, a few rules that form the basis of a balanced diet. A study carried out in 2006 demonstrated that children's consumption of fruit and vegetables increased by 12% after playing the game, whilst their consumption of soft drinks falls by 13%;
- In Bulgaria, a programme was launched in 2006 to raise children's awareness of the golden rules of nutrition. The children were invited to help the hero of a play to find the bases of healthy, well-balanced eating – the importance of fruit and vegetables, physical activity...
- In France, the POT, Positiv'Académie programme, has been deployed since 2003 in school dining halls (with no brand visibility). It is based on three themes: diversity and dietary balance, structured meals and physical exercise. The entire programme is validated by nutritionists and stresses the recommendations of the French National Programme for Nutrition and Health,
- In the United States, Dannon's Next Generation Nutrition Program, set up in 2006, aims to provide financial support for associations that develop nutritional education programmes for children.

### The DANONE Institutes: information and the dissemination of knowledge

Since 1991, the DANONE Institutes have played a key role in promoting nutritional research and raising the awareness of health, education and communication professionals as well as the public of the importance of healthy eating. Today, 15 local institutes and one international institute, independently of Groupe DANONE and not acting commercially, are working to reinforce, update and disseminate scientific knowledge in terms of nutrition, by means of reflection workshops, symposia, education programmes and publications.

Numerous educational programmes, aimed at the public and professionals, have been developed lately especially with regard to child nutrition.

Here are a few examples:

- The DANONE Institute in China disseminated a series of 52 televised programmes called "Eating Healthy, Grow Well, aimed at children aged from 6 to 15 and their parents. These 10 minute-long films are presented by local celebrities and aim to present the bases of healthy eating in a fun way.
- In the Czech Republic, a programme in the form of a video game was developed in 2005 to encourage children to adopt good eating habits,
- In France, since 2004 the DANONE Institute has disseminated the "Let's monitor obesity together" programme that encourages health professionals to monitor children's BMI so that children at risk from obesity may be detected as early as possible. Tools aimed at doctors and parent also provide hygiene advice. This programme is totally in line with the objectives of the National Nutrition and Health Plan 2 recently announced by the French Minister for Health.

## Promoting physical exercise is also important for Groupe DANONE

This is why the Group is expanding its education initiative in this area by organising several actions, such as:

- The DANONE Nations Cup, sponsored by Zinedine Zidane: a football competition, in which 10 million children have participated from the four corners of the globe, since 1999,
- The Prince Trophy in Belgium
- The "Faut que ça bouge!" (let's get moving) programme in France.

## PR7 Number and type of instances of non-compliance with regulations concerning product information and labelling, including any penalties or fines assessed for these breaches.

This indicator is not consolidated at Groupe DANONE.

## PR8 Description of the policy, procedures/management systems, and compliance mechanisms related to customer satisfaction, including results of surveys measuring customer satisfaction.

This data is not available at Groupe DANONE.

## Respect for privacy

### PR3 Description of the policy, procedures/management systems, and compliance mechanisms for consumer privacy.

Consumers expect Groupe DANONE to provide comprehension keys regarding nutrition, advice so that they can design a daily diet to meet their needs, as well as information of the Group's products. DANONE has various tools that allow the Group to construct a communication relationship with consumers. Within the management of these tools, it ensures the protection of consumers' private lives and, in all countries, respects the national laws in relation to the protection of personal information.

#### 1 - The consumer database

A database of subscribers contains all the names and addresses of consumers who are sent information and offers from the Group and brands, in printed or electronic versions.

At any time, the consumer can suspend his subscription by informing the administration centre indicated in the messages that are sent to him.

In France, the data base cover four million homes and is regularly updated. The answers to the questions posed to consumers are based on their volunteering the information and allow offers to be tailored to meet consumers' wishes.

Only the minimum of information (name and address) is collected as obligatory data. The socio-demographic information (composition of family) and the information linked to consumption habits are optional. Sensitive information such as credit and bank card numbers are not requested.

#### 2 - The internet site

Within Groupe DANONE, there are around a hundred brand internet sites. In most cases, these are promotional or commercial sites.

The DANONEconseils.com site was created in France ten years ago and is characterised by the fact that it has developed general information on nutrition. In 2005, it received 2.2 million single visitors.

The site operated according to the opt-in system: it was the consumer who had to make the decision to join the database. The consumer also had to tick a box that formally authorised DANONE to communicate with him. In 2006, it was replaced by the site DANONEetvous.com.

#### 3 - Print

In France, DANONE publishes the DANONE magazine that is distributed four times a year with around 4 million copies published. This magazine includes information on the Group's products and nutritional advice. The consumer can subscribe either via the Internet site or by calling the call centre.

#### 4 - Consumer studies

These studies allow Groupe DANONE to gather more detailed information on such as the quality of DANONE products as perceived by the consumer; expectations in terms of new products, opinions on information tools, such as the DANONE magazine; opinion and understanding of advertising. DANONE Conseils carries out around 80 studies per year by means of a representative panel extracted from its database by research companies that are authorised to question consumers. The research companies guarantee the anonymity of the responses. Only the overall results are transmitted to DANONE.

#### 5 - The call centre

The call centre's main task is to develop and maintain relations with consumers. It is a tool for information about the company and an advice tool, it means that comments can be collected from consumers, in addition to suggestion and reactions. The call center is considered by DANONE as a proximity service. It is intended to quickly respond to requests, and to generate brand added value through the offered service.

This service answers questions regarding products and brands and, more generally, questions on nutrition and dietetics. It deals with claims linked to product quality. DANONE Conseils has been faced with evolutions in terms of the types of questions that consumers are asking. There are comparatively fewer questions linked to the quality of products now, whereas those linked to the company' liability or advertising are on the increase.

In France, the DANONE Conseils consumer service generates around 12,000 contacts a year, by telephone, post or e-mails. Its perimeter of liability covers all Groupe DANONE products sold on the French market. DANONE Conseils may be reached via a telephone number (0810 11 12 13) or via the internet, both of which appear on packaging (95% of packaging bear the logo in France). The consumer service postal address for Group subsidiaries is also printed on the packaging.

The consumer can choose whether or not to leave his details. These are used, with his consent, to send documentation, brochures (dietetic advice, recipes, etc.) or coupons in the case of a claim. No relaunch system is foreseen. Any consumer may ask for his details to be removed from the database at any time. The consumer is reminded of this in every letter he receives from DANONE Conseils.

## PR11 Number of substantiated complaints regarding breaches of consumer privacy.

This indicator is not consolidated at Groupe DANONE.

## Advertising

### PR9 Description of the policy, procedures/management systems and compliance mechanisms for adherence to standards and voluntary codes related to advertising.

The Group, by refocusing its activity on areas that place high significance on health and nutrition, has anticipated the problem of the development of obesity worldwide. However, this choice exposes it to the expectations of the stakeholders, notably in terms of communication regarding health allegations and consumer information regarding the nutritional characteristics of products.

As a food company, Groupe DANONE is aware of its role in the public health sector. In particular, it considers the coherence between advertising messages product composition to be vital. This is why the Group undertakes only to issue communications regarding nutritional benefits, if these are based on proven scientific arguments. It uses multi-disciplinary teams to communicate the benefits of its products clearly and as accurately as possible. In all communication formats, the Group favours self-discipline principles. Any advertising communications regarding its brands must particularly respect the following points:

- Not to mislead the consumer on benefits linked to consumption of the product,
- Not to encourage excessive consumption or to eat irresponsibly throughout the day,
- Not to encourage inactivity or poor hygiene,
- Not to devalue or minimise parents' authority or advice in terms of product consumption.

An internal procedure for validating health and nutrition communications at Group level was put in place in 2002, following the questioning of advertising regarding Actimel by a French consumers association. The Group decided to remove this advertising that gave a poor example of parental education and could lead to confusion on the benefits of the product.

The objectives of the procedure are:

- Ensuring correct information for consumers,
- Making marketing services aware of nutrition problems and social challenges
- Protecting the Group's reputation and ensuring the coherence of messages,
- Putting in place rules of good conduct for the Group, even if the assessment is partly subjective and local.

It relates to all forms of communication: TV slots, radio, packaging, brochures, etc.

This obligation has revealed itself to be very beneficial, since it allows a number of exchanges between the subsidiaries and the Group, and between the various relevant participants:

Marketing/ quality/ regulation/ nutrition. Significant work within each Business line has meant that solid and coherent projects can be sent to the General Secretariat.

## PR10 Number and type of breaches of advertising and marketing regulations.

This indicator is not consolidated at Groupe DANONE.

This report has been designed, coordinated and compiled by the Sustainable Development and Social Responsibility Department.

This report is the product of a permanent dialogue with our stakeholders. You are invited to share your comments and ideas with us so that Groupe DANONE can improve its services

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