

SUSTAINABILITY REPORT

DANONE 13

Strategy and Performance

STRATEGIC
HIGHLIGHTS

GRI PERFORMANCE
INDICATORS

DANONE 2013 SUSTAINABILITY REPORT

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"SUSTAINABLE DEVELOPMENT IS NOT A VIRTUE IN BUSINESS, BUT RATHER A BUSINESS WISDOM"

The events that occurred in 2013, convinced me, more than ever before, of two things. Firstly, that sustainable development is not a virtue in business, but rather a business wisdom. To mention just a few examples, soaring raw materials prices and the complexity of processes across the supply chain, for which we paid the price in 2013, call for global reflection with regard to issues that are well beyond the scope of the company's strict legal responsibility.

And secondly, that nothing can be taken for granted. Danone has long been committed to an approach that puts sustainable development at the heart of its strategies and business processes. Yet, the progress we make is never consistent or permanent. In 2013, for instance, Danone ranked world number one in the ATNI (Access to Nutrition Index) which positions food and beverage companies based on consumer access to healthy nutrition. This achievement confirms the group's strengths in this area but also highlights certain points that demand our attention.

Another example in a different field: workplace safety. After improving consistently over ten years thanks to a very proactive policy, results took a downturn in 2013. We must revise our approach and make further progress.

Regarding environmental issues, 2013 was a year of review. Following six years of efforts in which the group exceeded its targets and achieved a 37% reduction in global carbon emissions per metric ton produced, Danone's ultimate goal is to cut emissions by more than 50% by 2020. In 2013, we also meticulously examined our agricultural supply to define and test a sustainable agriculture approach in a dozen countries, incorporating economic, ecological and social aspects as well as impact on nutrition and health.

We still firmly believe that for a food group like Danone, reducing our carbon footprint, securing sustainable farming supplies, managing water resources and innovating in recyclable packaging will increasingly contribute to build competitive advantages. They will be the cornerstones of the group's Nature platform and goals for 2020.

The funds we dedicate to social innovation with our shareholders' agreement also continued their development in 2013: the Danone Ecosystem Fund, for instance, supported 47 projects carried out by Danone subsidiaries in partnership with local organizations.

Relating directly to the company's businesses, i.e. milk supply from small-scale farmers, packaging recycling and local distribution, these projects allowed the group to develop models delivering both business and social impacts. Some of them will be expanded on a large scale in the years ahead. The Livelihoods carbon investment fund created by Danone and which now involves nine major French and European corporations is another example. Agroforestry investments already made by Livelihoods in Africa, Asia and Latin America will enable eight million tons of carbon to be stored while creating value for rural communities.

These innovation programs are rooted in Danone's culture and its dual economic and social project. They are crucial to continue building Danone for the future.

Franck Riboud
Chairman and Chief Executive Officer





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_STRATEGY A GLOBAL APPROACH OF KEY ISSUES

NUTRITION AND HEALTH ISSUES

UNDERNUTRITION AND OVERWEIGHT: PUBLIC HEALTH ISSUES

At the start of the 21st century, major health issues loom worldwide. Firstly, the global population is aging, inducing a significant problem in terms of health cost funding. Secondly, the most recent statistics published by the World Health Organization (WHO) testify to a double burden, namely undernutrition and overweight, with some countries facing both evils. The entire food industry is directly affected by this twofold problem and must make every effort to find the best possible solutions.

Undernutrition and overweight: a global blight

The prevalence of growth retardation (“stunting”) in children under five is a pertinent measurement indicator for undernutrition which currently stands at 25.7% worldwide. Although a decline has been seen in recent years, the rate in some countries still exceeds 40%, which is the average prevalence in Africa. The most widespread deficiencies are in iron and vitamin D, which are well substantiated in Asia and Africa, and agencies like EFSA (European Food Safety Authority) are now also reporting these deficiencies in Europe among otherwise healthy population groups.

Obesity continues to rise, including in mid- or low-income countries, particularly in Africa and in the Americas. Worldwide, one adult in three is overweight and almost one in ten is obese. A total of 2.8 million people die each year from being overweight or obese.

Obesity among children is still one of the major issues identified by WHO. Prevalence of overweight in children under age of five is rising: the rate has reached 6.6% worldwide (i.e. more than 40 million children) and up to 12.5% in Europe.

Furthermore, 9.8% of the global population suffers from diabetes. One billion people worldwide suffer from hypertension and nine million die as a result each year. Public health initiatives have helped lower the rate in many high-income countries, but it still remains high, especially in certain low-income countries of Africa.

These Non-Communicable Diseases are indeed not contagious, but they are passed down from one generation to the next. Recent data, collected in Asia show, for example, that children born to mothers who suffer from gestational diabetes have a higher risk of developing diabetes from the age of five. Maternal obesity also generates a higher risk of prematurity, in turn creating risks for the child’s health and higher costs for the healthcare system. The question of nutrition before and immediately after birth is therefore one of considerable importance.

NUTRITION AND HEALTH ISSUES

Among the multiple causes of Non-Communicable Diseases, many stakeholders today point to excessive consumption of sugar as being of major concern. The World Health Organization (WHO) just initiated a consultation to review the recommended limits on intake; the current maximum limit (10% of daily energy intake in the form of added sugar) could be cut by half.

Growing expectations towards the food industry

In this context, solutions are urgently expected from the food industry, as certain recent signals illustrate. In a series of articles published in the Lancet in February 2013, “ultra-processed” food and drinks are classified among the threats for people’s health, in the same way as tobacco.

The opening address by the WHO Director-General Dr. Margaret Chan at the 8th Global Conference on Health Promotion held in Finland in June 2013, stated it clearly: “Efforts to prevent Non-Communicable Diseases go against the business interests of powerful economic operators [...] it is not just Big Tobacco anymore. Public health must also contend with Big Food, Big Soda, and Big Alcohol. [...] They include arguments that place the responsibility for harm to health on individuals.”

In September 2013, at the International Congress of Nutrition, was published a statement resulting from a meeting of experts on the prevention of obesity in countries with low and middle income, which was held in June in Bellagio (Italy). This statement is a call for governments to maintain stringent public health policies “despite lobbying strategies of the large so called Big Food and Big Soda companies”.

In January 2014, a group of 18 international experts launched “Action on Sugar”, an initiative aiming to pressure the food industry into reducing added sugar in products to reduce consumption to less than 5% of total energy. Similarly, the message conveyed by the film Fed Up, released in January 2014, denounced the addictive nature of sugar, drawing a parallel between the food and tobacco industries.

Regulatory pressure will undoubtedly heighten. As a report by the Swedish Institute for European Policy Studies on the role of regulation in the prevention of non-communicable diseases states, “*the question is not so much whether there will be restrictive regulations on the food industry for the prevention of non-communicable diseases, but which regulations*”.



NUTRITION AND HEALTH ISSUES

The food industry has a role to play

Faced with these expectations, responsible food companies must prove that they are acting in the public interest and can contribute to the solution, both in combating overweight and undernutrition, and in reducing health costs.

Regarding research, companies will invest more in research on “basic” nutrition. To improve their understanding of eating patterns, they will leverage their relationship with consumers and work with scientific organizations to guarantee objective research and quality results. The aim is to bring about real, beneficial changes to these dietary practices.

Companies will also share their non-competitive information to help further shared knowledge. In some cases, like the gradual reduction in added sugar for example, a joint sector-wide commitment will no doubt be necessary.

Lastly, out of concern for transparency, companies will report on their entire product portfolios, rather than just their “nutrition and health” activities. Along the same lines, they will aim for transparency on their lobbying and advocacy practices.

In conclusion to this overview, it must be added that product quality increasingly includes the concept of sustainable diets. This means, to quote the FAO’s definition: “those diets with low environmental impacts which contribute to food and nutrition security and to healthy life for present and future generations. Sustainable diets are protective and respectful of biodiversity and ecosystems, culturally acceptable, accessible, economically fair and affordable; nutritionally adequate, safe and healthy; while optimizing natural and human resources.”



SOCIAL ISSUES

Danone must cope with the coexistence of two very different macroeconomic environments in the countries where it does business - mature countries on the one hand, and emerging countries on the other. This dual context represents a real challenge as regards social issues.

Mature and emerging countries: contrasting issues

In the “mature” countries, demographic change is resulting in an aging population and a shrinking labor force (which has dropped to 68% of the total population in Europe according to INSEE data), but also in the cohabitation of two or even three generations at work for the first time ever.

In emerging countries, the need for skills development, in particular in countries where the education system is not able to produce the necessary talents, and competition between Western companies to attract potentials, requires policies to both attract and develop skills.

Recruitment, transmission and training: getting the best out of each individual

Large international companies must therefore address challenges in three areas.

First, ensure a properly functioning working community in which several generations work side by side: they must therefore leverage senior employees’ skills and design an organization that fosters interaction and cooperation.

Secondly, attract and develop talents in high growth countries, by partnering with local players (universities, training institutions), acquiring appropriate internal systems and affirming the intention to develop recruitment.

Lastly, foster continuous development for all in an evolving environment: one study referenced by the OECD (Organization for Economic Cooperation and Development) for example, indicates a shortage of some 1.5 million managers in the United States who are able to seize investment opportunities related to digital data. Thinking about new ways to learn and share knowledge and information is a key issue.

DEVELOP
TALENTS
IN A COMPLEX
ECONOMIC
CONTEXT

SOCIAL ISSUES

Developing in a challenging economic environment

The economic environment in Europe has deteriorated for the long term. Unemployment is expected to remain high in OECD countries in 2014, particularly among young people and low-skilled workers, with a forecast 7.8% at end 2014, representing some 48 million unemployed in the 34 OECD member countries.

Only Germany should see a slight drop in its unemployment rate. In addition, only five countries can boast unemployment rates below 5%: Austria, Korea, Japan, Norway and Switzerland. Forecast global growth has also been revised downwards due to the slowdown in emerging countries.

The employment situation is leading to growing socio-economic inequality: for over five years, income inequality has been on the rise in two-thirds of OECD countries. This correlates largely to changes in wages, which account for 75% of working households’ income.

Beyond their immediate impact on households’ available income, rising inequalities can have serious consequences on living conditions, in particular in a context where government intervention in social protection (access to healthcare, welfare, pensions, etc.) and wealth redistribution are subject to considerable budgetary constraints.

This raises the question of companies’ role in providing social welfare insurance for their employees and, more generally, redistributing created wealth. These issues must be addressed from an international angle, at a time when demands in the area of labor law and working conditions are on the rise in certain emerging countries (such as China). Various countries, like Mexico, have initiated ambitious reforms seeking to narrow the gaps in job protection between temporary and permanent workers.

For companies, these changes are all challenges that require them to redefine certain facets of their relationships with their employees and their ecosystem (including skills development and transfer, relations between generations at work, redistribution of wealth, and protection from life’s uncertainties).



ENVIRONMENTAL ISSUES

By 2050 the world's population is expected to reach nine billion people. Food needs and increasing pressure on natural resources will therefore increase. This trend has multiple effects: pollution and loss of land, pollution of watercourses and groundwater, greenhouse gas emissions, deforestation, rising waste production and loss of biodiversity.

Agriculture in need of reinvention

While agriculture is a vital necessity for people, it is responsible for nearly 25% of greenhouse gases, 70% of water consumption and 40% of groundwater pollution. Loss of biodiversity could itself lead to reduced agricultural production (estimated 25% impact by 2050), threatening the planet's food security. Agriculture thus needs to reinvent itself to rise to these challenges. More must be produced with fewer inputs on a smaller cultivated area, while also significantly improving the impacts of agricultural practices on water and soil.

Livestock farming is particularly criticized as being responsible for 18% of greenhouse gas emissions and 37% of soil degradation alone. This creates two risks: a risk of increased tax pressure, and a risk of reduced demand for animal-based product categories.

Ecosystems under threat

The climate change affecting the planet is also an indicator of serious interference with the ecosystems. The climate has already gained one degree Celsius over the past century. It could warm further by between two and five degrees during the 21st century, causing major disturbance of natural cycles (water, soil, biodiversity, etc.) and weakening the ecosystems on which we depend.

Forests are a vital link in the food chain. They help regulate the climate as well as the water cycle and are home to the richest ecosystems in the world. Deforestation is responsible for 20% of greenhouse gas emissions. Forest protection and restoration are critical issues.

In addition, growing demand for water as a result of global population growth accentuates the current water shortage, despite UN recognition of access to clean healthy drinking water as a fundamental right in 2010. Pollution of water resources is speeding up the disappearance of natural water-based ecosystems, particularly in wetlands and forests. The involvement of local populations around water resources and wetlands is vital for their sustainable conservation.

PRESERVE
RESOURCES
AND SATISFY
CONSUMERS

ENVIRONMENTAL ISSUES

Toward a new sustainable strategy

Food companies are therefore facing a double challenge: how to meet the needs of an ever greater number of consumers, on the one hand, and limit the environmental impact of their activities on the other. Their stakeholders' expectations, meanwhile, are mainly focused on reducing the impact of industrial production and precisely measuring these reductions (carbon footprint, reduced water and energy consumption, waste disposal, etc.). Managing the impacts arising from packaging requires reduced use of materials upstream, improved collection and recycling, and transitioning to packaging made of renewable biomass which is not in competition with food.

Pressure on supplies of agricultural raw materials is strong (increased price volatility, new competitors for land such as biofuels, climate impact, loss of biodiversity). This situation is prompting companies to integrate these aspects into their strategy much further upstream. The global economy is transitioning from a period of abundance to a period of resource scarcity, which will ultimately drive up costs.

For their part, consumers are voicing higher expectations of agriculture that combines security, nutrition and health along with environmental protection and respect for natural cycles, and this will become a factor of business competitiveness in the future. To meet these expectations, regulatory changes and progress in research are pushing towards better awareness of the environment and health concerns (precision agriculture, pesticides effective at low doses, alternative methods for fighting off pests and disease, more efficient use of water and soil, etc.).

These major environmental and food security challenges are core concerns for Danone. Preserving the resources and sustainably managing strategic raw materials (in particular water and milk) are the foundation of the group's sustainable model within its ecosystem.



2013 STRATEGY HIGHLIGHTS

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THE COMMITMENT TO BRING HEALTH THROUGH FOOD

"BRING HEALTH THROUGH FOOD TO AS MANY PEOPLE AS POSSIBLE"

"Bringing health through food to as many people as possible": Danone's teams around the world implement concrete initiatives every day in pursuit of this mission defined in 2006. Danone Research plays a central role in implementing this strategy, with the conviction that diet and an understanding of its impacts will be key to addressing health issues in the future.

Danone teams rely on comprehensive understanding of nutrition-related issues (1), unique research approaches (2) and purposeful governance choices (3) to ensure product quality and food safety (4).

1. A UNIQUE NUTRITION STRATEGY

The nutrition strategy defined in the Food, Nutrition and Health Charter is based above all on a good understanding of local situations. It also seeks to promote products that are positioned as "healthier alternatives" and measure the impacts of diet on consumer health.

Connect to local cultures

By developing a complete understanding of the context in each country, Danone is able to contribute to good eating habits by offering products that are appropriate and adapted to local cultures and attitudes. The group therefore seeks to learn in detail about local public health issues and nutrition needs, as well as dietary and hydration habits and the related cultural aspects.

Offer wholesome categories and healthier alternatives

Over the course of its history, Danone has redesigned the contours of its product portfolio to center on wholesome categories: dairy products (which provide good nutrient density and are present in most food pyramids around the world), water (a nutrient that is necessary for life), sugar-free beverages, and products that meet specific needs and are strictly regulated : child nutrition and medical nutrition.

In 2013, these wholesome categories represented 89% of Danone's total sales. The remainder of the portfolio is positioned as "healthier alternatives," products that are healthier than those they replace in the diet (for example, beverages with reduced sugar content compared with the benchmark beverages in the market). The entire portfolio is therefore dedicated to healthier eating, which gives Danone an outstanding position among the major food industry players, and supports the promotion of these categories of products in general, beyond the group's own brands. In addition, **67% of Danone's 2013 sales met strict nutritional targets** (dairy products and child nutrition products in compliance with corporate nutrition standards, water and sugar-free beverages, medical nutrition), further supporting the group's choices.

89%
OF DANONE SALES
BELONG
TO WHOLESOME
CATEGORIES

THE COMMITMENT TO BRING HEALTH THROUGH FOOD

Measure dietary impact

Danone seeks to understand the impacts of its products and initiatives on dietary balance. A large part of the group’s nutrition research is devoted to developing innovative tools for measuring the impact of products or categories on diet.

In 2013, Danone Nutricia Research organized a seminar on nutrition modeling as part of the 20th International Congress of Nutrition in Spain, where 120 participants examined applications in both developed and emerging countries. Nutrition modeling is a powerful tool for quantifying the share of a given food category in a balanced diet, making it possible to offer dietary advice to a specific population⁽¹⁾. Danone has also developed, in collaboration with AgroParisTech (France), the dietary quality index “PANDiet” that combines the two dimensions of a balanced diet : meeting nutritional needs and avoiding excess, in a single score⁽²⁾. This type of tool supports the development of individualized dietary advice⁽³⁾.



2. RESEARCH AND INNOVATION TO BRING HEALTH THROUGH FOOD

Research and innovation are fundamental to being able to offer the best products around the world that are the most suited to each age group and tailored to different lifestyles. At Danone, this research involves both the “hard sciences” and social sciences, with the goal of understanding foods themselves as well as eating habits. Science at Danone is entirely dedicated to food and diet.

Experts are interested in the simple pleasure of eating, for example. The group is thus continuing its contribution to the ANCA corporate research chair (*Alimentation Nutrition Comportement Alimentaire*, or food, nutrition, eating behavior). This chair, founded in 2011 with AgroParisTech school, has two purposes: developing nutrition education programs based on innovative teaching methods, and research on the pleasure of eating. An international scientific symposium was held in Paris in December 2013 on the topic: “How can the pleasure of eating foster good eating habits?”

(1) Buttriss, J. L., Briand, A., Darmon, N., Ferguson, E. L., Maillot, M. and Lluch, A. (2014), Diet modelling: How it can inform the development of dietary recommendations and public health policy. *Nutrition Bulletin*, 39: 115–125
 (2) Verger EO, Mariotti F, Holmes BA, Paineau D, Huneau JF. Evaluation of a diet quality index based on the probability of adequate nutrient intake (PANDiet) using national French and US dietary surveys. *PLoS One*. 2012;7(8)
 (3) Verger EO, Holmes BA, Huneau J-F, Mariotti F. Simple changes within dietary subgroups can rapidly improve the nutrient adequacy of the diet of French adults. *J Nutr*. 2014 (in press)

THE COMMITMENT TO BRING HEALTH THROUGH FOOD

In 2013, Danone Nutricia Research reconfirmed its priority areas of innovation:

Ensure nutritional quality and preserve natural resources

Danone’s research teams commit to always seeking to optimize the nutritional value of the group’s products based on WHO recommendations, while also developing products that serve as alternatives with superior nutritional and organoleptic qualities. At the same time, they commit to working to protect the environment via cutting edge packaging technology – in particular by limiting its impacts, reducing the volume of source materials and expanding the use of recycled and renewable materials.

Apply science to food to develop products that enhance all people’s health

The aim is to discover every day how food is an endless source of health benefits at every stage in life. Danone works with scientific experts and research institutes around the world to develop its knowledge of the key health role played by the digestive system and intestinal microbiota. Danone collects and creates bridges between areas of expertise including nutrition, identifying lactic bacteria and their role in health, cognitive performance, epigenetics, hydration science and understanding intestinal microbiota, with a view to developing or perfecting products based on scientific advances.

Start from eating practices and include cultural differences to better meet local health goals and challenges

Danone integrates an understanding that eating is part of everyone’s daily life and culture. Danone works closely with healthcare actors in each country to better comprehend local situations in terms of public health issues, consumption and issues of nutritional deficiencies and overeating. The group also examines food-related practices and representations, and how they evolve, from a sociological angle. Danone strengthened its research effort in 2013 by signing a three-year cooperation agreement with the CIRAD (Agricultural Research for Development) and Fondation Agropolis aimed at study eating styles in different countries via a network of socio-anthropologists.



Danone’s local focus is also evidenced by the adaptation of products to consumer practices and wishes in terms of forms, flavors and textures.

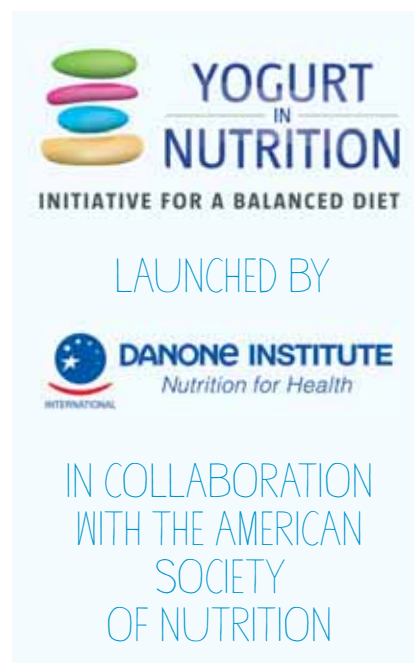
THE COMMITMENT TO BRING HEALTH THROUGH FOOD

Promote product categories as daily sources of health and well-being for all

This rapidly growing field of research seeks to evaluate the impact of the group's products on consumer diet. It includes, inter alia, developing tools for quantitative measurement of dietary intake, defining dietary quality indices, classifying consumers based on the nature of their diets and simulating the impact of a change in diet on overall dietary quality. Danone is also developing a new branch of expertise in nutrition economics, with a view to ultimately converting measurements of impact on diet into economic impact on health costs.

Danone Nutricia Research celebrated in 2013 the fifth anniversary of the Hydration for Health Initiative, with 14 symposiums and 39 conferences in nine countries, as well as the joint organization of two conferences with the EASO (European Association for the Study of Obesity) and one symposium with the ISN (International Society of Nephrology) on hydration and renal health.

In addition to its investing in research, Danone supports various initiatives aiming at promoting wholesome food categories, as the initiatives of the Danone Institutes around the world. Among other actions, Danone Institutes International has launched in 2013, in cooperation with the American Society of Nutrition, the "Yogurt in Nutrition Initiative for a Balanced Diet," with the objective to stimulate research on the effects of yogurt on health and communicate available scientific information to healthcare professionals and the general public. A first international scientific event, the Global Summit on the Health Effects of Yogurt, was held during the 2013 Experimental Biology congress in Boston.



THE COMMITMENT TO BRING HEALTH THROUGH FOOD

3. PURPOSEFUL GOVERNANCE

It is a question of attitude, it is a question of choice. Danone's mission – bringing health through food to as many people as possible – involves big responsibilities. This is why Danone has defined its commitments and governance mechanisms in a Food, Nutrition and Health Charter. The group also publicly disseminates information concerning its policies, the results of its scientific research and its ratings by independent agencies.

Reconfirm the group's commitment

Danone took a further step towards transparency and responsible communication in 2013 with the publication of its Policy on the Marketing of Foods for Infants and Young Children. This document defines Danone's approach to marketing foods for infants and young children. It establishes the behaviors expected of Danone's employees when carrying out their duties related to promoting these products, and clarifies the company's commitment to support the goals and principles of the WHO Code. External audits of the effective application of this policy were also extended to a greater number of subsidiaries in 2013.

Measure nutrition performance

In 2013, a pilot audit was completed by an external organization (leading up to a verification in 2014) covering the entire health-nutrition indicator reporting process ("Scorecard"). In this way, Danone is ensuring its ability to manage its nutrition performance and give stakeholders consolidated, robust and reliable information about its results. Danone's performance was recognized by two reference organizations in 2013. The group was ranked number one in the first edition of the Access To Nutrition Index (ATNI), and rated "best in class" by the Dow Jones Sustainability Index for the nutrition-health criteria with a score of 100/100. This is a source of pride for the entire group, and motivation to continue its efforts and pursue this strategy in future.



THE COMMITMENT TO BRING HEALTH THROUGH FOOD

4. QUALITY AS A GUARANTEE OF FOOD SAFETY

Danone's nutrition strategy, driven by innovation and purposeful governance, targets uncompromising food quality and a continuous effort to ensure food safety. Food safety is a fundamental condition for public health and social stability in a country. It requires the cooperation of all the actors in the food chain: not just companies, but also governments, oversight agencies, the media, NGOs and consumers.

In this framework, Danone continues to be an active member of the Global Food Safety Initiative (GFSI), the only organization that involves every food sector player from the public and private sectors at the global level. It pursues the ongoing improvement of food safety and public health with a view to strengthening consumer confidence around the world.

At Danone, this food safety objective relies on precise risk evaluation and expertise developed throughout the product life cycle.

Evaluate risks

A good product is a product without risk for the consumer. Danone's food safety criteria are aligned with the FSSC 22 000, the international standard recognized by authorities and consumers to which is added a prerequisites program, specific to Danone, formalized in 2012 (see page 19 of the 2012 Sustainable Development Report). Alignment to this standard began in 2012 with the introduction of pilot audits (with four external certification agencies) in the Fresh dairy products, Early life nutrition and Medical nutrition divisions. The pilot audits continued in 2013 in the Waters division, as well as deployment in the other divisions: more than 30 plants in 20 countries met the defined objectives.

Danone also evaluates potential and actual risks via the Danone Food Safety Center, with the aim of guaranteeing healthy and safe products for its consumers. This involves active scientific control of products, with the assistance of international experts, to identify and define new risks as early as possible.



THE COMMITMENT TO BRING HEALTH THROUGH FOOD

Expertise in real time

Quality expertise is now implemented throughout product's life cycle. At every stage from design to consumption, everywhere in the world and at all times, controls are carried out to guarantee products that are safe and compliant, in accordance with the annually reviewed criteria defined in Danone's specifications.

Maintain consumer confidence

Danone tracks information throughout its products' life cycles, all the way to sale to the end consumer, to ensure a rapid and satisfactory response to consumer expectations and continuously enhance their confidence.

Two key projects have been developed to support this approach:

- in addition to existing programs for collecting consumer opinions, Danone wants to use social media to take into account the feedback from the consumers using these new communication channels. A pilot project is currently being tested in the Early life nutrition division in Indonesia. The results will serve to improve the tool for broader deployment in 2014;
- to ensure that the product made available to consumers in points of sale truly meets its standards, Danone is continuing to implement a project designed to analyze consumer experience at the precise moment of purchase. Its development has accelerated with the installation of an information system that improves the process by making information available immediately and supports more robust reporting.

Develop the Quality function

The role of the Quality function has been expanded in the framework of the reorganization of the European subsidiaries, with the aim of ensuring ever better product quality and food safety. Three priorities were defined for this reorganization:

- preserve the function's expertise and develop its key resources;
- develop guidelines for all subsidiaries to support the Quality approach throughout product life cycle and strengthen the function's impact by ensuring that every local management committee includes a Quality director;
- simplify working methods and manage expertise for better knowledge sharing among all the divisions. In terms of training, the "Food safety" e-learning platform was overhauled and a new leadership program for managers was created to enhance the impact of the Quality function on business.



BE ACCESSIBLE TO THE GREATEST NUMBER OF PEOPLE

“ENABLE THE GREATEST POSSIBLE NUMBER OF CONSUMERS TO ACCESS DANONE PRODUCTS”

Enabling the greatest possible number of consumers to access Danone products is a major strategic priority for the group. This is both Danone’s core mission and a powerful growth factor in high-potential geographic regions.

To make its products available in ever more places, and in particular in emerging countries, Danone has focused on three levers: innovation (1), investment in new markets (2) and social business (3).

1. INNOVATE TO REACH MORE PEOPLE

Danone products are more and more successful in the growing countries where the group is present: Mexico, Indonesia, China, Russia, the United States and Brazil. All these countries help to drive Danone’s growth, accounting for 54% of the group revenues. Therefore, Russia generates 11% of revenues and represents the group’s largest market.

If consumption is rising, this is due to the group’s innovation strategy and will to create new products adapted to local needs. For example in 2013, Danone launched in Brazil: an infant formula adapted to local nutrition needs under the Milnutri brand, the Danio range of Greek yogurts, and a range of aquadrinks under the Bonafont Levissé brand. In China and Indonesia, the Mizone brand has expanded in the aquadrinks segment.

External growth is another development factor. In the United States, for example, Danone has entered new market segments through the acquisition of Yocrunch in the yogurts with toppings segment.

Innovation also involves new distribution channels. Always with a view to improving the products’ accessibility, the group has expanded its products’ physical presence into more distant regions and cities using innovative distribution models that take account of local particularities and limitations. Thus, the “Route to Market” approach has enabled subsidiaries to expand the distribution of certain products. For example, Danone has developed a “ready-to-drink” distribution network in Indonesia that covers 25% of the total network, making Milkkuat brand products, treating vitamin and mineral deficiencies (zinc, calcium, iron) in children age six to twelve, available in points of sale. Most points of sale are local shops, and this innovative “Route to market” approach includes a growing number of vendors, often on two-wheeled vehicles, dedicated to the smallest points of sale, expanding the visibility of the offer and reaching 80% of the children impacted by this nutritional need. In this specific case, 36 million children between the ages of six and twelve are affected, out of 45 million in total.

Partly, thanks to these innovations and new approaches, Danone estimates that it reached 913 million consumers in 2013, with an ultimate goal of one billion.

913 MILLIONS OF DANONE CONSUMERS

BE ACCESSIBLE TO THE GREATEST NUMBER OF PEOPLE

2. DEVELOP NEW MARKETS

Danone has also chosen to invest massively to consolidate its presence in emerging economies. Development has continued in the countries where the group already has operations. In Turkey, for example, the Waters division was expanded with an investment in the company Sirma. In the United States, the group entered the organic child nutrition market with the acquisition of Happy Family. In India, Danone participated in the renovation of the Wockhardt portfolio.

In pursuit of its mission to bring health to as many people as possible, Danone has also developed strong positions in Africa, a continent with considerable potential (a quarter of the global population will be African in 2050, and in 2100, five of the world’s ten most populous countries will be in Africa).

In North Africa, for example, Danone took a controlling share in Centrale Laitière in Morocco (67%). In West Africa, where the group’s presence was negligible – except in Early life nutrition and in Senegal where it had developed an innovative experimental project – Danone invested in the Fan Milk group. With revenues of €120 million in 2012, this group is a major player in frozen dairy products and juices in the region, with a distribution channel of more than 31,000 independent vendors. Lastly, in South Africa, Danone has launched several products in recent years with longer conservation and affordable pricing, including Mayo, Ultra Mel and Yo-Jelly launched in 2013. These products offer the advantage of being able to reach points of sale that were previously inaccessible.



BE ACCESSIBLE TO THE GREATEST NUMBER OF PEOPLE

3. SOCIAL BUSINESS: FOUNDATION FOR THE FUTURE

Because the group seeks to ensure development consistent with its mission, social business is the watchword for Danone today. It is giving rise to increasingly robust projects. In six years, the group's social business incubator danone.communities has partnered with ten social entrepreneurs seeking to deliver solutions to malnutrition, lack of access to water and insecurity in seven countries (Bangladesh, Cambodia, China, France, India, Mexico and Senegal). One million people have directly benefited from these initiatives.

Three examples of social business

Danone's primary focus in 2013 was to consolidate existing social business activities.

Here are three examples with real social and/or economic impacts:

The JITA project in Bangladesh - JITA, in Bangladesh, trains women, who live in insecure situations, in door-to-door sales. Joint efforts by JITA and private partners ensure that products sold support lifestyle improvement (health, hygiene). The results are conclusive: today JITA has improved the autonomy of 6,480 women. In addition, more than 2.5 million people in rural settings now have access to staple products, and more than 500 jobs have been created. JITA precisely evaluates its social impact by regularly monitoring three indicators: women's participation in household decisions, their freedom to circulate within the village and its environs, and their participation in socio-economic organizations that enable them to consume and/or produce.

Dolima yogurt in Senegal - La Laiterie du Berger in Senegal produces Dolima yogurt, the unique cow's milk yogurt in the country. Its commercial success is clear: sales have multiplied by five in five years, with efficient distribution via more than 10,000 points of sale. This success is due to an innovative offer: a mixed milk and grain product in an affordable and practical pouch format for ready-to-eat preparation of an extremely popular meal known as *thiakry*. It has above all provided a real market for the 800 families of Peul farmers who supply the milk. A key threshold in the project's consolidation was achieving a positive EBITDA (gross operating profit) in 2013.



BE ACCESSIBLE TO THE GREATEST NUMBER OF PEOPLE

A new long shelf life product in Bangladesh - A yogurt that supplies 30% of daily needs of zinc, iodine, iron and vitamin A, with 80,000 yogurts sold daily at €0.08/unit, but climate conditions that make transport to the country's isolated and humid villages difficult: the problem in Bangladesh was not an easy one. To provide a solution, Grameen Danone Foods developed a suitable product that was even less expensive and able to overcome cold chain constraints. It represented additional income opportunities for the micro-entrepreneur "ladies" targeted by the project. Today the production facility for this long shelf life product is ready.

Support social business entrepreneurs

The consolidation of this approach also involves reinforcing the organizations that ensure the projects' autonomy. A sustainable project requires a stable organization, so Danone has implemented a new support approach developed together with the social businesses. A new Social Innovation & Community Manager dedicated in part to this program is further evidence of this consolidation.

Beyond the three priorities, nutrition, water and insecurity, cross-cutting projects are taking shape in France today. The fields of cooperation are micro-distribution, marketing and pricing strategies, and spin-off efforts. These projects were launched at meetings attended by all the social businesses on the field (two meetings were held, in April 2013 in Paris and in November 2013 in India).

Under this new approach, for example, 1001 Fontaines and Naandi Community Water Services initiated skills sharing together with Accenture and danone.communities, in order to support water filtering station operators with a view to bringing drinking water to more villages and raising awareness of health issues.

Today three projects are already committed to spin-off efforts:

- 1001 Fontaines, which has begun replicating its model developed for Cambodia in India and Madagascar;
- EcoAlberto, in Mexico, initially implanted in rural areas, which aims to test distribution in urban slums and is considering expansion to another state in the country;
- JITA, in Bangladesh, which is planning further workshops to foster the expression of female leadership in new countries.

3 PROJECTS COMMITTED TO SPIN-OFF EFFORTS



BE ACCESSIBLE TO THE GREATEST NUMBER OF PEOPLE

Promote social business

To promote its action and raise public awareness of the social business theme, danone.communities has expanded its mobilization activities:

- by supporting the SOS Group's Up Conference cycle "Inspiring social innovation" (30 events per year);
- with informal "Yunus & You Cocktails" (YY) meetings between social entrepreneurs, students and young professionals;
- by organizing several panels and workshops at the Convergences Forum, in particular asking for public input in seeking solutions for the "water" theme;
- by co-organizing a hackathon, "Hack the future now!" during the Social Good Week;
- by supporting a social media with the MakeSense community for the first Global Social Business Summit in Asia (three million people reached).



EMPLOYEES' COMMITMENT: A TRANSFORMATION LEVER FOR THE BUSINESS

"CONSIDERATION FOR ITS EMPLOYEES AND THE DESIRE TO ENSURE THE BEST POSSIBLE GROWTH, ARE AT THE HEART OF DANONE'S CULTURE"

Consideration for its employees, and the desire to ensure the best possible growth, are at the heart of Danone's culture and of its dual economic and social project. The group therefore introduced a plan for savings and adaptation designed to transform its organization in 2013 (1). Danone also focuses on valuing diversity among its employees (2), skills development (3) and strengthening safety, health and social dialogue programs (4). Finally, the group have also considerably expanded the Danone Ecosystem Fund initiatives (5).

1. CHANGE IN SUPPORT OF GROWTH

A plan for savings and adaptation was implemented in Europe with the goal of simplifying and adapting the group's organizations to improve competitiveness. In practice, this means, over two years, achieving €200 million in structural savings, 901 jobs' suppressions, combining several subsidiaries in Europe (from a total of 67 to 33 in all) and broad-based efforts to simplify operations.

Danone's focus is to support change and implement a sustainable organizational model, in order to roll out this plan under the best possible conditions. Several approaches are underway:

Fostering social dialogue

Some 300 meetings were held with employee representatives in Europe (around two-thirds in France) between February and July 2013. Two conventions were signed: an operating method convention with the International Union of Food workers at European level in March, and a joint convention on social support measures for all the French subsidiaries concerned in June.

Promoting employee mobility

A program in support of internal and external employee mobility was implemented - it has enabled a greater than 40% rate of transfers of employees within the group. Employees wishing to start their own business benefited from a specific program that is based on the "Danone for Entrepreneurs" network and included practical and financial support. More than 30 projects had been supported by the end of 2013, 75% of them in France.

90% OF DANONE EMPLOYEES ARE PROUD TO BELONG TO THE GROUP ACCORDING TO THE LAST PEOPLE SURVEY

EMPLOYEES' COMMITMENT:
A TRANSFORMATION LEVER FOR THE BUSINESS

Supporting the development of the new organizations

In most cases the new organizations were built on the model of inter-country subsidiaries, combining entities previously organized by country. Danone created a support system to facilitate the implementation of these new organizations. Thus, of the thirty-some European subsidiaries that will be in place at the start of 2014, two-thirds were supported with coaching sessions for the new management teams.

Simplifying ways of working

Discussions concerning the organizations' ways of working started in 2013 and will continue in 2014. The goal is to simplify decision-making processes and make the organizations less complex. There are already several tangible results. For example: the number of references for Activia yogurt fruit preparations has decreased from 260 to 72.

2. VALUE DIVERSITY

Promoting more diversity within Danone was one of the priorities in which the group continued its efforts in 2013. Whether the issue is gender equality, or the diversity of generations, cultures or nationalities, Danone views the topic as an asset for the company. It is, more importantly, a factor contributing to the group's shared performance.

Gender equality

Wage equality between men and women is one of Danone's priorities. Wage gaps are therefore closely monitored, in particular since 2011, via systematic analysis of annual salaries in every employment category. Today the average difference between men and women across the group as a whole is only 3%.

The percentage of women working in the group has also continued to grow at every level. In 2013, women accounted for:

- 48% of managers (+5 points compared with 2008);
- 33% of directors (+6 points);
- 19% of executive directors (+8 points).

Work also continued in the area of individual representations. The EVE seminar launched by Danone in 2009 mobilizes a network of 1,000 people from 15 companies in efforts to work on male/female representations and the issue of female leadership.

Lastly, since 2012 some subsidiaries have implemented measures in support of a better work-life balance, such as telecommuting, for all levels of responsibility. This also serves to promote greater gender equality at work by making it easier to blend work and family life.



EMPLOYEES' COMMITMENT:
A TRANSFORMATION LEVER FOR THE BUSINESS

As a result of this policy, 80% of employees answered "yes" to the "My subsidiary offers equal opportunities regardless of gender" item in the 2013 Danone People Survey. This figure has however decreased slightly since 2011 (83%).

Mixing of generations

In the 2013 Danone People Survey, the "My subsidiary offers equal opportunities regardless of age" item obtained a positive response from 74% of employees. This result could be improved and generational diversity should be further supported. Several projects already promote this goal.

Therefore, a program entitled "GenD" has been implemented for young managers. The idea is simple: bring together 100 managers below the age of 30, from 28 different nationalities, for an event in Evian, with the goal of transmitting the Danone culture and its specificities, increasing their motivation and bringing them closer to the group's executives.

Another approach: Danone launched the Octave event as an extension of the EVE seminar model, with a view to fostering intergenerational communication. This seminar is based on the notion that when generations "rub shoulders" it contributes to the overall performance of the company. The first Octave seminar took place in April 2012, and was attended by 120 people of all ages, from five companies. A second event was held in April 2013.

3. DEVELOP AND SHARE SKILLS

For Danone, developing the skills of all the group's employees is a necessary condition for its growth. The purpose is twofold: the group needs to transmit knowledge and skills, and foster a shared culture among all employees.

Access to training has been rising for several years, and continues to grow. In addition, between 2008 and 2013, the average number of training hours per employee rose from 24 to 31 hours per year, an increase of more than 40%. Lastly, in various countries Danone has chosen to train managers to run internal training sessions. In China for example, the 2011 creation of "Danone China University" enabled 814 people to be trained by 111 internal trainers.



EMPLOYEES' COMMITMENT:
A TRANSFORMATION LEVER FOR THE BUSINESS

The Danone Leadership College program, created in 2008 (see page 28 of the 2012 Sustainable Development Report) has focused on supporting 15 pilot production sites (including three in Asia) to integrate the CODE leadership attitudes into operators' daily work situations. CODE attitudes are now an integral feature of human resources processes (recruiting, evaluation, management training, etc.). The goal of this approach is to enable all Danone employees, at whatever level and whatever their work setting, to benefit from the same leadership framework.

Besides, Danone's Learning policy, which was redefined in 2012, was structured around four priorities in 2013:

Virtual learning platform

A virtual learning platform for training known as "Campus 2.0" was deployed in 13 of the 15 largest countries in which Danone is present. With this platform, containing a rich and varied panel of training courses, people can easily and quickly search for content online and thus develop additional learning opportunities beyond classroom-based training.

Mining collective intelligence

Developing skills is not enough – they must also be networked. This is why a "digital academy" was launched at the end of 2013 to help spread skills and digital practices among the sales and marketing function teams. The launch of an "e-business" program for the sales function is also planned for 2014. Reverse mentoring programs have been developed to foster mutual learning – in particular between junior and senior employees in the digital field. Finally, Danone initiated a company-wide network, the "Danone Social Network," in 2012. It is a clear success, with 40,000 employees connected (nearly 40%) at the end of 2013. The network hosts 1,250 communities and 620 blogs.

Transforming business models

The goal: transform and develop leadership models that better address the diversity of business issues. A pilot session for General Managers was introduced in 2013 and will be rolled out in 2014.

Bringing the group's culture to new geographies

To address the extensive need for new talents in the group's new geographies, Danone has introduced a broad skills development model, the "Learning Factory." New corporate universities are under development in Latin America, Indonesia and Russia in this framework. The birth of a support program for new group hires should also be noted: "Dan Discovery" was designed in 2013 to familiarize new employees with the Danone culture, whatever their subsidiary of origin.



EMPLOYEES' COMMITMENT:
A TRANSFORMATION LEVER FOR THE BUSINESS

4. COMMIT TO SAFETY, HEALTH AND SOCIAL DIALOGUE

In terms of fundamentals, initiatives continued in 2013 with sustained focus on safety within the group's subsidiaries, the development of the Dan'Cares healthcare program and social dialogue.

Safety culture

The year 2014 is the tenth anniversary of the WISE program, whose goal is to strengthen safety attitudes in the company and integrate them into labour practices. Safety at work is a priority for Danone. For ten years, the WISE program has enabled a 15% reduction each year in the number of accidents, thus preventing a total of 7,000 accidents since 2004.

After eight years of continuous progress (the frequency rate of accidents generating work absence in particular decreased nearly with 60% from 2009 to 2011), improvement of this rate has been slowing down since 2012. In 2013, the frequency rate of accidents generating work absence was 2.3, representing a 10% decrease.

The development of a safety culture must therefore continue. For this purpose, Danone is increasing management's involvement by mobilizing the subsidiaries' General Managers around this issue, as well as integrating safety objectives into individual and collective objectives. The group is also highlighting the link between safety and operational excellence, by developing discipline around safety standards with the 2013 launch of a new standard integrating the specific lessons learned from all the fatal accidents in the group over the past ten years ("12 basics"), which helps to improve discipline in other areas too, such as quality, customer service, environment, etc.

Dan'Cares: universal healthcare coverage

The Dan'Cares program is rooted in Danone's dual economic and social project. With this policy, every group employee can benefit from quality healthcare coverage, in particular for basic medical care: hospitalization, maternity and outpatient care. Dan'Cares stands out as a flagship program for the group in terms of its scope, its positive perception by the concerned employees, and its favorable economic impact for subsidiaries.



EMPLOYEES' COMMITMENT:
A TRANSFORMATION LEVER FOR THE BUSINESS

The program was launched in 2010, and at the end of 2013, in line with the group's objectives, 67% of Danone employees (around 70,000 people) were covered by Dan'Cares or by an equivalent level of healthcare coverage. This proportion should reach 87% by the end of 2015, according to group forecasts (90,000 people), including 15,000 employees of the Russian subsidiaries who will gradually be covered.

Social dialogue as a lever for economic and social progress

Social dialogue at Danone is organized around a worldwide labor relations body (Consultation and Information Committee, CIC), negotiation and monitoring of international framework conventions with the IUF (International Union of Food workers), and dynamic relations with trade unions and employee representatives in the group's subsidiaries.

In 2013, beyond the reorganization project, social dialogue took place at various levels:

- in France, the group central Human Resources Department together with employee representatives initiated a program for careers and recognizing of representatives' skills via training in partnership with Sciences Po;
- internationally, in the framework of the CIC, via discussion between management and employee representatives on the group's innovation policy, the creation of a working group with the IUF on the topic of precariousness, and lastly via continued joint visits with the IUF, for example in subsidiaries in Indonesia or the new entities in Morocco.

In terms of working conditions, the "human feasibility studies" method (*to learn more, see the 2012 Sustainable Development Report, page 31*) implemented from 2012 in accordance with the September 2011 convention on health, safety, working conditions and stress with the IUF, served to support many change projects in 2013. In France, action plans to address occupational stress risks introduced in all the group's French subsidiaries were monitored at national level in 2013 by a joint commission with employee representatives.



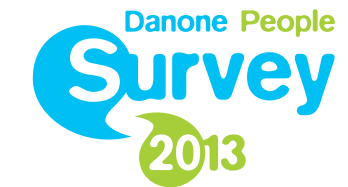
EMPLOYEES' COMMITMENT:
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Danone People Survey 2013: commitment remains high

The 9th Danone People Survey addressed 100% of Danone employees while including, for the first time, the 20,000 employees at Danone Russia and the Fresh dairy products business unit, Centrale Laitière, in Morocco. The survey saw a record participation rate of 88%, with more than 85,000 respondents.

The key learnings of this campaign are the following:

- the long-term commitment of employees remains at very high level of 81%, with 90% of employees proud to belong to the group and 86% of them that would recommend the company as a good employer;
- the commitment to the social and environmental plan is very strong, with 91% of employees valuing the level of group involvement in environmental issues, and 75% of managers believing it has a positive impact on business results;
- progress and expectations for more collective efficiency: the perception of management's ability to support teams' development is improving. Nevertheless, employees express the need to be better informed and supported by their local management, and want to see an improvement in the organisations' efficiency.



EMPLOYEES' COMMITMENT:
A TRANSFORMATION LEVER FOR THE BUSINESS

5. A STRONG COMMITMENT TO STAKEHOLDERS: THE DANONE ECOSYSTEM FUND

To “bring health through food to as many people as possible,” Danone must continuously innovate and adapt its business models. The Danone Ecosystem Fund, created in 2009, seeks to strengthen local actors in Danone’s ecosystem who contribute to this mission (small farmers, suppliers and sub-contractors, transport operators, distributors, regions, etc.) by modifying some of the group activities across the entire value chain. Organized into five areas of action (sourcing, micro-distribution, recycling, personal services and local development), the fund contributed to 47 projects involving 38 subsidiaries in 2013, which represent one-third of the group’s subsidiaries. They have co-created projects with 38 non-profit organizations since 2010. These represent an investment of €47 million and aim to create or consolidate more than 50,000 jobs.

These projects relate to three main components of Danone’s value chain:

- raw materials sourcing (primarily milk), by promoting sustainable agricultural practices, including the protection of mineral springs and thus rainwater catchment areas;
- product distribution, along with an offer of health and nutrition related services;
- waste management and recycling, via the transformation of the sector into a formal economy.

In these three key components, Danone Ecosystem Fund projects aim to create a socio-economic footprint for Danone that generates as much value as possible in economic and social as well as environmental terms.

The goal is to stimulate the local economic fabric, create jobs and micro-companies, enhance professional skills and also generate long-lasting business relationships between Danone and its stakeholders that target the stability of these initiatives over the long term. Danone is also transforming its procurement and sales practices via this new type of relationship with the players in its ecosystem.



EMPLOYEES' COMMITMENT:
A TRANSFORMATION LEVER FOR THE BUSINESS

Three priorities were defined in 2013:

1. Demonstrate the effectiveness of the inclusive models co-developed by the subsidiaries and their partners with the Fund’s support

- by promoting new agricultural practices such as structuring small producers into cooperative models, farmer advisory networks, supporting family agriculture, and more broadly disseminating or strengthening sustainable agricultural practices;
- by combining a nutrition offer with a service offer, via local distribution that supports interaction with the consumer on issues relating to nutrition or additional services;
- by contributing to packaging recycling by structuring informal waste collection businesses that involve in particular waste pickers in the emerging economies.

With these projects, Danone addresses issues of general interest while strengthening its supply, distribution and recycling chains.

2. Measure the impacts of inclusive models

Seven social impact studies have now been launched with universities and research institutes, such as the William Davidson Institute at the University of Michigan in the United States, or the SROI (Social Return On Investment) network in partnership with the French business school ESSEC. These studies seek to measure in detail the impact of the projects on the well-being and professional autonomy of their beneficiaries.

Similarly, a business impact study was completed with HEC Paris business school to gain insight into the total economic value created in this new interaction with the ecosystem (benefits on reputation, brand value, quality of supplier relations or driver for innovation).

All these projects are included in a social and economic performance reporting process via indicators defined with Ernst & Young with a view to possible certification.

3. Identify the transformation potential of the procurement, sales and human resources functions and the skills associated with managing social innovation projects

Three vectors were activated to identify this transformation potential:

- integrating sustainable supply issues into Danone’s new central procurement structure;
- promoting a local distribution model integrating the creation of social value as a strategic aim;
- Danone employees’ involvement in the Fund’s projects.



NATURE 2020:
NATURE AT THE HEART OF THE FOOD CHAIN

“FOR DANONE,
A HEALTHY FOOD
BEGINS WITH A
HEALTHY NATURE”

For Danone, a healthy food begins with a healthy nature. Danone business is located at the heart of the food chain. The group’s activity extends from the production of agricultural raw materials and the use of water all the way to product end-of-life, and includes industrial processing, packaging, transport and sale.

Danone adopted an Environmental Charter in 1996 and defined a ten-year market plan and objectives in 2000. The group boosted its efforts in 2008 by setting the goal of reducing the greenhouse gas emissions in its direct scope of responsibility by 30% in five years, a goal that was surpassed at the end of 2012.

Danone has today identified four key focus areas for a new plan looking ahead to 2020: climate (1), water (2), packaging (3) and agriculture (4). Each of these areas will include ambitious initiatives, some of which the group is already engaged in pursuing. Others are seeking to open new frontiers and set new targets, while still others involve commitments that Danone will be finalizing over the next few months, converting them into operational targets. Solutions will pass through innovation.

1. FIGHT CLIMATE CHANGE BY REDUCING DANONE’S FOOTPRINT AND HELPING NATURE SEQUESTER MORE CARBON

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

Measure completely

Danone measures the carbon footprint of its entire product life cycle in every group subsidiary. In 2008, Danone began developing and deploying a single measurement tool in all its subsidiaries: Danprint. This tool is being integrated into existing information systems thanks to an innovative solution co-developed with software editor SAP.

Reduce continuously

After reducing its emissions by 37.4% since 2007 and successfully “uncoupling” its carbon emissions from volume growth (CO₂ emissions nearly stable in absolute value since 2007), Danone’s current goal is to achieve a greater than 50% reduction by 2020, and to stabilize CO₂ emissions while continuing sales growth, for a scope representing 6.6 million metric tons equivalent CO₂ (on the Danone’s direct responsibility scope, excluding upstream agriculture). The group’s total emissions in 2013 are estimated at 17.1 million metric tons equivalent CO₂.

37.4%
CARBON INTENSITY
REDUCTION
FROM
2007 TO 2013

NATURE 2020:
NATURE AT THE HEART OF THE FOOD CHAIN

Support nature

Danone has joined together with eight other large companies in the Livelihoods Fund, the continuation of the Danone Nature Fund founded in 2008, whose mission is to invest in large projects to restore natural ecosystems. These projects contribute to combating climate change by sequestering large volumes of carbon and improving the well-being of local populations: the goal is to store 7 million metric tons of carbon over 20 years for a minimum investment of €30 million. The Livelihoods Fund has already contributed to the planting of more than 100 million trees in Africa, Asia and Latin America.

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

Eliminate deforestation

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

Reduce energy intensity and promote renewable energies

Danone has reduced its energy intensity by 50% since 2000. The goal for 2020 is a 60% reduction. The group is also promoting the use of renewable energies. After the Poços de Caldas plant in Brazil in 2011, the Early life nutrition site in Wexford, Ireland, was next to invest €3.8 million in a biomass burner, for an annual reduction of 9,500 metric tons of CO₂. This project was supported by the Danone Ecosystem Fund. Another notable initiative: Danone has committed in the framework of the Consumer Goods Forum to buying only refrigerators with natural refrigerants for the sales points.



NATURE 2020:
NATURE AT THE HEART OF THE FOOD CHAIN

2. PROTECT WATER RESOURCES, PARTICULARLY WHEN SCARCE, AND USE THEM IN HARMONY WITH LOCAL ECOSYSTEMS AND COMMUNITIES

Water is a precious and sometimes scarce resource that must be used in harmony with local ecosystems and communities. Danone is therefore committed to preserving the quality of this indispensable resource and to respecting its natural cycles by adopting responsible practices at the local level. To achieve this, the group has defined four priorities:

Measure footprint in a “water cycle” approach

A new tool for measuring the group’s water footprint, developed with Quantis, was tested in a pilot subsidiary in 2013, and will be deployed in all the Waters division subsidiaries by 2020. The evaluation of “water” impacts arising from agricultural practices has been integrated into the DanRISE tool (see *Sustainable Agriculture*).

Protect

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

Reduce consumption and waste

Danone seeks to set the example by continuously reducing water consumption and waste in its plants. Results are very positive, with the water consumption intensity related to the production process reduced by 5% in 2013, and down by 46% since 2000. The group is setting a new reduction goal of 60% by 2020, and also strains to ensure that used water returned to nature is of adequate quality for downstream ecosystems and users, by implementing strict corporate standards (defined in the Danone Clean Water Guidelines).



NATURE 2020:
NATURE AT THE HEART OF THE FOOD CHAIN

Monitor ecosystems

The priority aim of water management is to control the risks arising from human activity, such as pollution, deforestation and urban development. Danone therefore seeks to protect and restore the ecosystems connected to water in the regions where the group operates, because protecting these ecosystems means protecting water, and vice versa. For example, forests reduce runoff and increase evapotranspiration and infiltration, while deforestation increases risks of flooding and loss of fertile soil. Wetlands can help regulate and naturally purify the water that passes through them, as well as being home to native plants and animals. Their deterioration or even destruction – half of the world’s wetlands have been destroyed since the start of the 20th century – worsen the food supply issues faced by the most vulnerable communities. Danone also protects highland drainage areas where the group operates and where agricultural activity often predominates.

For example, to preserve its natural source of mineral water, the Villavicencio brand protects a nature reserve of 72,000 hectares (178,000 acres) and its rich biodiversity. It went on from this experience to pursue an innovative partnership with the NGO Banco de Bosques and implement the “Dejá tu Huella” (“Leave your mark”) operation. This initiative allows consumers to participate in creating a new nature reserve, where Villavicencio commits to protect 1 m² for every bottle sold. Actions are also taken to inform the public of the dangers of deforestation and the importance of biodiversity in the local ecosystem. The results are conclusive, with nearly 2,200 hectares (5,400 acres) protected, active public participation in the project, and increased consumer preference for the Villavicencio brand.



NATURE 2020:
NATURE AT THE HEART OF THE FOOD CHAIN

3. TRANSFORM WASTE INTO A RESOURCE AND USE MATERIALS MADE FROM SUSTAINABLE RESOURCES

Packaging is essential to bringing healthy, safe products to consumers, but its environmental impact must be reduced to a minimum. Danone has defined four priorities in pursuit of this goal:

Reduce packaging at the source

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

Turn waste into a resource

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

- support innovation in packaging materials and design to make recycling easier;
- use more recycled materials: today, a quarter of Danone’s packaging is produced from recycled materials. Despite the challenges involved in expanding PET bottle-to-bottle recycling industry, the goal is to achieve a rate of 25% of recycled PET by 2020;
- develop collection systems around the world. Between now and 2020, Danone will support innovative and socially inclusive initiatives for transforming waste into resources in at least ten priority target countries.

Packaging materials made from sustainable resources

Paper and cardboard packaging production can have a negative impact on forests. The group’s goal is to achieve supply that is 100% sourced from recycled paper and cardboard or from responsibly managed forests by 2020 – and by the end of 2015 in regions with a high deforestation risk.



NATURE 2020:
NATURE AT THE HEART OF THE FOOD CHAIN

Danone is also experimenting with plastics produced from biomass (sugar cane, sugar cane waste and corn). These initiatives show that it is possible to develop new materials from renewable resources. By implementing these pilot projects in selected regions, Danone contributes to research and development efforts needed to promote the emergence of new generations of materials that do not compete with food production, for more efficient use of resources. Danone is a founding member of the Bioplastic Feedstock Alliance (BFA) with the World Wildlife Fund (WWF) to encourage responsible development of bioplastics. BFA brings industry together with the best experts, research organizations and society as a whole to help guide the evaluation and sustainable development of these new materials. Learn more at www.bioplasticfeedstockalliance.org.

Engage consumers

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

4. PROMOTE AGRICULTURE THAT PRODUCES A HEALTHY AND BALANCED FOOD SUPPLY, IS COMPETITIVE, CREATES ECONOMIC AND SOCIAL VALUE AND RESPECTS NATURAL ECOSYSTEMS

Upstream of industrial processing activities, agriculture has a significant impact on land use, greenhouse gas emissions, water resources and biodiversity. Agricultural models based on intensive use of chemical inputs and natural resources (land, water, gasoline, etc.) cannot deliver sustainable solutions. Natural resources are limited and becoming scarcer in many parts of the world. Preserving this natural capital requires the use of other agricultural models that are productive to meet food supply needs and sparing of natural resources. Danone is committed together with the other agricultural sector players to promoting and encouraging competitive agriculture that creates social and economic value, respects natural ecosystems and produces healthy food in support of balanced nutrition.



NATURE 2020:
NATURE AT THE HEART OF THE FOOD CHAIN

Practices that are more respectful of the environment

While Danone honors the independence of agricultural suppliers and producers, and although its milk purchases for example represent less than 1% of total global milk supply, the group has long been committed to more sustainable agricultural practices. As early as 2002, Danone founded SAI (Sustainable Agriculture Initiative) which today unites some 50 actors in the agrifood sector. In 2004 Danone integrated ten environmental criteria into its Quality charter for milk producers. A methodology for assessing animal well-being was designed in 2011 in collaboration with Compassion in World Farming. In 2012, in partnership with the University of Bern (Switzerland), Danone developed a tool for evaluating farm sustainability that was tested in six pilot countries in 2013 (in Europe, the Americas and Asia), covering very diverse agricultural models from subsistence farming to large farming operations. The group is also working with other large companies to define a shared vision of sustainable milk production. A guide to adopting sustainable agriculture for the subsidiaries and their partners around the world has been published, in cooperation with more than 20 international experts in the field. The goal of this approach is to create momentum with local stakeholders supporting a shift towards sustainable agricultural practices, to encourage the development of production models that satisfy food supply needs while also preserving the natural cycles of the land, climate, water and biodiversity.



Biodiversity: protect ecosystems connected to agriculture

The impact of Danone's activities on biodiversity is primarily related to upstream agriculture. Agricultural practices have a strong impact on soil erosion, fertility, moisture and loss of organic matter, as well as on the habitats that play a key role in protection and reproduction. A pilot study was launched in Brazil, in particular addressing milk and strawberry production.

Danone will publish the major principles of its approach in 2014, and then transpose these in 2015 into strategic objectives for its sustainable sourcing policy in respect of raw materials from agriculture.

NATURE 2020:
NATURE AT THE HEART OF THE FOOD CHAIN

GOVERNANCE ADAPTED TO GOALS

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

Since 2010, Danone has involved a panel of experts and external stakeholders to organize its strategic thinking and help define its long-term road map. This panel will continue its work as the plan is rolled out.

The group also designed a Nature training module in 2013 to raise awareness of the strategy within Danone. This module will be expanded and made available to all staff in 2014.

Lastly, to strengthen the connection between nature and business, Danone released a Guide to Environmental Claims in 2011 in collaboration with the Futerra agency, to encourage responsible communication by the different subsidiaries and brands. This tool is now available to Danone's teams via a new interactive website launched in 2013.

NATURE 2020: DASHBOARD

	Performance 2013	Milestones towards 2020	Target 2020
Fight climate change by reducing Danone's footprint and helping nature sequester more carbon			
	Reduction of CO₂ footprint Intensity (g eq. CO ₂ /kg product) Baseline end 2007	37% reduction Danone Direct Responsibility (DDR)	> 50% reduction Danone Direct Responsibility (DDR)
	Measure CO₂ intensity across Danone's food chain (full scope) Coverage calculated as a percentage of net sales	46% SAP carbon module coverage	CO ₂ measure worldwide, SAP deployed 100% where applicable
	Reduce energy consumption of factories Intensity (kWh/T product) Baseline 2000	50% energy consumption reduction	60% energy consumption reduction
	Use only natural refrigerants Point of sale fridges & coolers	BCool program	100% new purchases on Danone's own fleet by 2015
	Eliminate deforestation impacts from Danone's supply chain Relevant standards specific to each commodity	Forest Footprint policy	Palm oil and paper & board specific policies since 2012
	Restore ecosystems and fix carbon in soils and forests Livelihoods Fund	40% carbon intensity reduction of the Evian brand	All commodities at risk (soy for animal feeding, sugar cane, etc.) covered by a specific policy
Protect water resources, particularly when scarce, and use them in harmony with local ecosystems and communities			
	Protect natural mineral water resources	All current catchment areas	SPRING developed in collaboration with the Ramsar convention in 2014
	Danone "Clean Water Guidelines" for waste water		Definition by 2015
	Reduce water consumption in factories Process water intensity (M ³ /T product) Baseline 2000	46% water consumption reduction	Priority sites based on Water Scarcity Index
	Measure water footprint	Pilot SAP in one subsidiary	Roll-out in Waters division
Transform waste into a resource and use materials made from sustainable resources			
	Innovate to transform waste into resource	Projects in 4 subsidiaries with Danone Ecosystem Fund	10 priority subsidiaries
	Develop the use of recycled materials	9% rPET Waters 60% rPaper Fresh dairy products 85% rPaper other divisions	25% rPET Waters 75% rPaper Fresh dairy products 90% rPaper other divisions
	Innovate with bio-sourced materials	Activia, Actimel, Volvic, Stonyfield and Danonino in 7 countries	Co-creation of Bioplastics Feedstock Alliance Pilot projects launched
	Source 100% recycled paper or virgin paper from responsibly managed forests, with preference for FSC	73%	100% in high risk countries by 2015
Promote agriculture that generates better nutritional balance, is competitive, creates economic and social value and respects natural ecosystems			
	Promote sustainable agriculture	DanRISE evaluation tool designed and tested in 6 pilot countries	Sustainable Agriculture principles in 2014
	Source raw materials sustainably		100% certified palm oil by end 2014 (Physically segregated RSPO)
			Targets to be communicated in 2015

KEY DATES 1972-2013

2013

70,000 employees insured in 2013 with the Dan'Cares program, **67% of the group's employees**

47 Ecosystem projects in 38 subsidiaries, with the aim to generate **50,000 jobs**

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

Publication of the Danone Management System Manual for the Marketing of Foods for Infants and Young children ("**Blue book**")

Implementation of **CODE for All** in 13 factories

Implementation of an adaptation and competitiveness project in Europe

Redesign of the Nature's engagements from 2020

Acquisition of the **Centrale Laitière** in Morocco, and stake in **Fan'Milk International**




2011

9th Danone-IUF convention on health, safety, working condition and stress

Opening of the Danone Nature Fund to external partners: creation of the **Livelihoods Fund**

Publication of the Danone Charter for Breastfeeding Substitutes

2010

Launch of the **Dan'Cares** program

First **EVE** seminar



2012

Danone listed **No. 1** in the food sector in the ATNI Index, launched for the first time in 2012

6 Livelihoods Fund projects in 2012, involving 9 partner companies

Reduction of Danone's carbon footprint by 35,2% (target of -30% for the 2008-2012 period)

Creation and publication of the Danone's **Forest Footprint** policy

Diffusion of the Public Affairs Policy

First **Octave** seminar


2009

Creation of the **Danone Ecosystem Fund**

Revision of **Food Nutrition and Health Charter** and of the **Business Conduct Policy**

Safety Charter signed by all General Managers

CODE launching: formalisation of the leadership styles and attitudes



2008

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

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

2006

Refocusing of Danone's mission around health: "**Bring health through food to as many people as possible**"

Deployment of the sustainable procurement initiative (**RESPECT**) in all subsidiaries

2001

Launch of **Danone Way**

Formalisation of the **Principes Sociaux Fondamentaux**



1997

Refocusing on 3 businesses with high health-nutrition positioning: **Dairy products, Beverages and Biscuits**

Business Conduct Policy

Formalisation of the group's values: **Openness, Enthusiasm, Humanism and Proximity**

1991

Creation of the **Danone Institute**



1977

Creation of employment offices in charge of supporting restructuring

2007

Creation of the **danone.communities** fund

8th world convention signed between Danone and IUF and diversity

Disposal of the biscuits and cereal-based products division and acquisition of **Royal Numico NV**, specialized in Baby nutrition and Medical nutrition

Creation of the **Social Responsibility Committee of the Board of Directors**



2005

Food, Nutrition and Health Charter

Comprehensive global policy on protection of underground water resources

Integration of the **Fundamental Social Principles** in a convention signed with the IUF

Blédina Charter about commercialization of Baby nutrition products

2003

Membership of the **Global Compact of the United Nations**

Danone founding member of the **Sustainable Agriculture Initiative**



1999

Creation of the **Managers' barometer**, an opinion survey measuring adherence 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** on the protection of wetlands

1996

Appointment of **Franck Riboud** as CEO of Danone

Environmental Charter

Creation of **Danone Conseils**, consumer relations department in France



1992

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



1989

2nd world convention signed between Danone and IUF on **gender equality**

1985

First meeting at the European level with the IUF, inaugurating an international social dialogue within the group

1972

Antoine Riboud's speech in Marseille (economic and social dual project)



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MATERIALITY ANALYSIS

Sustainable development issues cover a number of different areas and involve labour, environmental, social and economic dimensions. While all these issues are important, they do not all have equal impact for organizations on the one hand, and for their stakeholders on the other.

The Global Reporting Initiative, whose 3.0 version serves to structure this report, considers materiality to be the basis for establishing relevant sustainable development reporting, which should thus focus in particular on those issues that are material to each company. These issues reflect the economic, environmental and social impacts specific to the organization that have a preponderant influence on the assessments and decisions of stakeholders with regard to the company. In this framework, in order to best define these material issues, Danone initiated a materiality analysis process in consultation with its stakeholders in 2013. This iterative approach involves multiple steps:

- analyzing available documentation about Danone and its environment to identify a set of relevant issues for the group;
- sharing these issues with stakeholders during individual meetings (about 12 in 2013) to obtain their input concerning its relative importance;
- ranking the issues based on their potential impact on Danone's business and their importance for the stakeholders interviewed. This impact is assessed in accordance with several criteria: regulatory and financial impacts, as well as consequences for the company's reputation, investor confidence, customer's loyalty and employee's satisfaction.

The group wishes to continue this process in 2014 by expanding it to include existing stakeholder consultation programs (*see page 73 of the report*), and via ongoing efforts carried out at various levels of the organization with regard to Danone's evolving strategic priorities.

The goal, in accordance with the principles of version 4 of the Global Reporting Initiative, is to continuously improve the relevance, transparency and quality of this sustainable development report.

IMPACTS AND RESPONSIBILITIES IN BUSINESS, FROM END TO END

IMPACTS AND RESPONSIBILITIES IN BUSINESS, FROM END TO END

RAW MATERIALS PRODUCTION

ENVIRONMENTAL IMPACT

69% of the Danone Carbon Footprint

24.5 millions m³ of water in the finished products

SOCIAL/SOCIETAL IMPACT

≈ 30,000 milk producers (direct sourcing)

RESPONSIBLE PROCUREMENT POLICY

TRANSPORT

ENVIRONMENTAL IMPACT

30,000 thousand of tons of finished products

11% of the Danone Carbon Footprint

END OF LIFE

ENVIRONMENTAL IMPACT

≈ 40% of packaging waste recovered

1.5% of the Danone Carbon Footprint

INDUSTRIAL PRODUCTION

ENVIRONMENTAL IMPACT

12.5% of the Danone Carbon Footprint

4.1 millions of MWh of energy consumed

SOCIAL/SOCIETAL IMPACT

104,000 employees

2.3 Frequency rate for workplace lost time accidents (FR1)

191 production sites

SALES AND CONSUMPTION

ENVIRONMENTAL IMPACT

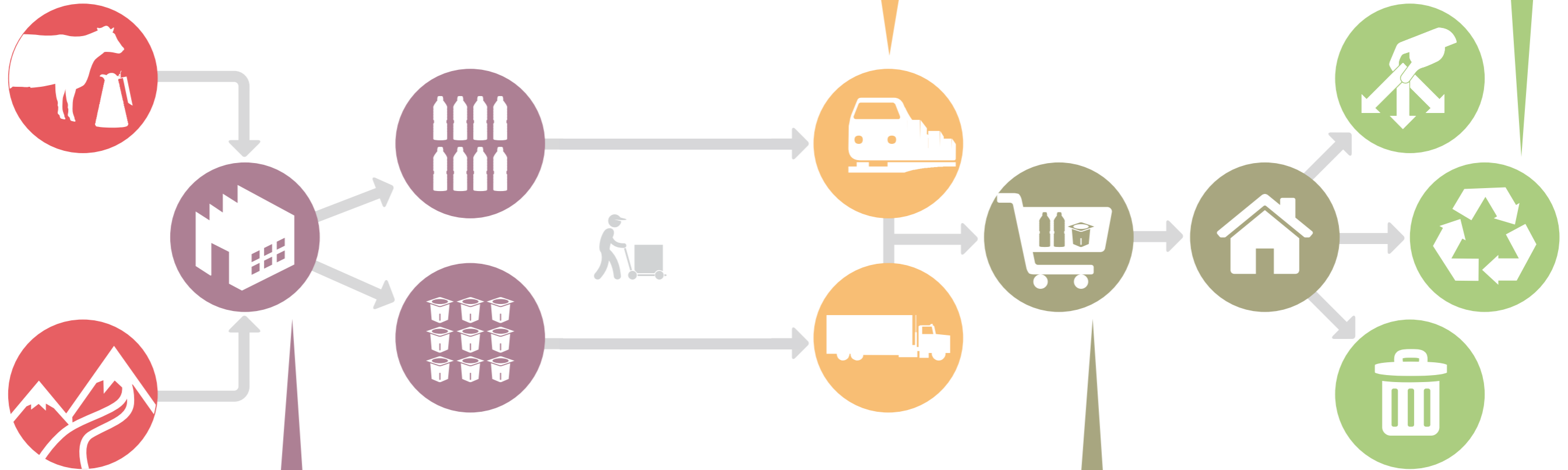
6% of the Danone Carbon Footprint

SOCIAL/SOCIETAL IMPACT

89% of Danone's sales belong to wholesome categories

21.2 billions euros of net sales

70% of the Danone sales covered by the group's Consumer Services Center



Danone Way: key practices in Danone subsidiaries for sustainable business development

Launched in 2001, the Danone Way approach helps to expand the sustainable development culture and fundamentals within the group by measuring subsidiaries' social and environmental responsibility performance. Every year, the group's subsidiaries assess the maturity of their policies and their corresponding performance levels for sixteen «key practices» in five areas: human rights, human relations, environment, consumers and governance.

This approach meets stakeholders' expectations in terms of measuring Danone's non-financial performance and is also a driver of ongoing improvement for all the subsidiaries. Danone Way enables:

- to provide guidance to subsidiaries operating as start ups, particularly in emerging countries;
- to integrate Danone's sustainable development strategic priorities into newly acquired subsidiaries;
- each subsidiary to compare its performance to that of its fellows and seek for areas of improvement.

Change in methods in 2013

Since the new version of Danone Way was introduced in 2007, the group has sought to define guidelines that meet two needs:

- being sufficiently consistent guidelines to ensure a clear understanding of the subsidiaries' ongoing progress over a period of several years;
- respond to stakeholders' increasing requirements, changes to Danone's strategy in these areas, and the specific features of the various subsidiaries (size, maturity and type of business).

In 2013, the Danone Way guidelines remained stable after undergoing significant change in 2012 (*see the 2012 Sustainable Development Report, page 41*). However, their content was simplified by removing:

- certain assessment criteria duplicating other practices evaluated within the more general framework of the internal control process (Dango), for example relating to human resources management;
- indicators considered as not relevant or lacking added value for the guidelines.



To support the subsidiaries in managing the campaign, in addition to existing systems, they were able to use a new «2.0» collaborative platform hosted by the group's internal network, «Danone Social Network». The platform gives all subsidiaries easier and more entertaining access to information necessary for the campaign, and features a question-and-answer application visible to all, links to videos of training sessions, a discussion group for sharing best practices and immediate access to documentation.

External audits to certify the program

To demonstrate the objectivity of the Danone Way guidelines and the reliability of the approach results to all group stakeholders, the program has been audited by an independent firm since 2002 (KPMG since 2007).

Assessments of eight subsidiaries, representing 16.7% of the group's net sales of entities participating in Danone Way, were audited by KPMG between November 2013 and January 2014. Taking these audits together with the review of the consolidation method applied to all the subsidiaries' results, KPMG certifies the Danone Way program's 2013 results (limited assurance).

The resulting opinion is published on pages 160 to 161 of this report.

2013 Results

Scope of evaluation

147 subsidiaries took part in Danone Way in 2013 (vs. 146 in 2012), representing 89% of the group's net sales (stable compared with 2012), the subsidiaries not involved mainly correspond to ex-Unimilk group companies. Out of the 147 subsidiaries involved in the program, 28 followed the «Danone Way Light» guidelines for small subsidiaries, with a fewer number of topics. It should also be noted that some subsidiaries do not conduct self-assessments on all Danone Way approach key practices, as the group and/or the subsidiaries consider that certain assessment criteria do not apply to them.

Detailed results

Methodology note: All of the results presented below show the trend from 2012 to 2013. They are calculated on a like-for-like basis for easier comparison of results.

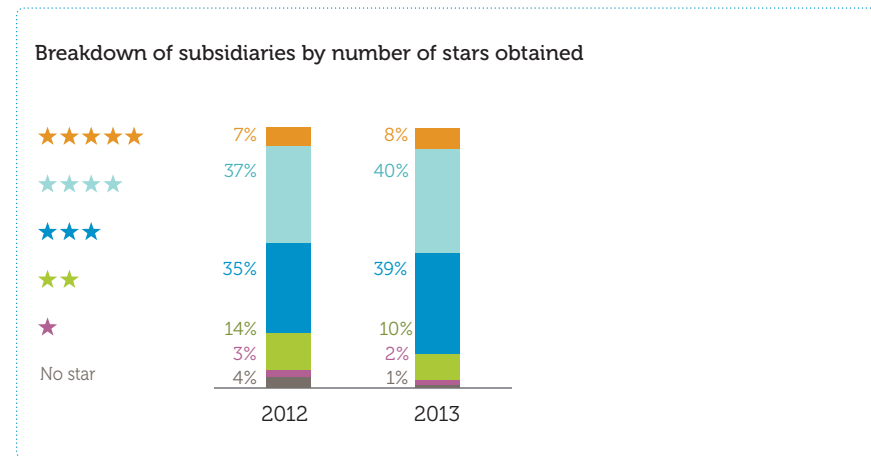
DANONE WAY

Overall scores

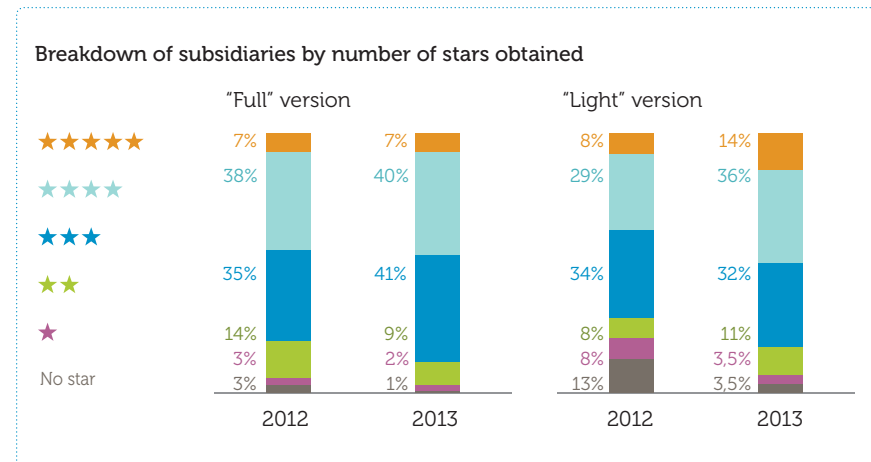
In accordance with the Danone Way methodology, the subsidiaries are awarded with a certain number of stars for their performance based on the scale below:

0 stars	Little or no awareness of sustainable development objectives - no proactive program
1 stars	
2 stars	Aware of certain sustainable development objectives - occasional steps are taken
3 stars	Aware of sustainable development objectives - the most important practices are implemented
4 stars	Best sustainable development practices are implemented, in some cases using an innovative and/or distinctive approach
5 stars	Innovative and/or distinctive practices are implemented for all sustainable development objectives

The 2013 results are as follows, for all the subsidiaries:

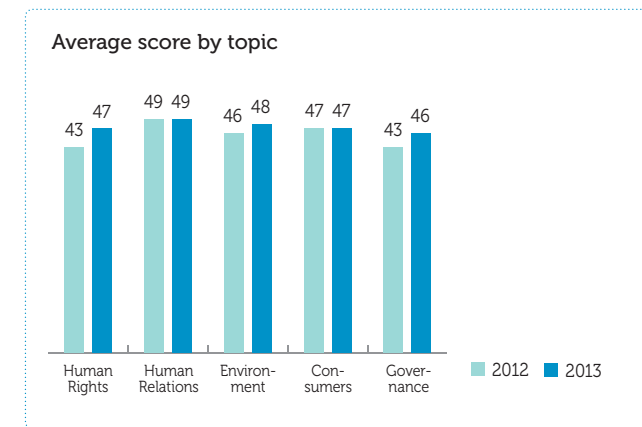


Distinguishing between subsidiaries applying the full Danone Way guidelines and those applying the “light” version, the results are as follows:

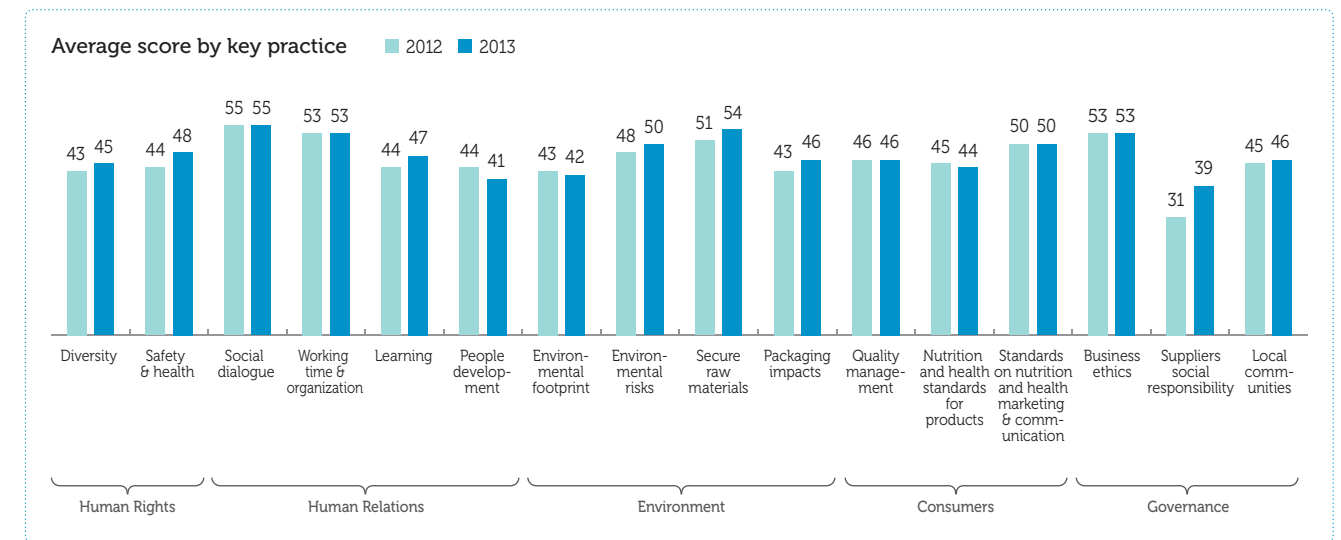


DANONE WAY

Overall, the number of subsidiaries achieving a three-star score, i.e. the lowest performance threshold recommended by the group, rose significantly from 79% in 2012 to 87% in 2013, a very satisfactory result. Like in 2012, the Early life nutrition and Medical nutrition divisions continued to adopt the program and accounted for a good portion of this progress. The historically more mature Waters and Fresh dairy products divisions stabilized their scores at levels that are already high. The same trend could be seen in subsidiaries applying the “light” version, with the proportion receiving three stars or more rising from 71% in 2012 to 82% in 2013.



This chart illustrates the change in subsidiaries’ average score (total for policies and indicators) for each of the five Danone Way topics, between 2012 and 2013.



This chart illustrates the change in subsidiaries’ average score (total for policies and indicators) for each of the 16 Danone Way key practices, between 2012 and 2013.

DANONE WAY

In 2013 results improved the most in the Human Rights and Governance topics, due to:

- progress made by subsidiaries in addressing working conditions issues, in accordance with the principles defined in the 2011 convention between Danone and the IUF on health, safety, working conditions and stress;
- greater ownership by subsidiaries, particularly in the Early life and Medical nutrition divisions, of the Social Responsibility principles with respect to Danone’s suppliers, through the RESPECT program (see page 59 of this report).

Results also stagnated in the Human Relations topic, mainly due to difficulties encountered by subsidiaries in achieving the ambitious levels set by the group in terms of employee mobility between divisions and between functions.

Lastly, in addition to ongoing progress particularly in packaging management, the increase in the Environment topic’s results is impacted by a change in the applicability of certain criteria to subsidiaries that do not own any factories, which mechanically improves the scores.

Danone Way in 2014

The Danone Way guidelines will change slightly in 2014 to include new training and Nutrition and Health policies. Some indicators no longer considered to be relevant will equally be removed. Danone will also begin addressing the integration into the program of Danone Russia, a large subsidiary acquired in 2010 totaling almost 15,000 people, to further disseminate the Danone culture.

RESPECT

The RESPECT program

The RESPECT program launched in 2005 extends the “dual economic and social project” to the group’s entire supply chain, except milk producers, following a specific process:

- including the Sustainable Development Principles (social, environmental and ethics) in supplier contracts and/or general terms of procurement;
- sharing information through supplier self-declarations concerning their Corporate Social Responsibility performance, using the SEDEX platform shared by all consumer goods industry players, in the AIM-progress association (see this link for more information: www.sedexglobal.com/);
- external CSR audits using the SMETA benchmark for suppliers viewed as at-risk based on this information exchange, with a view to implementing an appropriate action plan (see diagram below and this link for more information on the framework www.sedexglobal.com/ethical-audits/smeta/).

2013 results

In 2013, suppliers’ self-assessments of CSR performance at their sites continued to rise, with 430 new sites recorded out of a total 3,501 sites. In total, this represents 81% of the 4,300 supplier sites targeted by this policy around the world, due to the scope of their relationship with the group and the nature of their products and/or services: raw materials (except milk), packaging, logistics, promotional products and other services.

	Water	Early life and Medical nutrition	Fresh dairy products	Total
Africa	-	3	30	33
Americas	165	73	733	971
Asia	249	278	340	867
Europe	208	608	814	1,630
Total	622	962	1,917	3,501

This table shows the breakdown by division of the number of suppliers' sites who completed the SEDEX self-assessment questionnaire during the 2010/2013 period, with enough detail to assign a risk level indicating the need for an audit or not. It should be noted that the 2012 Sustainable Development Report presented the number of suppliers and not the number of supplier sites (plants, warehouses, headquarters, etc.). For guidance, the average number of sites per supplier is 1.3.



RESPECT

Based on the self-assessments of these 3,501 sites, 62 new sites underwent SMETA audits administered by external auditors (in addition to the 260 sites audited since 2010 at Danone's request). These audits confirm or set aside the risks identified during the SEDEX pre-analysis, and lead to the introduction of action plans where required.

Location of supplier sites	Number of audits 2010/2013
Africa	36
Americas	83
Asia	156
Europe	47
Total	322

The table below shows the breakdown of instances of non-compliance identified in 272 audits of Danone suppliers carried out in 2013, the results of which were made available on the SEDEX platform.

Health, safety and hygiene	47%
Working hours	13%
Management systems	10%
Environment	10%
Wages	9%
Work contract	3%
Ethical practices	3%
Freedom of association	2%
Child labor	1%
Discrimination	1%
Housing conditions	<1%
Complaints management	<1%
Forced labor	<1%

The item Health, Safety and Hygiene continues to represent almost half of the non-conformities. Meanwhile, the item Management System, which is the ability of the company to structure its CSR practices with dedicated information systems and procedures, is increasingly mentioned in audits. Items relating to child labor and forced labor, priorities for the group, remain at very low levels. It should be noted that any cause for concern regarding either of these two topics leads to an immediate demand by Danone for corrective action by the supplier as soon as it is flagged in the SEDEX self-assessment, independent of the subsequent audit.

RESPECT

RESPECT outlook

The aim and objectives set at the end of 2010 by the RESPECT Committee and Danone's Executive Management remain current.

After focusing in 2012 on improving tools and processes for managing the RESPECT program, the 2013 campaign worked on harmonizing and formally defining practices between the divisions, particularly the Early life nutrition and Medical nutrition divisions. These improvements can be seen in the results of the 2013 Danone Way campaign (see page 54 of this report), in which the "Supplier Social Responsibility" key practice achieved one of the best improvements of the 2013 campaign.

Danone had also set the goal in 2010 of recording CSR data for 100% of its major suppliers and auditing 100% of the suppliers at risk. This goal turned out to be more ambitious and complex to achieve than expected.

In addition to introducing the necessary organization within Danone, the need to involve suppliers in registering and communicating sometimes sensitive information is a major challenge, particularly for members of the procurement function who are in charge of the policy on a daily basis. Drawing on experience gained in recent years, the RESPECT Committee has therefore decided to focus training efforts on the procurement function, particularly to position responsible procurement issues more clearly within the function's broader context.

PERFORMANCE

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PERFORMANCE CSR PERFORMANCE ASSESSMENT

EXTERNAL ASSESSMENT BY NON-FINANCIAL RATING AGENCIES

Dow Jones Sustainability Index Rating – September 2013

The Dow Jones Sustainability Index (DJSI) is a leading global index that rates the sustainable development performance of the top 330 companies (selected from a peer group of 1,800 companies reviewed) based on social, environmental and economic performance. Over the years, the criteria have become more demanding and companies must continually make improvements to remain listed on the index.



Danone has been included in the index since its creation in 1999 and achieved a score of 87 points in 2013 (83 points in 2012), confirming its position among the 13 top-ranking food companies worldwide.

For the second year in a row, Danone received the Silver class distinction awarded by SAM Robeco, the company that administers the DJSI.

Economic area

In 2013, Danone achieved satisfactory results in the Economic area (89 points) and, for the first time, ranked number one in the Health and Nutrition category (100 points) due to its relevant policies and measurement tools. The group also maintained its excellent position in Strategy for Emerging Markets (98 points in 2012 and 2013) and achieved a good score (95 points) in the Innovation Management category (3 points below the sector leader).

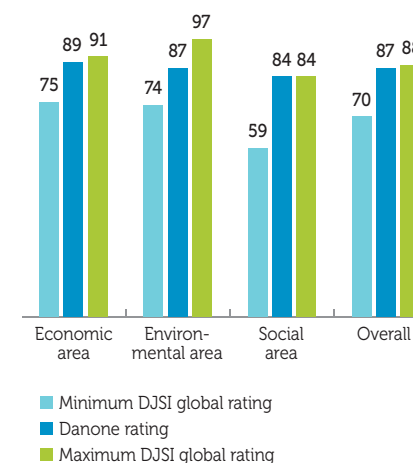
Environmental area

Danone achieved a score of 87 points in the Environmental area. The group maintained its top position in the Packaging category (100 points) and became the leader in Raw Materials Sourcing (90 points). Danone also maintained its positions in two categories : Environmental Reporting (90 points) and Water Related Risks (95 points).

Social area

Danone gained 11 points compared to 2012 in this area and achieved the best score in the food sector (84 points). The group was also recognized for its efforts in terms of Human Capital Development, ranking number one with 100 points. Danone also achieved this result by improving its rating in the Occupational Health and Safety category, with a score of 73 points (19 points higher than 2012 due to more detailed reporting), as well as an improvement in Labor Practice Indicators and Human Rights, with a score of 87 points (5 points below the sector leader).

Danone DJSI rating 2013



EXTERNAL ASSESSMENT BY NON-FINANCIAL RATING AGENCIES

Vigeo rating - February 2013

As the leading European non-financial rating agency, Vigeo measures the performance of Dow Jones Global 1800 Index companies in Europe, Americas and Asia with respect to social responsibility in six rating areas (see table hereafter).

In February 2013, Danone was therefore rated among a peer group of 18 companies in the food sector and maintained its position as the leader in the same sector with a stable general score of 60/100 and the confirmation of its leading position on all the rating areas except Corporate Governance.

Assessment of Danone's environmental, social and governance performance in February 2013 for the six areas of assessment and changes relative to July 2011

Domaine evaluated	Scores 07/2011	Ratings 07/2011	Scores 02/2013	Ratings 02/2013
Human Rights	70	++	70	++
Environment	60	++	56	++
Human Resources	69	++	72	++
Business Behavior	55	++	60	++
Corporate Governance	53	=	52	=
Community Involvement	58	++	54	++

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

In five of the six areas assessed by Vigeo, Danone's scores remained stable and were the best in the food sector:

- the **Human Rights** remain a strength thanks to Danone's ability to fully integrate freedom of association, the negotiation of collective agreements and anti-discrimination measures into its strategy;
- the **Business Behavior** is also earned favorable mention, given the improvements made on transparency on its influence strategies and the integration of social and environmental factors in the upstream portion of Danone business;
- the **Human Resources** area is also a strength, particularly due to training and employability for all employees and management of career's system, and to the cooperation between Danone and IUF notably in terms of health and safety.



Company's performance in comparison with its sector



EXTERNAL ASSESSMENT BY NON-FINANCIAL RATING AGENCIES

- the **Environment** area benefits from a strategy deployed worldwide, supported by quantitative objectives including the major challenges related to Danone's business. Moreover, the group's performance on biodiversity is highlighted. Implementing a group policy in order to reduce environmental impacts from transportation still remains a challenge;
- Danone is also recognized for its **Community Involvement**, its ability to incorporate into its strategy the challenges related to access to water and nutritional solutions adapted to the most underprivileged populations, and its contribution to communities development notably via dedicated funds (danone.communities and the Danone Ecosystem Fund);
- Danone still lagged behind the leaders in the area of **Corporate Governance** and shareholder rights, while good practices are highlighted (CSR review by Board members and integration of CSR criteria in remuneration).

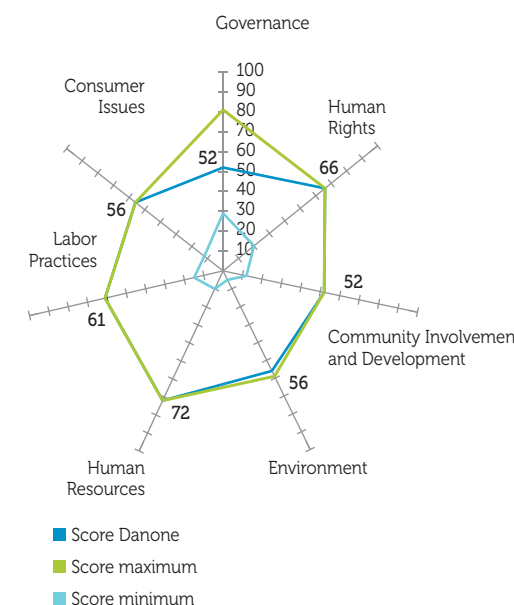
Lastly, the Vigeo report underscores that the information made available by Danone for these assessments covered 90% of the criteria used for the methodology, or on average 38% more than the rest of the food sector. This result demonstrates the true recognition of CSR issues by Danone across its entire value chain and its commitment to transparency with stakeholders for its sustainable development strategy.

VIGEO rating based on the ISO 26000 standard – February 2013

Along with this assessment, Vigeo evaluated Danone with respect to the ISO 26 000 standard published in late 2010 and representing a generic framework for defining and managing a social responsibility program. The results are described below. This evaluation illustrates the consistency of Danone's performance across all seven areas of ISO 26 000.

Danone is included in the Vigeo World 120 sustainable development index, Vigeo Europe 120, Vigeo Eurozone 120, and Vigeo France 120, which recognize listed companies receiving the best feedback on their social responsibility performance.

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



Access to Nutrition Index

Access to Nutrition Index (ATNI) is a new international rating index created at the joint initiative of GAIN (Global Alliance for Improved Nutrition), the Bill & Melinda Gates Foundation and Wellcome Trust. Every two years, the index will rate the largest food and beverage companies on their nutrition-related policies, practices and performance. This index aims to encourage those companies to improve their products nutritional quality and accessibility, and to exercise their influence on consumers' choices and behavior in a responsible way.

After the methodology spent three years in development, the world's 25 largest food and beverage companies were assessed in 2012 on the basis of their 2011 performances.

In the first ATNI rating published on March 12, 2013 Danone ranked number one with a global rating of 6.3/10, within the group of top performers (Danone, Unilever and Nestlé). The group also achieved the highest ratings in the Accessibility, Marketing and Engagement categories. Strong points highlighted by the index correspond to Danone's priority areas for action:

- analyze local contexts and study local eating habits to offer appropriate products;
- contribute to fighting under-nutrition by means of enriched products;
- strive to make products affordable for low-income consumers;
- implement responsible marketing practices, particularly with respect to children.

The ATNI also expresses reservations with regard to the issue of breast-milk substitutes. On this topic, and in addition to supporting WHO guidelines, Danone recognizes the need for overall improvement in industry practices and spearheads action in this area.

Carbon Disclosure Project

The Carbon Disclosure Project (CDP), an international organization based in the United Kingdom, provides the opportunity for global companies to disclose key data on topics related to climate change, water and forest footprint. The CDP invites companies to answer questionnaires on each of these three issues and then rates them and provides assessment tools for institutional investors and/or other stakeholders. Danone participates in the following three categories:

Carbon Disclosure

In 2013, Danone entered the Carbon Disclosure Leadership Index France, related to its participation in the Carbon Disclosure Project (CDP). In 2013, the index included 25 companies selected for the quality of the data disclosed. Danone's high rating (93/100) illustrates the high degree of transparency in its responses linked the group's good internal data management and its understanding of climate changes issues relevant to its activities.

Forest Footprint Disclosure

For the second time in 2013, Danone participated in the Forest Footprint Disclosure (FFD), which primarily aims to mitigate the growing effects of deforestation. This global rating, created by the CDP, assesses the impact that very large companies have on forests, based on their use of five raw materials: soy, palm oil, wood and paper pulp, animal feed and biofuels. Danone was able to report the data necessary for this evaluation based on the its Forest Policy published in 2012, illustrating the group's concern for its impact on the upstream part of the value chain (see link: www.danone.com/uploads/tx_bidanonepublications/danone_forest_footprint_policy_en_01.pdf).

Water Disclosure

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

INTERNAL ASSESSMENT WITH GRI GUIDELINES

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COMPANY PROFILE

The first information relative to this section of the report (company profile) is available in the group's Registration Document. References to the relevant pages are indicated in the GRI index published *on pages 163 to 169 of this report*.

This report covers Danone's economic, social and environmental performance for the period from January 1 to December 31, 2013.



The indicators and management systems described in this report were prepared in compliance with the guidelines of the **Global Reporting Initiative** (GRI 3.0). These provide a balanced and reasonable presentation of the group's economic, environmental and social performance. The indicators are presented using the GRI 3 references (e.g. EC2. Financial implications and other risks and opportunities for the organization's activities due to climate change).

In compliance with the GRI criteria, Danone gave itself a B+ rating (in accordance with version 3.0 guidelines). KPMG Audit reviewed and approved the Danone group's self-evaluation of its GRI application level.

The indicators also meet the information requirements of Articles R225-104 and R225-105 of the Code of Commerce and take into account the "annual social indicators" jointly agreed upon by the IUF (International Union of Food workers) and Danone in September 2004.

A part of the social, environmental and societal data contained in this document was published in section 5.2 of the group's 2013 Registration Document and verified as such by PricewaterhouseCoopers and Ernst & Young. This data is addressed by a report expressing limited assurance published in section 5.2 of the group's Registration Document.

The previous report covering the period from January 1st to December 31st, 2012 was published for the Shareholders' General Meeting on April 25, 2013.

The figures and data published in the present report are communicated, unless otherwise specified, for a worldwide body of companies controlled by Danone (list of consolidated companies in the Registration Document); the Registration Document and Economic and Social Report are complementary and available for download on the website www.danone.com.



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GOVERNANCE

COMMITMENTS TO EXTERNAL INITIATIVES

Mandatory information about the company's governance according to GRI guidelines (indicators 4.1 to 4.10) is available in **Danone's Registration Document**. References to the relevant pages are indicated in the GRI index published on *pages 163 and 169 of this report*.

4.8

Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation

The Danone Way approach has been in place since 2001 to address the goal of managing the group's relations and impacts with regard to its stakeholders, both up and downstream including policies and criteria pertaining to environmental and social performance, governance, health and nutrition policy, etc. This approach makes it possible to measure the implementation of policies and performance criteria in all group subsidiaries every year (*see pages 54 to 58 of the current report, Danone Way results*).

Many other initiatives and processes have been implemented in the areas of environmental and social policy and suppliers' relations.

To learn more about these initiatives, see the chapters on the performance indicators relative to the environment (*page 86*), social policy (*page 114*), human rights and supplier management (*page 130*).

Danone has been formally defining its missions, values and internal codes of conduct for a number of years in various documents. *For more details, see the chapter titled historical approach and key dates on page 46 of the current report.*

4.11

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

Protecting the consumer means applying the principle of "Due Diligence" which, at Danone, relies on a team of in-house scientific experts and an external network of international experts.

The company's Food Safety Management Systems, based on international standard ISO 22 000, ensure the implementation of measures for managing risks in this area across all businesses.

A periodic review of risks involved in the key processes of most subsidiaries also ensures that proper precautions are taken to reduce the impact and/or the probability of risks identified. This issue is also addressed in the framework of indicator PR1 pertaining to consumer health and safety.

Following a statement by the New Zealand government and Fonterra on 2013, August the 2nd, warning that batches of ingredients supplied by Fonterra to four Danone plants in Asia-Pacific might be contaminated with *Clostridium botulinum* bacteria, the group recalled selected infant formula products from sale in eight markets of this region as a precautionary measure. The warning was lifted on August 28th when New Zealand's Ministry for Primary Industries (MPI) concluded after several weeks of tests that there was no *Clostridium botulinum* in any of the batches concerned.

None of the many tests conducted by the group, both before and after this critical period, showed any contamination whatsoever of its products with *Clostridium botulinum*. Danone's food safety management system is among the most demanding and effective in the world and includes rigorous testing of all of its products. But because Danone makes consumer safety an absolute priority, its teams nonetheless quickly and efficiently deployed recall procedures.

COMMITMENTS TO EXTERNAL INITIATIVES

4.12

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

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

- the Universal Declaration of Human Rights;
- the international agreements of the International Labor Organization;
- the guiding principles defined by the Organization for Economic Cooperation and Development for multinational companies;
- the UN Global Compact on human rights, labor rights, environmental protection and anti-corruption.

Danone joined the United Nations Global Compact in 2003 and reaffirmed its commitment in 2009. In addition, the Seven Fundamental Social Principles defined by the agreements of the International Labor Organization (ILO) were integrated into the Danone – IUF worldwide conventions in 2005.

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

These commitments are anchored in Danone's values and in the foundations of the Danone Way approach. They apply to all employees of every company controlled by Danone throughout the world. Danone is committed to promoting these principles in all the companies in which it holds shares.

4.13

Memberships in associations (such as industry associations) and/or national/international advocacy organizations

Danone's policy is of membership in all legally constituted and recognized, sector-specific or national professional associations representing the food industry. The group encourages its managers to actively take part in the work of these associations at both local and central level. Danone or its subsidiaries are members of all national food industry associations in European Union countries where the group has operations, as well as of Food & Drink Europe which represents the industry at EU level. Danone is a member of more than 100 associations of this type.

STAKEHOLDERS ENGAGEMENT

4.14

List of stakeholder groups engaged by the organization; examples of stakeholders groups are: communities, civil society, customers, shareholders and providers of capital, suppliers, and employees, other workers and their trade unions

The Danone Way approach launched in 2001 was implemented to respond to the goal of dialogue and recognition of impacts with the company's stakeholders, which were defined at the start of the approach: consumers, suppliers, environment protection associations, employees, shareholders, local communities (scientific, neighborhood, representatives of public authorities and non-governmental organizations). The annual evaluation carried out by each subsidiary on the Danone Way themes allows the group to ensure that stakeholders are truly integrated into the various issues (nutrition-health, employees, environment, local communities, etc.).

In addition, for several years, Danone has been committed to dialoguing with organizations of civil society. The goal is not only to develop active listening with regard to the changing situations and expectations of various stakeholders, but also to commit the company to partnership or co-development processes with these players, as illustrated by numerous initiatives and projects developed in partnership with NGOs, with the support of funds established by Danone (the Danone Ecosystem Fund, the danone.communities fund and the Livelihoods Fund).

4.15

Basis for identifying and selecting stakeholders with which to dialogue

Danone has been developing **specific dialogue tools** for several years to support subsidiaries in their interactions with the various stakeholders at the local level: the "**stakeholders mapping**" tool allows to identify the company's stakeholders, to analyze the issues and stakeholder expectations, and to define communication priorities. It also describes best practices in place in other countries where the group does business. All subsidiaries are invited to carry out a "stakeholders mapping" every year; this is part of the Danone Way assessment (Shared value creation through community involvement).

In addition, a **Public Affairs kit** was distributed to correspondents in the subsidiaries in January 2012. This tool presents an explanatory overview of the field of action of a Danone Public Affairs correspondent. It defines the expected practices in communicating with stakeholders (elected officials, public authorities, opinion leaders, etc.) and provides practical guidelines for supporting correspondents in their day-to-day activity.

The kit can thus be used to make an inventory of local issues, and to qualify those issues with a view to prioritizing them, identifying the players involved and mapping them based on their position and influence, and finally determining the best watch mode for monitoring changes to these issues and the players' positions.

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

STAKEHOLDERS
ENGAGEMENT

Danone also has the goal of encouraging all subsidiaries to integrate stakeholders into their own strategic thinking. To achieve this, **methodological tools for strategic thinking** have been developed since to firmly include stakeholders' expectations in subsidiaries' medium-term strategic planning at local level. These methodological materials are integrated into the group's training programs for the Executive Committees and expert working teams: **Sustainability Land** and **Credibility Land**, which aim to define a nutrition and health strategy for the subsidiaries based on in-depth analysis of its stakeholders (consumers, public agencies, NGOs, employees, etc.).

4.16

Approaches to stakeholders engagement, including frequency of engagement by type and by stakeholder group

The Danone approach is to foster dialogue with stakeholders at subsidiary level to remain close to local issues.

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

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

STAKEHOLDERS
ENGAGEMENT

4.17

Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting

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

The Danone approach is to foster dialogue with stakeholders at subsidiary level; the group does not centrally consolidate all the actions carried out by its subsidiaries in this area. However, at corporate level, listening to stakeholders' expectations also allows the company to progress in understanding key shared concerns and to launch initiatives in response.

- in 2011, for example, Danone signed a convention with the IUF on health, safety, working conditions and stress (*see page 31 of the current report*); along these same lines, Danone also implements the Dan'Cares program that aims to improve healthcare cover (*see page 32 of the current report*);
- since 2010, Danone organized its Nature strategic thinking with an external expert panel, opinion leaders and NGOs (Nature Stakeholders Board) to set a long time course. Organizations such as WWF, IUCN, Ramsar convention, Rainforest Alliance, UNEP, Greenpeace, Forum for the Future, Ethicity, etc., are associated to those consultations, at subsidiaries or group level. For example in 2012, the group paper/carboard packaging policy was co-developped with the benchmark NGO Rainforest Alliance. Also, in 2013, a consultation dedicated to the update of Danone's Ground Water Policy was performed.

EC1

Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments

For data pertaining to directly created economic value, distributed economic value and non-distributed economic value, see the 2013 Registration Document, chapter 4.

Regarding economic value created and distributed for employee compensation specifically, Danone adopted a bonus system that integrates social performance in 2008.

The social dimension is a powerful element to bring meaning and commitment to Danone's employees. For performance management, the criteria used to evaluate the performance of the company's 1,500 managing executives since 2008 are based on a three-part bonus system:

- one part for economic objectives;
- one part for social and environmental objectives;
- one part for individual performance objectives.

More precisely, in 2013, executive manager's short-term variable compensation was determined based on specific performance with regard to ten economic, social and management objectives and calculated using objective, measurable criteria and completed with the supervisor's assessment, in the three following areas.

The group's economic objectives and published market data:

- Net sales, Operating Income/Net sales, Operating Free Cash Flow (OFCF) for the manager's scope of responsibility;
- Free Cash Flow (FCF) for the Danone scope.

Danone's social objectives, which are divided into two areas:

The Social Fundamentals:

- safety at work including accident frequency rate and implementation of specific action plans for the subsidiaries identified by the group's Safety Committee;
- implementation of the Dan'Cares project aiming to improve welfare protection for Danone employees;
- or employability development projects with "Workers Academy", or projects to develop proximity management through the "Danone Leadership College" and CODE initiatives;
- evaluation and introduction of actions in connection with the group's ecosystem.

The New Danone strategic priorities, for the People priority:

- talents development plans with "Country Talent Deal", specific development plan for high-growth areas such as "Fuel The Growth";
- leadership development plan or Diversity projects providing openings for different socio-cultural profiles in recruitment processes.

Specific individual objectives within the scope of each manager and consistent with the group's strategy:

Danone's specific approach in this area is based on the short-term variable compensation structure, which is reviewed every year to achieve optimal management of the group's economic and social strategy.

ECONOMIC
PERFORMANCE

EC2

Financial implications and other risks and opportunities for the organization's activities due to climate change

As of December 31, 2013, 70% of the group's production sites had been subjected to an external GREEN audit, or 113 sites in all. Of these 113 sites, 43 underwent a follow-up audit in 2013 and two-thirds of those improved their score compared to their previous audit.

Environmental investments and expenditures

In 2013, group investments targeting environmental protection amounted to €33.6 million, around 3% of the group's total capital industrial expenditures.

The primary categories of these investments in 2013 included:

- environmental compliance: waste processing, wastewater processing, treatment facilities, noise measurement, air quality, etc. On a like-for-like basis, these investments increased by 60% compared to 2012;
- investments targeting carbon emissions reductions (energy savings, renewable energy use, logistics and eco-design of packaging). These investments dropped by 67% from 2012.

Operating expenditures related to the environment amounted to €108.2 million in 2013. They included €50.8 million dedicated to manage waste as well as water and air quality and €50.9 million for environmental taxes other than taxes on packaging in 2013.

EC3

Coverage of the organization's defined benefits plan obligation

The group contributes to employee retirement benefit plans in accordance with the laws and usual practices of countries where its subsidiaries operate. As a result of contributions paid under such plans to private or state sponsored pension funds, the group has no actuarial liability in that respect.

The group also has contractual obligations for supplementary retirement plans as well as severance, retirement indemnities and personal protection.

The related actuarial commitments are taken into account either through the payment of contributions to independently-managed funds responsible for their service and the fund administration, or through provisions.

The amount provisioned for these obligations in the group's consolidated financial statements as of December 31, 2013 and the expenses for the year are presented in Note 28 of the Notes to the consolidated financial statements.

EC4

Significant financial assistance received from government

This indicator is not centrally monitored by Danone.

MARKET
PRESENCE

ADD EC5

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

Minimum salary / Minimum legal salary ratio

	2012 (like-for-like basis with 2012)		2013	
	Number of subsidiaries	Total % of employees	Number of subsidiaries	Total % of employees
Subsidiaries with a "subsidiary minimum wage"/"legal minimum wage" greater than 1	144	94%	141	94%
Subsidiaries with a "subsidiary minimum wage"/"legal minimum wage" ratio equal to 1	8	3%	14	4%
Subsidiaries with a "subsidiary minimum wage"/"legal minimum wage" ratio below 1	0	0%	0	0%
Subsidiaries to which no legal minimum wage applies	11	3%	12	2%
Total reported	163	95%	167	97%
Total non-reported	16	5%	12	3%
Total Danone	179	100%	179	100%

The basic starting salary is higher than the local minimum salary for the large majority of subsidiaries (141), covering over 94% of the group's employees. It is equal to the legal minimum for 14 subsidiaries, i.e. less than 4% of employees. There is no legal minimum defined for 12 subsidiaries (3% of employees).

Compared with 2012, there has been a stability of the number of employees with a basic starting salary above the legal minimum, an increase in the number of employees with salary equal to the legal minimum, and a decrease of the number of employees with no legal minimum salary.

EC6

Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation

This indicator is not centrally monitored by Danone.

EC7

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

Danone is a local employer above all with 95% of its 16,577 managers and directors hired locally. This part has increased since 2012.

Danone's aim is to achieve 80% of local managers in all Executive Committees. At end 2013, 70% of directors had been hired locally, representing a slight decrease compared with 2012.

At 31/12	2011	2012	2013
Total Workforce (Directors and Managers)	15,552	16,452	16 577
of which international staff	739	850	910
% international	4.8%	5.2%	5.4%
% local	95.2%	94.8%	95.6%
Management Committee Members (excluding Executives)	1,058	1,254	1,058
of which international staff	254	353	316
% international	24.0%	28.1%	29.9%
% local	76.0%	71.9%	70.1%

INDIRECT
ECONOMIC IMPACT

EC8

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

Danone is involved into many actions to support common interest initiatives in the scope of its mission, “bringing health through food to as many people as possible”.

In 2013, sustainable partnerships and initiatives have been maintained, delivering stronger results compared to 2012. The specificity of these initiatives is the high level of cooperation between Danone subsidiaries and local actors, either non-profit or institutional partners.

In Argentina, focus on water access, food banks bonds and the (Nutrition)² program

Water access

In Argentina, almost 8 million people face daily problems to get drinkable water. Rural women allocate six hours per day to bring water to their homes, which represents three month per year just for access to water that not always guarantees good quality.

In 2013, Fundación Danone in Argentina officially supported a tri-national program (involving Argentina, Bolivia and Paraguay) call “Sed Cero” – “Thirst Zero” which aims to bring safe water to 100,000 families by 2016. “Sed Cero” articulates local initiatives in the Gran Chaco Americano, a region where the lack of safe and drinkable water is critical.

Fundación Danone in Argentina financed the creation of a fund that allows families from Morillo, in the Salta province, to access loans in order to build wells. This initiative brought around the table local NGOs, the local government, the National Institute of Farming Technology and National Institute of Industrial Technology (INTA and INTI) in charge of the water and land analysis. In this first stage, 13 wells have been built; more are expected in 2014 thanks to the money that families will return from the loans.

Food banks bonds

In Argentina, Danone has developed, in almost 10 years of actions, a strategic partnership with the food banks network and particularly with the Buenos Aires Food bank, the biggest of the country, willing to give a breakthrough from product donation towards the food access wide concept.

In 2013:

- the food banks delivered 887 tones of food;
- 675 social organizations benefited from the delivery;
- the effort reached 96,000 people.

More info and key figures are available at:

<http://redbancosdealimentos.org/>

<http://www.bancodealimentos.org.ar/>

<http://www.facebook.com/Fundaciondanone>

(Nutrition)² - The healthy habit program deployed by Fundación Danone

One of every four kids and adolescents is overweight or obese in Argentina. It has been now five years that Fundación Danone works through the (Nutrition)² program - the healthy habits program that aims to be part of the solution with an unbranded platform supported by CBUs.

(Nutrition)² is a program that innovates in the way to promote and create awareness on healthy lifestyles according to its mission: “Educating about health through food to as many people as possible”, building the local reference and frame on healthy habits, while integrating strategic actors.

The result and impact of the program is validated by the Center of Studies for Child Nutrition and developed by a social return on investment consultant. During 2013 the program successfully reached more than 80,000 children and adults.

INDIRECT
ECONOMIC IMPACT

In addition to this global achievement, here are several key results:

- 21 workshops and nutritional talks for parents, teachers and social reference at schools, Danone Nations Cup and community centers;
- 1,200 educational kits delivered;
- 48 actions for 2,500 children at schools;
- 30 000 kids reached by the Musical “Super healthy in the Wonderful World of Food”;
- over 19,000 fans on Facebook, special videos produced for the YouTube channel;
- 20,352 visits per month to the blog;
- formal alliances with the top nine nutrition references (Argentinean Society of Nutrition, Federation of Nutrition, etc.), Ministry of Education official support, Ministry of Health co-manager in activations and in the development of a Physical Manual, member of the National initiative “Nutrición 10 Hambre Cero”.

Further information is available:

www.fundaciondanone.org.ar

www.nutricionalcuadrado.com.ar

Juntos Ayudamos el Doble – Danone Spain partnership with the Spanish Food Banks

Danone Spain is one of the main partners of the Spanish Federation of Food Banks (FESBAL) not only by helping them on a regular basis through product donation but also by supporting them in their main collection campaigns.

Since the establishment of the Food Banks in Spain more than 25 years ago, Danone Spain has been collaborating with them. In 2010, Danone Spain increased its commitment through the co-creation program “Juntos Ayudamos el Doble” which aim is to work as efficiently as possible, doubling the product donation and helping this NGO in any type of collaboration or need. Danone Spain has been awarded several times by the Food Banks for all these years of partnership.

This 2013 is the fourth year that Danone Spain has donated to the Food Banks 10 million units of Danone product distributed from 11 logistic bases all over Spain.

In addition, one highlight of 2013 is the Danone support to two massive campaigns to collect food organized by the Food Banks: “La Gran Recogida de Alimentos” (the big food collection campaign) and “La fam no fa vacances” (Hunger does not go on vacation).

“La Gran Recogida de Alimentos” has been a national collect campaign which took place November 29th and 30th. Danone, in collaboration with a supplier called Smurfit Kappa, has donated 20,000 cardboard containers to collect food from citizens outside 5,000 point of sales.

Moreover Danone Spain has mobilized:

- citizens through a video in the social media that encouraged people to participate in the campaign;
- its consumers who donated 4 million Danone products through Danone website “Alimenta Sonrisas;”
- its suppliers organizing employees collection campaigns which achieved more than 4,300 kilograms of food;
- its employees with more than 60 Danone volunteers.

The result is that the initiative allowed to collect more than 14,000 Tons of food for people and families who need it most.

“Eat Like a Champ” in the United Kingdom

“Eat Like A Champ” (ELAC) is a nutrition education programme for primary schools aimed at helping tackle the growing issue of poor nutrition and sedentary lifestyle amongst children. Children’s poor nutrition and obesity in the UK is a hot topic with one child out of three children being overweight and one child out of six being obese.

INDIRECT
ECONOMIC IMPACT

The program was piloted in a few London schools in 2010, then optimised and rolled out in an increasing number of classes all over the UK each year. It has three main objectives:

- make nutrition exciting for kids by inspiring them to adopt the healthy choices of famous champions they admire;
- maintain high employee engagement in Danone Ltd. through a large volunteering scheme;
- build Danone's corporate reputation on health and nutrition in the UK.

In 2012, the program partnered with the Children's Food Trust to carry out extensive independent research to find out the impact ELAC has on children's eating habits. The research involved over 1,000 London school children filling in food diaries. The full report was published in 2013, the Children's Food Trust research noted children taking part in the ELAC program shifted their behaviour towards healthier eating habits.

In 2013, the program extended to over 800 classes all over the UK including England, Scotland, Wales and Northern Ireland, **engaging 30,000 children**. A selection of London teachers are trained on nutrition each year, and receive volunteers in their classroom to help with activities.

The overall program, as well as its implementation, is built around key partnerships with:

- the British Nutrition Foundation, which helped to design six fun, engaging and interactive lessons that are linked to the primary school curriculum;
- Danone employees: in 2013, 60% of Danone's employees volunteered in London classes to help teachers deliver "Eat Like A Champ" activities;
- with inspiring role models for the children, in this case street dance sensation Diversity, who are the ambassadors of the campaign and were the winners of the TV show "Britain's Got Talent" in 2009.

ELAC won the "Business in The Community" Big Tick (awarded by HRH Prince Charles) in 2012 and 2013, and was recognised as a best practice by the European Health Platform. The programme also supports the Ministry of Health campaign Change 4 Life to tackle obesity issues in the country.

The ambition in the longer term is to roll-out "Eat Like A Champ" in one third of UK primary schools and maximise the amount of children both participating in "Eat Like A Champ" and playing in the Danone Nations Cup, to really inspire children to eat well and stay active.

INDIRECT
ECONOMIC IMPACT

SUPP EC9

Understanding and description
of economic impacts

Danone is aware of its impacts and contributes to initiatives that support the development of the regions where the group has operations, in line with its business and mission. Aiming to strike the right balance between social commitment and Danone's economic performance is part of its dual economic and social project and involves:

- knowing the local players and developing sustainable relationships with them through joint projects;
- participating in the economic and social development of labor markets, particularly through business relationships;
- addressing health issues through eating habits.

Danone has always taken considerable action through its subsidiaries to support the economic, social and environmental development of the regions where the group has operations. For four years now, the group has been involved in an ambitious, innovative approach based on local projects which help to maximize its social impact through inclusive economy partnerships.

In the framework defined by the Danone Ecosystem Fund, endowed with €100 million in 2009, 38 subsidiaries are committed alongside 38 partners - primarily NGOs - in the co-creation of one or more projects, both in "mature" countries (France, Spain, Ireland, USA, Japan, etc.) and "emerging" countries (Brazil, India, Indonesia, Mexico, etc.).

In 2013, 47 projects represent an investment of €47 million and aim to create or consolidate over 50,000 jobs for the people working with Danone across its entire value chain. Women's access to work is one such priority objective.

The Danone Ecosystem Fund supports highly diverse projects relating to three main components of Danone's value chain:

- raw materials sourcing (primarily milk), by promoting sustainable agricultural practices, including the protection of mineral springs and thus of rainwater catchment areas;
- products distribution, along with an offer of health and nutrition related services;
- waste management and recycling, via the transformation of the sector into a formal economy.

In these three key components, Danone Ecosystem Fund projects aim to create a socio-economic footprint for Danone that generates as much value as possible in economic and social as well as environmental terms, while consolidating Danone's activities through lasting business relationships.

INDIRECT
ECONOMIC IMPACT

Here are three examples that represent these three components:

- the Danone Egypt subsidiary has worked in partnership with NGO CARE Egypt to set up the Milk Collection Communities project. The aim is to develop milk collection centers that foster management of this activity by the very small farmers making up the local agricultural community. Through the project, milk can now be collected in villages where the milk trade was under the monopoly of unscrupulous intermediaries, thus creating real economic opportunities for these farmers. This new supply chain delivers an extra 500 metric tons of milk to Danone Egypt and involves nearly 1,600 farmers. The project also contributes to the emancipation of the community's women who are actively involved in the collection centers;
- the *Kiteiras* project in northeastern Brazil, in the favelas of Salvador de Bahia, has led to the creation of a direct sales network to consumers run by women, the Kiteiras, in this region where they are particularly affected by poverty. The project provides welfare protection, a minimum wage and support in improving their living conditions. The big innovation is the network of Madrinhas (meaning "godmother" in Portuguese), who are responsible for training and hiring the Kiteiras. With their entrepreneurial spirit, they are a source of inspiration for the entire community. Co-created by the Danone Brazil subsidiary and Brazilian NGO Aliança Empreendedora, this project has generated 200 jobs;
- in Mexico, only 20% of recyclable waste are recovered, the rest going to landfill with serious consequences for the environment. Bonafont, Danone's Mexican subsidiary in the Waters division, faces a sizeable challenge in securing volumes of recycled plastic for bottle production. Today however, the local supply is insufficient as recycling is still considerably unstructured.

The *Pepeñadores* (gleaners) handle almost 90% of the collection of recycled volumes: this population of over 800,000 marginalized people works in the informal sector, exploited by intermediaries that control access to dumps or urban collection zones. Today, 287 *Pepeñadores* working in a dump in the desert where temperatures often exceed 40°C are involved in the construction and organization of a sorting center with guarantees of decent working conditions and pay.

Bonafont, Ashoka – international network of social entrepreneurs - and Mundo Sustentable – a Mexican association working in the field of recycling – jointly developed this distinctive model. The aim is to convince the *Pepeñadores* that a new model and a new organization are possible, to create value for them and for the company. They take part in a technical and human training program which addresses topics such as savings, health and fight against drug.

In addition to these projects, the Danone Ecosystem Fund contributes to programs in cross-cutting areas such as sustainable agriculture or the preparation of new distribution models based on micro-entrepreneurship (direct selling to consumers). Funds currently committed also include the company's social impact assessment initiative launched in 2012.



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Environmental indicator coverage rate

The table below provides information relative to Danone sites' environmental data coverage rate at December 31, 2012 and 2013 (marked "Production sites environment scope" for concerned indicators):

At 31/12	2012	2013
Total number of sites	194	191
Total number of sites reporting data	164	161
Coverage (% of sites)	85%	84%

For 2013 data, the coverage rate represents around 90% of the group's net sales.

In the following tables, variations compared with 2012 are calculated on a like-for-like basis, i.e. the scope of production sites present during both financial years (excluding the production sites acquired or launched in 2013 and production sites sold or shut down in 2013).

Number of ISO 14 001 certified sites

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

The following table provides data relative to Danone sites' ISO 14 001 certification at December 31, 2012 and 2013 (Production sites environment scope):

At 31/12	2012	2013
Total number of sites reporting data	164	✓ 161
Total number of ISO 14001-certified sites	91	✓ 96
Percentage of ISO 14001-certified sites	55%	✓ 60%

✓ 2013 figures verified in the 2013 Registration Document

GREEN program (Global Risk Evaluation for Environment)

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

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

At December 31, 2013, 70% of the group's production sites (Production sites environment scope) had undergone an external GREEN audit. Of these 113 sites, 43 underwent a follow-up audit in 2013, and two-thirds of these improved their score compared to their previous audit.

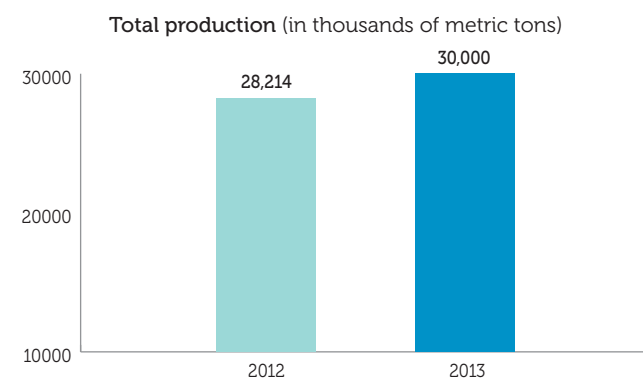
MATERIALS

EN1
Materials used by weight or volume

The table below presents data relative to Danone sites' production at December 31, 2012 and 2013 (Production sites environment scope):

Thousands of metric tons	2012	2013	2012-2013 change on a like-for-like basis
Total production	28,214	30,000	4.7%

2013 figures verified in the 2013 Registration Document



Total production in metric tons increased by 4.7% on a like-for-like basis in 2012/2013 due in particular to increased production by the Waters and Early life nutrition divisions.

The main materials used in Danone products are:

- water;
- liquid milk and milk powder;
- packaging materials (plastic, cardboard, etc.);
- sugar;
- fruit.

The amount of raw materials consumed per metric ton of finished product is one of the primary criteria for industrial performance, as raw materials represent a large share of the group product cost structure.

A number of measures are therefore taken to use them more efficiently:

- liquid milk, sugar, fruit: raw material losses in the Fresh dairy products division are monitored daily at the production sites, with results consolidated monthly at subsidiary and division level for comparison with the monthly minimization goals defined in the budget process. The main actions aimed at reducing these losses are optimization of raw materials inventories or of production scheduling and production line calibration to reduce online material losses at production startup and end;
- packaging materials: Danone's packaging development complies with the eco-design principles that were defined in the guidelines established by the group in 2002. Danone aims to strengthen these guidelines and implement them in every division.

EN2
Percentage of materials used that are recycled input materials

In 2013, a quarter of the group's primary and secondary packaging is made of recycled materials, including 73% of boxes.

Regarding plastic packaging specifically, the group aims to increase the proportion of recycled PET (polyethylene terephthalate) (rPET) used in its bottles. Several brands in the Waters division, including Volvic, Evian and Bonafont are already using rPET. At end-2013, the portion of rPET was 9% across the whole division.

Waters division	2009	2010	2011	2012	2013
% rPET (g rPET/g PET)	8%	10%	10%	9%	9%

ENERGY

EN3
Direct energy consumption by primary energy source

The table below presents data relative to Danone sites' thermal energy consumption at December 31, 2012 and 2013 (Production sites environment scope):

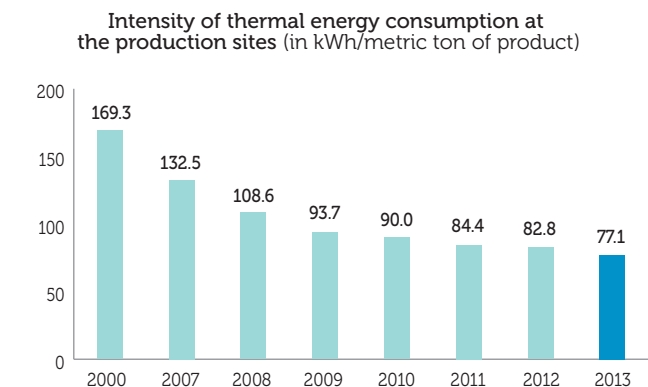
MWh	2012	2013
Natural gas	1,617,411	1,683,280
Fuel oil	114,025	83,575
Heating oil	129,008	137,444
Butane/propane	97,462	108,622
Coal	160,528	82,030
Other sources	9,704	6
Direct energy consumption	2,128,138	2,094,957
Renewable thermal energy (produced on site)	85,748	98,365
Purchased steam	123,046	118,510
Purchased cold	0	0
Thermal energy consumption (with steam)	2,336,932	2,311,832
Intensity of thermal energy consumption (in kWh/metric ton of product)	82.8	77.1

2013 figures verified in the 2013 Registration Document

Total thermal energy consumption decreased by 1.1% whereas the group's total production increased by 6.3%. This results in a reduction in thermal energy intensity from 82.8 kWh/metric ton of product in 2012 to 77.1 kWh/metric ton of product in 2013.

At the same time, the share of renewable thermal energy is rising, representing 4.3% of total thermal energy in 2013, compared with 3.7% in 2012. For example, the biomass boiler at the Poços de Caldas plant in Brazil has now been in operation for two years; in 2013, it generated more than 70,000 MWh of thermal energy. At the Wexford site in Ireland, a biomass boiler began operating in early 2013 to reduce the site's fossil energy requirements (see indicator EN6).

The graph below shows changes to the intensity of thermal energy consumption at the production sites since 2000, for the reporting scope of each of the years concerned. Thermal energy consumption intensity dropped by more than 54% over the 2000-2013 period.



ENERGY

EN4

Indirect energy consumption by primary energy source

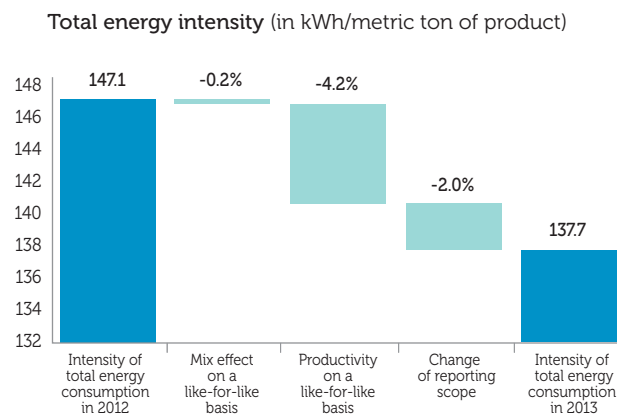
The table below presents the energy consumption of the group's production sites at December 31, 2012 and 2013 (Production sites environment scope):

MWh	2012	2013	2012-2013 change on a like-for-like basis
Thermal energy consumption (with steam)	2,336,932	2,311,832	
Electricity	1,814,245	1,817,815	
including electricity specifically generated from 100% renewable sources	72,249	52,174	
Total energy	4,151,177	4,129,647	0.1%
Intensity of energy consumption (in kWh/metric ton of product)	147.1	137.7	-4.4%

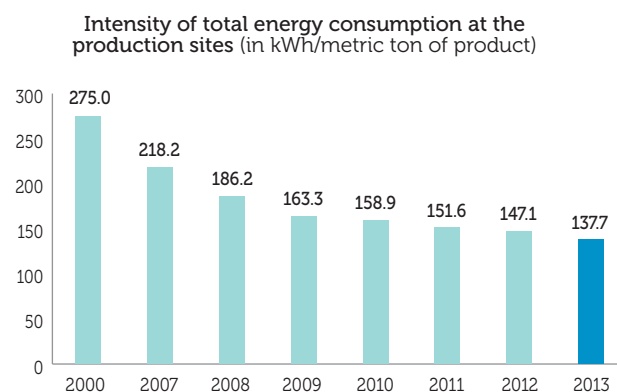
2013 figures verified in the 2013 Registration Document

On a like-for-like basis, the intensity of energy consumption (energy consumption per metric ton of product) was reduced by 4.4% between 2012 and 2013. This improvement is primarily due to the deployment of energy management best practices in all the divisions (see the ADD EN5 indicator for more details) resulting in productivity gains for 4.2%, and a positive mix effect for 0.2%.

The graph below presents changes in energy intensity between 2012 and 2013 at the production sites:



The graph below presents the variation in total energy consumption intensity at the production sites since 2000, for the reporting scope of each of the years concerned. The intensity of total energy consumption was reduced by 49.9% over the 2000-2013 period.



ENERGY

ADD EN5

Energy saved due to conservation and efficiency improvements

Two main approaches have enabled the group to improve energy management:

- optimizing energy production at the plants:** for example, several sites in the Fresh dairy products division have cogeneration facilities in order to produce electricity and heat from a single energy source and improve plant energy performance. Up to 90% of energy can be recovered with cogeneration, compared with 40% to 55% for traditional systems;
- optimizing energy use:** in 2013, for example, the Early life nutrition division closed the old production workshops at the Istra site in Russia and commissioned new workshops using more efficient technology and production processes. The site was thus able to reduce its energy consumption per metric ton of finished product by half.

Sharing best practices and fostering emulation between plants strengthened this improvement process in 2013. In the Waters division, the WattWatcher tool deployed at all the sites helps to define performance objectives adapted to each plant. Between 2012 and 2013, thanks to Danone Waters China's efforts to improve energy performance, the Mizone brand managed to reduce its thermal energy consumption by 15% per produced bottle (on the 600 mL format).

In the Fresh dairy products division, energy training courses known as "Energy Campuses" continue to bring energy experts into play to support implementation of best practices at all production sites. Two sessions were organized in 2013, in North America and Central Europe. In addition, thirty of the group's production experts and twelve suppliers participated in a two-day seminar aiming to identify innovative energy reduction solutions which will be tested at pilot sites before possible deployment in the next few years.

In the Early life nutrition division, the Energy network has one expert per plant; this network liaises on a monthly basis with the goal of reducing energy and water consumption.

ADD EN6

Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives

Cogeneration

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

Thermal energy from renewable sources

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

- in Indonesia, 80% of electricity at the Brastagi plant (Waters division) is derived from natural geothermal energy available locally;
- in Brazil at the Poços de Caldas plant in the Fresh dairy products division, a biomass boiler was launched in August 2011 to replace the fuel oil used in heat production. Thanks to this use of biomass, the thermal energy used by the plant is now generated almost entirely from renewable sources;
- since 2012, in Ireland, the Wexford Early life nutrition division site uses a wood-burning boiler that saves 23,500 metric tons of greenhouse gases annually and helps reduce fossil fuel costs.

ENERGY

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

Purchase of electricity specifically generated from 100% renewable sources

Every subsidiary is responsible for choosing its energy mix. In 2013, six production sites purchased electricity from 100% renewable sources (wind power, hydropower, etc.). This represents 3% of the group’s total electricity purchases.

ADD EN7

Initiatives to reduce indirect energy consumption and reductions achieved

See indicator EN6.

WATER

EN8
Total water withdrawal by source

The table below presents the water consumption of the group’s production sites at December 31, 2012 and 2013 (Production sites environment scope):

Thousands of cubic meters	2012	2013
Total water withdrawn from the surrounding area	58,707	60,628
well water	43,589	43,934
municipal water	11,862	12,759
river water	3,256	3,935

2013 figures verified in the 2013 Registration Document

Of the 60,628 thousand of cubic meters of water withdrawn, Danone uses:

- 24,573 thousand of cubic meters of water in the composition of its finished products, primarily at its bottling sites (compared with 22,996 thousand cubic meters in 2012);
- 36,055 thousand of cubic meters of water for production processes (compared with 35,711 thousand cubic meters in 2012).

The group’s water consumption increased by 3.3% between 2012 and 2013, which breaks down to +2.7% from rising quantities of water used for the composition of products, and +0.6% linked to greater quantities of water used in production processes.

The table below presents water consumption related to production processes at the group’s production sites at December 31, 2012 and 2013 (Production sites environment scope):

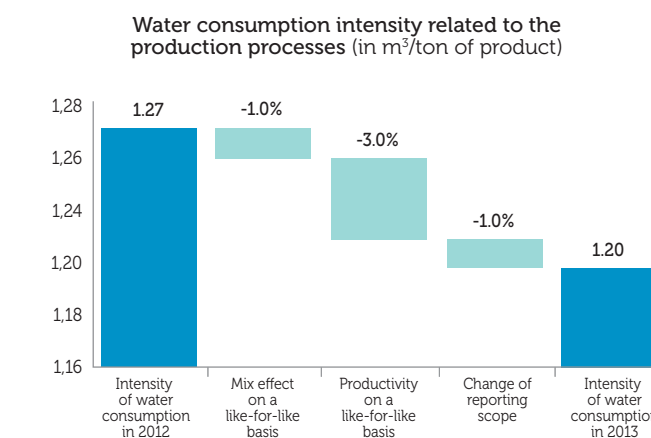
Thousands of cubic meters	2012	2013	2012-2013 change on a like-for-like basis
Water consumption in the production processes	35,711	36,055	0.5%
Water consumption intensity related to the production processes (in cubic meters/metric ton of product)	1.27	1.20	-4.0%

2013 figures verified in the 2013 Registration Document

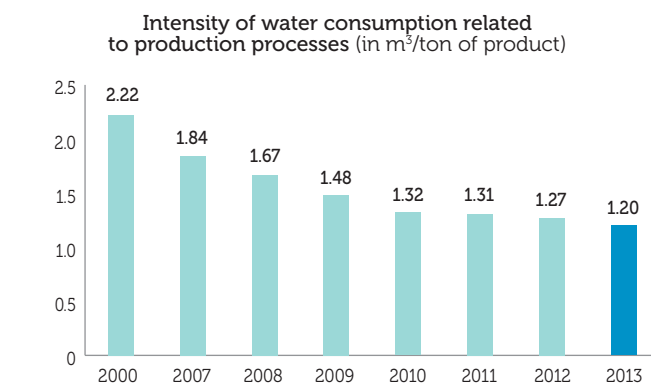
WATER

On a like-for-like basis, water consumption intensity related to the production processes decreased by 4% between 2012 and 2013. This change is the result of a favorable mix effect for 1% (increased production at Waters division sites) and of efforts to improve productivity in all divisions for 3%.

The graph below shows the variation in intensity of total water consumption related to the production processes between 2012 and 2013:



The graph below indicates the variation in total water consumption intensity related to the group’s production processes since 2000, for the reporting scope of each of the years concerned. The intensity of total water consumption related to production processes was reduced by 45.9% over the 2000-2013 period.



Best practices in the Fresh dairy products division, in particular the use of water in cleaning cycles, are consolidated in the NEPTUNE tool and rolled out to all plants.

Within the Waters division, the WaterWatcher tool allows monitoring of water use in the bottling sites and helps identify areas for improvement. This tool has been rolled out to every division site.

The sites measure all water consumed for every use (production, cleaning, etc.) to identify the items generating losses and define appropriate action plans for reducing these losses. The sites also have annual water loss reduction goals, with their performance published quarterly by the division. More than 15 billion liters have been saved in this way since 2008 (equivalent to 15,000 thousand metric tons). Danone continued its water footprint research in 2013, notably with its partner Quantis, as well as by contributing to the development of international (ISO) and European (ENVIFOOD protocol) standards.

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

- the inventory of consumption at each product lifecycle stage: product manufacture (ingredients, packaging, production, packing), transport, consumer use and end of life;
- local water stress factors (water stress is defined as a deficit of water of satisfactory quality to meet human and environmental needs);
- compensatory measures directly related to product formulation (protection policy or CSR program), which are evaluated in the form of water volume credits.

This methodology will be used to identify sensitive zones and methods for reducing impacts across the entire lifecycle of the group’s products, in the Waters division in a first phase.

WATER

In addition, the Fresh dairy products division worked with Quantis and the Livestock Institute in 2012 to test a water footprint evaluation methodology for upstream agriculture in four group subsidiaries in various regions around the world. In 2013, the Danone Eaux France subsidiary (Waters division) developed a pilot Water Footprint measurement tool with Quantis to complement the group's carbon footprint measurement system (Danprint).

ADD EN9

Water sources significantly affected by withdrawal of water

See indicator EN8 for the various sources of water used.

Of the 60.6 million cubic meters of water withdrawn, Danone uses some 25 million cubic meters in formulating its finished products (not including production processes), essentially sourced from 87 bottling sites.

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

Danone drafted a charter titled “**Groundwater protection policy**” signed by Franck Riboud, Chairman and CEO of Danone, in October 2004. This policy defines the group's commitment to sustainable management of groundwater in terms of managing natural and heritage resources. It restates the core protection objectives and describes in detail the principles of their application by all group subsidiaries. These application principles are systematically assessed for each spring and give rise to specific action plans. Site evaluation is based on the SPRING tool (Sustainable Protection and Resources managING) which defines management standards for each source of spring water bottled by the group. This tool has been deployed in every Waters division site, which has established a national and regional availability map to identify pollution risks and risks of water scarcity, as well as priority action zones. In 2012, the Ramsar convention (United Nations international convention for wetland protection), IUCN

(International Union for Conservation of Nature) and Danone launched a recognition process to give this tool benchmark status.

In 2011, a new scientific tool (Hydre) was implemented at the Danone Eaux France and Health (Danone Waters China) sites. This tool helps to monitor and plan for changes in water quantity and quality throughout a drainage basin by analyzing geological and hydrogeological data. In 2012, it was deployed at the sites in Poland and Argentina. New functionalities were added to this tool in 2013, in particular a module for graphic and statistical analysis.

See the programs for protection of biodiversity zones under EN11.

ADD EN10

Percentage and total volume of water recycled and reused

Production sites use water for production line cooling circuits. This water is reused in almost all cases (open cooling circuits are the exception and not the standard). For example, in the Early life nutrition division, the Brive-la-Gaillarde plant (France) reuses a portion of this water for cleaning the production lines, and another for sterilizing by steam, allowing the site to reduce its water consumption by around 50%.

The production sites also use water for production line cleaning cycles, which are optimized to reuse the most during the pre-cleaning cycles. Investments have been made at several plants to improve water recuperation, as has been accomplished at the Bailleul site in France (Fresh dairy products division).

BIODIVERSITY

EN11

Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

The group's sites are located in very diverse ecosystems and climates. Among these sites, several benefit from an exceptional environment and specific protection. In the Fresh dairy products division, for example, the Molay plant in France was designated a "Natura 2000" zone in 2009. This is also the case of Waters division sites whose rainwater catchment areas are receiving increased attention. In France, Danone continues to implement measures to protect its springs in collaboration with local partners, based on a model developed in 1992 with the Association for the protection of rainwater catchment for Evian mineral waters (APIEME). Today this approach is applied to all the group's natural mineral water springs.

In September 2008, the Evian spring was added to the list of wetlands covered by the Ramsar convention (United Nations program), which aims to ensure sustainable management of these regions that are key to maintaining biodiversity. In Argentina, the Villavicencio site extends into a natural reserve of more than 70,000 hectares (173,000 acres). Very close to the Andes, the site is home to a wealth of biodiversity and initiatives have been taken to ensure the sustainable management of the area and protection of water resources. Ecotourism and environmental awareness projects are developed in the reserve. In 2011, Danone signed an agreement with the Wetland Foundation that aims to qualify the Villavicencio site in Argentina as a Ramsar site, similar to what was done for Evian.

In France, one of the primary approaches is to work together with farmers to promote sustainable agriculture. This involves avoiding the use of pesticides and fertilizers that might infiltrate the water table.

The association “La Bulle Verte” (the Green Bubble) founded in 2010 and uniting the town of Saint-Galmier, France (where the Badoit spring is located) and its neighboring towns, is dedicated to preserving natural spaces and biodiversity. The partners, which include the

Chamber of Agriculture, ARDAB (Association of organic farmers of the Rhône and Loire) and the Loire Bretagne water agency, will now support La Bulle Verte in developing an action program to roll out agricultural methods that are respectful of water quality. For greater impact, the association has joined forces with the Bird Protection League (LPO) in a wildlife inventory program covering the 40 square kilometers of the catchment area.

The “PEPS'S” association was also founded in 2012 to protect the catchment area of La Salvetat Mineral Water, covering the plant and the five towns in the area. An appropriate action program is being implemented to protect this region of more than 80 square kilometers.

In addition, initiatives taken in the Volvic catchment area by CEPIV (Environment Committee for the Protection of the Volvic Rainwater catchment) are at the heart of a European project known as Life-SEMEAU. This project involves the development of a tool to simulate the role of forests in water resource quality and quantity. In cooperation with local players, the tool is used to define farm and forest management plans for the areas concerned, based on protection of the water resource and local economic development. It can be applied to highland drainage areas in Europe, many of which are covered with forest.

In Indonesia, Aqua (Waters division subsidiary), the CIRAD (French Agricultural Research Centre for International Development) and the local NGO Bina Swadaya launched a project in 2010 for protecting water resources in the Klaten catchment area while also improving the income of local farmers. A cooperative – Puser Lestari – was created; it offers agronomy training and helps farmers obtain financing via a micro-credit system.

BIODIVERSITY

In 2013, Danone Waters China drew inspiration from the Indonesian project to strengthen its water resource protection actions in the region surrounding the Longmen site (Guangzhou), in partnership with the Danone Ecosystem Fund. This project aims to involve some 4,000 farmers and preserve the quantity and quality of water resources while also improving the living conditions of local communities, based on awareness initiatives and the promotion of sustainable agricultural practices. The project aims to improve the quality of water consumed by 20 million people living in the region by 2017.

EN12

Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas

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

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

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

Water catchment takes place primarily through drilling within a closed perimeter inaccessible to unauthorized persons. Catchment facilities ensure the hygiene and consistency of operations, and are adapted to the resource's hydrodynamics. Danone makes full use of experts to ensure the rational and sustainable operation of its springs. For each site under operation, replacement of the natural resource is the single essential criteria.

The group never withdraws more than what the spring can naturally produce. The water is checked for consistent composition through regular sampling by certified outside laboratories. Bottling is carried out under strict hygiene procedures, and water quality is verified daily.

In the areas of agriculture and milk supply, the Fresh dairy products division launched the FaRMS initiative with its farmer partners in 1997 (see indicator EN26 concerning initiatives taken to promote sustainable agriculture), to help improve and audit farms' environmental practices (energy and water consumption, use of fertilizer and manure, waste, animal well-being, etc.). This tool encourages farmers to leave hedges and grassy stretches on their land, particularly adjacent to streams, to protect biodiversity.

Danone also supports projects that foster rational use of pesticides and fertilizers in the fields, and more integrated (Bleu Blanc Cœur) or organic (Les Deux Vaches, Stonyfield Farm, etc.) agricultural models.

The Danone Produit Frais France subsidiary has thus launched the Reine Mathilde project, a program for the development of organic milk production in the region of Basse-Normandie, in which one of the key initiatives is the creation of a flagship experimental organic farm. The farm has organized nine open houses and received several hundred visitors since 2011. This regular event helps unite farmers and their partners, familiarize them with sustainable and innovative organic farming practices, and win them over by gradually showing them the concrete benefits and limitations of each of the practices tried out.

In Costa Rica, Stonyfield and the Sustainable Food Lab have launched the CAPE (Cellular Aseptic Processing Equipment) project with the goal of designing an organic fruit processing unit suitable for small and medium-sized farms. This project should enable farmers from the APPTA cooperative (Association of small producers of Talamanca) to reduce their losses, which today amount to 40% of their production of cacao, bananas and other organic tropical fruits, due to the distance between the farmers and the processing plant. These farmers will thus be able to increase their income.

BIODIVERSITY

ADD EN13

Habitats protected or restored

See indicator EN11 concerning the groundwater protection program.

Livelihoods Fund initiatives

Based on its successful experience with carbon offset projects launched in partnership with IUCN and the Ramsar convention on wetland since 2008, Danone decided to invite other companies to join these initiatives by creating the Livelihoods Fund in 2011. Today, eight large companies participate alongside Danone in this carbon fund, which invests in major natural ecosystem restoration projects. These projects contribute to combating climate change by binding large volumes of carbon. The goal is to store seven million metric tons of carbon over 20 years, for a minimum investment of €30 million. The fund has already invested in six projects covering three types of activity in Africa and Asia.

Mangrove restoration

Since 2008, together with the Ramsar convention and IUCN, the Livelihoods Fund has focused on mangrove ecosystems for two main reasons: they are among the world's most highly endangered ecosystems, and impact the vulnerable populations who live there. They feature a wealth of biodiversity, at the interface between aquatic and land-based ecosystems. These ecosystems provide organic matter, guarantee the necessary biodiversity for the development of fishery resources, and protect associated crops. Lastly, being a considerable producer of biomass, a mangrove ecosystem has high potential for carbon capture.

Three projects are under way:

In Senegal: with more than 10,000 hectares (24,700 acres) of restored mangrove and 79 million mangrove trees already replanted, the project developed by the NGO Océanium in Sine Saloum and Casamance is the world's largest mangrove restoration project. Nearly 450 villages are involved in this project. With support from the Livelihoods Fund, the key players in this successful project, Océanium and the local communities, pool their capabilities to maintain the local ecosystem and develop sustainable economic activity.

In India: in collaboration with the NGO Nature Environment and Wildlife Society (NEWS) and the local communities in the Sundarban region, the project has already enabled 16 million mangrove trees to be replanted on 5,500 hectares (13,600 acres) of mangrove. This area extends close to villages and offers them natural protection against climatic events. The project also serves to maintain sediment surfaces enabling fishery resources to redevelop.

In Indonesia, on the island of Sumatra: the restoration project launched in 2011 with the NGO Yagasu aims to rebuild the mangrove by planting local species and to restore a functional ecosystem to foster local communities' economic activity (fish, crab, shrimp, honey, etc.). From 2011 to 2013, 10 million trees were replanted on 3,000 hectares (7,400 acres).

Agroforestry

Agroforestry projects contribute to the regeneration of soil, pasture lands, forests and crop productions that have lost their organic matter content and their fertility. Several agronomy protocols are applied based on local conditions. These protocols aim to both restore the fertility of land and boost subsistence and market crop farming activities.

In the Araku Valley in India, the Naandi Foundation has been working to support the region's farmers for ten years now. Organized in a "Small Tribal Farmers' Cooperative," they have launched an initiative to replant shade trees for coffee crops, with Naandi's help. The project launched in 2010 with the Livelihoods Fund has enabled the planting of some 3 million shade trees on 6,000 hectares (14,800 acres) of coffee farmland; 10,000 small coffee producers are involved in the project.

BIODIVERSITY

Sustainable tree upkeep methods will be applied and both crop yields and quality should improve.

In 2013, in Guatemala, in partnership with the government and the local NGO Fundaeco, the Livelihoods Fund launched a new project aimed at preserving the forests of the Cerro San Gil region, known for its rich biodiversity. Aiming to plant 5 million trees on 4,000 hectares (9,900 acres), this is the largest reforestation project ever undertaken in Guatemala. In 2013, 300 hectares (740 acres) have already been restored with local communities.

Rural energy

Responding to basic needs for energy (heating and lighting) is a challenge in emerging countries, particularly in rural areas. Inefficient cooking methods generate energy costs as well as risks of respiratory disease for the local populations. They are also a major cause of deforestation, creating significant pressure on forests and threatening their ecosystems and biodiversity. Optimization projects are based on simple, more efficient solutions. Improved cooking methods greatly reduce consumption of wood and thus CO₂ emissions, which can then be converted into carbon credits.

The Livelihoods Fund already invests extensively in agroforestry and ecosystem restoration projects, and in Kenya at the end of 2012, in collaboration with Climate Pal, launched its first rural energy project: “Hifadhi” (which means “conserve” or “keep” in the local language). This project comprises two complementary facets:

- distribution of improved cookstoves to 60,000 households in three districts. These clay stoves set in metal reduce wood consumption by 60% compared with traditional stoves, which helps to protect the local forests (approximately 13,000 metric tons of wood not burnt) and reduce CO₂ emissions (preventing emission of 2.75 metric tons per year and per stove);
- implementation, at the same time, of an ambitious replanting project: 2.4 million trees will be planted with the communities. These trees will provide heating wood, fruit for both consumption and sale, and timber; the project will further help to restore degraded soil.

Danone’s actions through its brands**Villavicencio: “Dejá tu Huella” operation**

To preserve its natural source of mineral water, the Villavicencio brand protects its surrounding nature reserve of 72,000 hectares (178,000 acres) and its rich biodiversity. Building on this experience, it is continuing an innovative partnership with the NGO Banco de Bosques to implement the “Dejá tu Huella” (“Leave your mark”) operation, which allows consumers to participate in creating a new nature reserve in the Chaco region, a huge biodiversity reservoir of 250,000 hectares (618,000 acres) that is home to endangered jaguar and tapir species. For every bottle purchased, Villavicencio commits to protecting one square meter of the reserve. Actions are also taken to inform the public of the dangers of deforestation and the importance of biodiversity in the local ecosystem. The results are convincing, with nearly 2,200 hectares (5,400 acres) protected, active public participation in the project, and increased consumer preference for the Villavicencio brand.

Bonafont: “One million trees”

In 2013, in partnership with the local NGO Pronatura Sur, Bonafont also developed a mangrove restoration project along the hurricane-devastated Mexican coasts in Chiapas and Oaxaca. A major campaign was launched to involve consumers and raise awareness: the Bonafont subsidiary committed to investing a portion of revenues from the sale of its bottles in the project, and to replanting one tree for every new “like” on its Facebook page. One million Mexicans participated and showed their support on the social network over the course of seven weeks. The local communities are at the center of the project: many awareness and training initiatives were carried out with residents and 183 of them participated directly in replanting trees. The project also helped to increase the mangrove’s fishery resources, which contributes to securing the revenues of the region’s 5,500 fishermen.

BIODIVERSITY

ADD EN14**Strategies, current actions, and future plans for managing impacts on biodiversity**

In 2012, Danone commissioned a study from Bio Intelligence Service to estimate the overall soil use related directly and indirectly to its businesses. This study indicates that indirect activities (upstream agriculture) represent more than 98% of the estimated surface area (3 million hectares / 7.4 million acres).

As the impact of Danone’s activity on biodiversity is primarily related to upstream agriculture (soil and water), a pilot product lifecycle analysis study was completed in 2013 by the Danone LTDA subsidiary in Brazil (Fresh dairy products division), with NGO partners IPE (Instituto de Pesquisas Ecologicas) and IUCN (International Union for Conservation of Nature), to evaluate the issues relating to biodiversity in Danone’s value chain and identify concrete initiatives with farmers.

Sustainable agriculture

See indicator EN26 concerning initiatives to reduce environmental impacts of products and services, and their effects.

Water and biodiversity

See indicator EN11 concerning the groundwater protection program.

The group’s Forest Footprint policy

Conscious of the critical importance of preserving the planet’s forests (in particular the tropical forests in Indonesia and the Congo and Amazon basins), Danone is committed to a strategy of eliminating the deforestation impacts of its supply chain, and to a reforestation program, between now and 2020.

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

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

This policy has been rolled out with a specific policy for palm oil and a specific policy for paper/cardboard packaging, co-developed with a benchmark NGO (Rainforest Alliance).

Danone makes these policies publicly available on its website.

BIODIVERSITY

ADD EN15

Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk

The group has no production sites within protected zones where species on the IUCN red list are located.

Certain regions outside the plants but still necessary to the group's business are subject to increased protection. This is true for rainwater catchment areas needed by the Waters division, as many springs are located in nature zones whose preservation is a primary goal. In partnership with the Bird Protection League (LPO), Volvic takes part in a program to protect the Red Kite and several species of bat in the Massif Central in France. A dozen nature-loving employees volunteer to devote some of their work time to the observation, study and monitoring of nesting populations in connection with the "National Red Kite Action Plan." Volvic received the first Skills Sponsorship award from the French Ministry of Ecology for this commitment in 2010.

The international CITES report inventories the forest species threatened by deforestation in fragile tropical forests around the world. Under the group's paper and cardboard packaging procurement policy, all suppliers must strictly comply with international legislation and not include these species in the paper pulp they use.

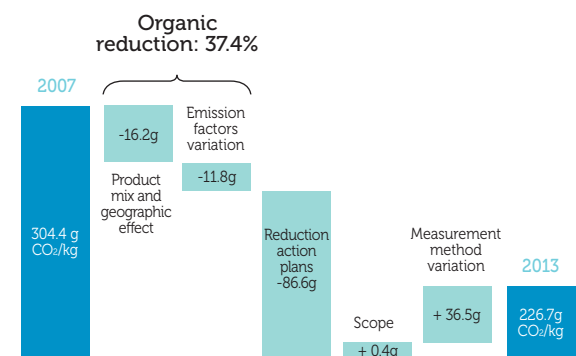
EMISSIONS, EFFLUENTS AND WASTE

EN16

Total direct and indirect greenhouse gas emissions by weight (T eq. CO₂)

Greenhouse gas emissions through product lifecycle analysis

Danone's products are largely derived from natural ecosystems. That is why it is in the group's interest to contribute to preserving the environment in the framework of its activities. Because carbon footprint is a global indicator that reflects a number of different environmental parameters, Danone set itself the goal in 2008 of reducing its carbon intensity (g CO₂/kg of products sold) by 30% over the 2008-2012 period, wherever the group exercises direct responsibility (production sites, logistics, packaging and end of life, excluding upstream agriculture). This ambitious goal was significantly exceeded thanks to the ongoing commitment of Danone's teams and of the group's partners participating in this policy. At end-2013, a 37.4% reduction had been achieved since 2008 (on a like-for-like basis). Every link in the business chain is the focus of a specific strategy with clear priorities.



Carbon footprint measurement has been carried out since 2008 using the Danprint tool developed for the subsidiaries. The tool is currently deployed throughout the group. With this lifecycle analysis based tool the group can assess its progress in reducing greenhouse gas emissions compared with goals defined in the Nature Plan for all activities in Danone's direct scope of responsibility (production sites, logistics, packaging and end of life, excluding upstream agriculture).

EMISSIONS, EFFLUENTS AND WASTE

In 2013, the teams particularly focused on deploying the module co-developed with software editor SAP for measuring the carbon footprint based on lifecycle analysis rules established previously for Danprint. This rollout aims to integrate footprint calculation with the subsidiaries' enterprise resource planning systems (ERP), and is successfully leading to extensive automation of data collection. At end-2013, it was deployed in 22 subsidiaries representing around 46% of net sales.

In 2013, Danone entered the Carbon Disclosure Leadership Index for France in the framework of the Carbon Disclosure Project (CDP). The CDP provides an evaluation tool for institutional investors and other stakeholders. In 2013, the index included 25 firms selected for the quality of data disclosed and performance in actions taken to reduce climate change. The highest scorers enter the Carbon Disclosure Leadership Index (CDLI). Danone's excellent rating in 2013 (93/100) illustrates the group's good internal data management and its understanding of climate change issues relevant to it. The score also rewards Danone's high degree of transparency in its responses.

Greenhouse gas emissions by organization

These are calculated using the methodology described in the GHG Protocol Corporate Standard (see Report Parameters p. 157).

The approach chosen by Danone in 2013 is to integrate all the emission sources at the group's production sites into its carbon footprint measurement. Emissions from offices, warehouses and vehicles were not measured this year. Direct emissions (scope 1) are emissions arising from consumption of fuels (natural gas, heating oil, coal, etc.) and refrigerant leaks.

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

The table below presents the group's total greenhouse gas emissions (scopes 1 and 2) at December 31, 2012 and 2013:

Total emissions of greenhouse gases in T eq. CO ₂	2012 (all sites)	2012 (production sites)	2013 (production sites)
Emissions scope 1	894,206*	480,120	460,256
Emissions scope 2	847,529	767,170	778,566
Total emissions	1,741,735	1,247,290	1,238,822

2013 figures verified in the 2013 Registration Document

(* of which vehicle emissions in T eq. CO₂: 371,277

EMISSIONS, EFFLUENTS AND WASTE

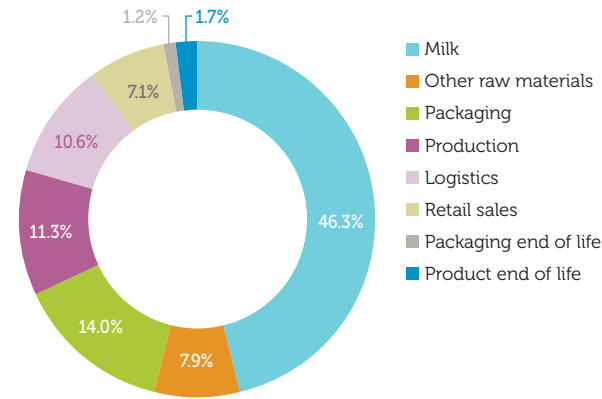
EN17

Other relevant indirect greenhouse gas emissions by weight (T eq. CO₂)

The group's total emissions in 2013 (including upstream agriculture) are estimated at 17 million metric tons equivalent CO₂. The following estimates are obtained in grams equivalent CO₂ per kg of product for the group and by division, across the entire lifecycle analysis (direct and indirect emissions).

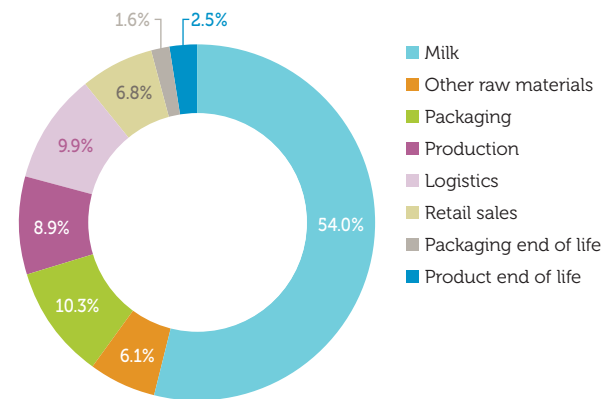
Carbon footprint at group level (in %)

Total scope: 585 g eq. CO₂ /kg product
 Danone's scope of direct responsibility: 226 g eq. CO₂ / kg product



Carbon footprint of the Fresh dairy products division (in %)

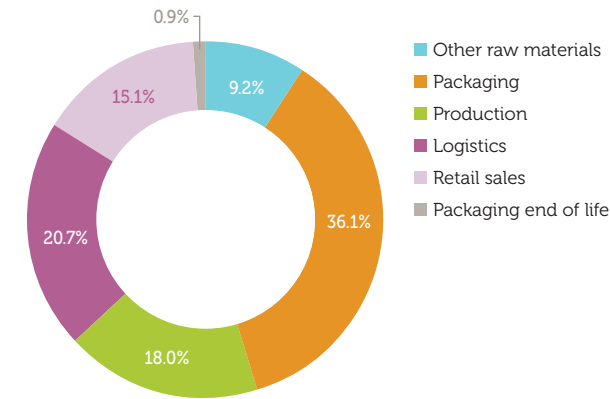
Total scope: 1,817 g eq. CO₂ / kg product
 Danone's scope of direct responsibility: 602 g eq. CO₂ / kg product



EMISSIONS, EFFLUENTS AND WASTE

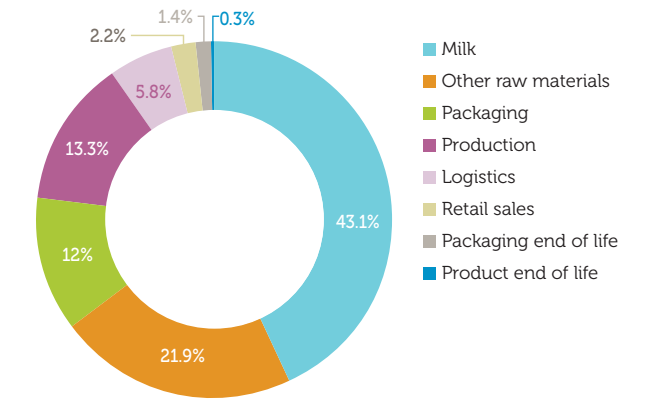
Carbon footprint of the Waters division (in %)

Total scope: 146 g eq. CO₂ / kg product
 Danone's scope of direct responsibility: 111 g eq. CO₂ / kg product



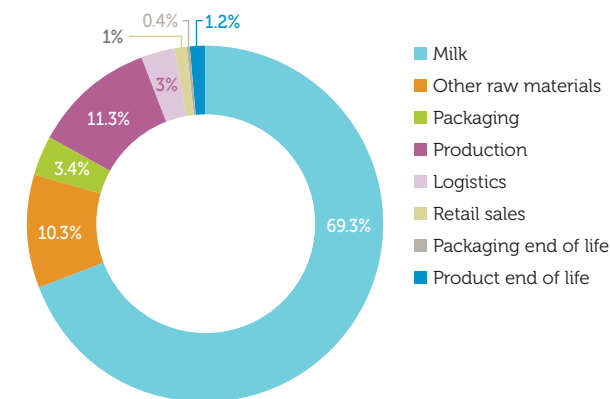
Carbon footprint of the Medical nutrition division (in %)

Total scope: 2,401 g eq. CO₂ / kg product
 Danone's scope of direct responsibility: 788 g eq. CO₂ / kg product



Carbon footprint of the Early life nutrition division (in %)

Total scope: 9,067 g eq. CO₂ / kg product
 Danone's scope of direct responsibility: 1,749 g eq. CO₂ / kg product



EMISSIONS, EFFLUENTS AND WASTE

ADD EN18

Initiatives to reduce greenhouse gas emissions and reductions achieved

Reduction on scope of direct responsibility

The actions that contribute most strongly to reducing emissions are reducing energy consumption in the production plants, reducing packaging, and optimizing supply logistics flows.

	Plants	Packaging	Logistics
End 2007 - End 2013	-34.1%	-38.1%	-39.7%

Enhanced measurement in the scope of indirect responsibility

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

EN19

Emissions of ozone-depleting substances by weight

The table below indicates emissions of ozone-depleting substances by the group's sites at December 31, 2012 and 2013 (Production sites environment scope):

T eq. CFC	2012	2013
CFC	0.000	0.002
HCFC	0.453	0.233

Emissions arising from the use of refrigerants that deplete the ozone layer decreased in 2013. This reduction was achieved through the gradual replacement of the refrigerants used. Certain refrigerants have otherwise a significant impact on the greenhouse gas emissions, particularly HFCs. In the framework of the Consumer Goods Forum, Danone has committed to cease buying refrigerators with HFCs for its own fleet by the end of 2015. Under a policy known as the BCool initiative, Danone began updating its proprietary refrigerator fleet at points of sale in 2010 to ensure that only natural refrigerants based on CH or CO₂ technologies are in use.

By also selecting refrigerators with better energy performance and ensuring their end-of-life recycling, Danone achieves both reduced energy consumption and a reduction in ozone-depleting emissions.

EMISSIONS, EFFLUENTS AND WASTE

EN20

NO, SO, and other significant air emissions by type and weight

The table below presents the NO_x and SO_x emissions of the group's sites at December 31, 2012 and 2013 (Production sites environment scope):

T eq. NOx SOx	2012	2013
NOx emissions	1,024	1,038
SOx emissions	1,466	954

EN21

Total water discharge by quality and destination

The table below presents the quantities of COD discharged after treatment by the group's production sites at December 31, 2012 and 2013 (Production sites environment scope):

Metric tons	2012	2013	Variation on a like-for-like basis
Final discharge of Chemical Oxygen Demand (COD)	4,085	5,044	22.3%
Net COD ratio (kg/metric ton of product)	0.14	0.17	16.8%

2013 figures verified in the 2013 Registration Document

The net chemical oxygen demand (that is, COD after treatment) per metric ton of product increased on a like-for-like basis from 2012 to 2013. This is due in part to the launch of new products with a strong impact on gross COD (that is, before treatment), as well as by the difficulties encountered in commissioning new wastewater treatment equipment. Action plans are in place in the subsidiaries involved to reduce losses in wastewater and/or improve the equipment's purification performance.

EN22

Total weight of waste by type and disposal method

The table below presents the quantities of waste generated by the group's production sites at December 31, 2012 and 2013 (Production sites environment scope):

Metric tons	2012 ^(*)	2013 ^(*)	2013 ^(*)	Variation on a like-for-like basis ^(*)
Total quantity of waste generated	271,068	278,926	295,449	6.4%
Ratio of total quantity of waste generated per metric ton of product	9.6	9.3	9.8	1.6%
Total quantity of waste eliminated by a specific process	238,339	223,799	229,413	
Proportion of waste recovered by a specific process	87.9%	80.2%	77.6%	

2013 figures verified in the 2013 Registration Document

(*) including sludge from wastewater treatment facilities
 (**) excluding sludge from wastewater treatment facilities

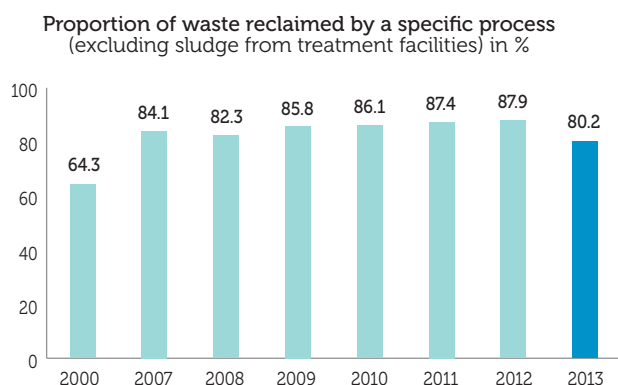
The group consolidates the quantities of waste generated by the production sites into four new categories: hazardous waste, non-hazardous non-organic waste, non-hazardous organic waste and the sludge from treatment facilities (returned products and whey are not included, the latter being a byproduct that is generally reused by a third party) and monitors the percentage of these waste products that is recovered. Recovery takes place through recycling, reuse of waste, composting and waste-to-energy transformation.

EMISSIONS, EFFLUENTS AND WASTE

On a like-for-like basis, the ratio of waste generated per metric ton of product increased by 1.6% between 2012 and 2013, primarily because of an increase in the quantity of organic waste following the launch of new products. The reclamation rate decreased to around 78% for the following reasons:

- better application of the reporting scope;
- integration of sludge from treatment facilities;
- difficulties in recovering a portion of organic waste in 2013.

The sludge from treatment facilities only concerns the sites that discharge their wastewater directly into the environment following on-site treatment. In 2013, 32% of these sites reported data.



EN23

Total number and volume of significant spills

No significant accidental spill occurred in 2013.

ADD EN24

Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally

This indicator does not concern Danone.

ADD EN25

Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff

See indicators EN9, EN11 and EN14 concerning water supply sources and protecting biodiversity.

PRODUCTS AND SERVICES

EN26

Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation

Danone's initiatives for reducing the impact of its packaging

Ever lighter bottles

Danone has launched a number of initiatives for reducing the weight of its bottles. The initiative launched by the Danone Waters China subsidiary is representative of the group's policy to work on reducing the weight of its packaging. The weight of the Mizone brand bottles has been significantly reduced since 2004, in particular in the large 600 mL format whose weight decreased by more than 25% between 2004 and 2012.

Year	Weight of the Mizone bottle (600 mL) in g
2004	40
2005	35.8
2010	33.3
2011	30.5
2012	28.5

Between 2010 and 2013, these efforts allowed the Mizone brand to save more than 8,500 tons of PET.

Use of recycled materials

Expanding the use of recycled materials has been a major strategic objective for the group for several years, whether through improved collection or optimized packaging end of life. A quarter of the group's primary and secondary packaging is made of recycled materials. Danone is strongly committed to a responsible circular "from the bottle to the bottle" approach, and aims to increase the proportion of recycled PET (rPET) used in its bottles. Several brands in the Waters division, including Volvic, Evian and Bonafont are already using rPET. The average rate of rPET incorporation in the Waters division was 9% in 2013.

Packaging end of life: turning waste into resources

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

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

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

In Mexico, in partnership with Ashoka and the association Mundo Sustentable, and with the support of the Danone Ecosystem Fund, Bonafont has launched a project that aims to organize the informal waste collection sector via the construction of a sorting platform. With this project, Bonafont is experimenting with a new supply chain model that should enable it to double its purchase volumes of recycled PET, while also improving the living conditions of the waste pickers working in the garbage dumps. There are thus 287 of them working on the platform and benefiting from this new PET purchasing model.

Plant-derived materials

Four years of experimentation with plant-based plastics (sugar cane, sugar cane waste and corn) for five brands (Volvic, Actimel, Activia, Danonino and Stonyfield) have allowed Danone to further its knowledge of the environmental implications (lifecycle analysis), compliance with sustainability criteria (competition with food, end of life, etc.), associated business issues and consumer perceptions.

PRODUCTS AND SERVICES

The group continues its many collaborative initiatives with experts and stakeholders to improve impact measurement and allow the emergence of third-generation renewable materials, that is, materials that are not in direct competition with foodstuffs. Danone is a founding member of the Bioplastic Feedstock Alliance (BFA) with the World Wildlife Fund (WWF) to encourage responsible development of bioplastics. BFA brings industry together with leading experts, research organizations and society as a whole to help guide the evaluation and sustainable development of these new materials. To learn more, go to www.bioplasticfeedstockalliance.org.

Initiatives taken by Danone to support farmers in developing sustainable agricultural practices that respect the environment

Although Danone does not generally control its upstream segment and accounts for less than 1% of global milk collection, the group has long been committed to reducing its environmental impact, joining FARRE (Forum for integrated agriculture that respects the environment) in 1999 and co-founding SAI (Sustainable Agriculture Initiative) in 2002.

In 2012, Danone launched a Sustainable Agriculture taskforce to redefine its strategy in this area. Internal and external stakeholders (Danone Ecosystem Fund, expert panel, etc.) were involved from the start, first to select a tool for assessing farm sustainability (based on the RISE method developed by Bern University), referencing a complete benchmark (100 tools assessed) that addresses all four dimensions (Health, Economy, Nature and Social). The task force then implemented the vision operationally through concrete projects in six pilot countries in 2013 (Europe, Americas and Asia) covering all models of dairy production (from subsistence farms to large farming operations). The initiative aims to foster the adoption of sustainable farming practices in close collaboration with producers and other dairy sector stakeholders.

In Poland, one of the pilot countries, the project involves the 350 dairy producers who supply the subsidiary, as well as their families and more broadly all consumers via an advertising campaign. The project aims to support dairy farm development, secure a supply of quality milk, improve the living conditions of farmers and their families, and reduce the environmental impact of agricultural production. Concerning milk quality, for example, producers are trained in techniques that contribute to the well-being of their 22,000 cows (food, health, etc.). The producers' children were invited to participate as well, via a drawing contest on the topic "How my family and I take care of our cows," an opportunity to share best practices. This policy received a Forbes Sustainability Award.

The FaRMS program

The FaRMS program (Farmers Relationship Management Software) was expanded during 2013 in the Fresh dairy products division to include the Ukrainian, Egyptian and Moroccan subsidiaries. The program now covers 50% of direct milk intake (14 subsidiaries), which represents almost 3,500 million liters of milk. This program supports producers who implement best practices that are respectful of the environment, and ensures systematic monitoring of farms with respect to nine key environmental criteria such as waste management, the use of crop protection products, and energy and water consumption. A specific related audit was developed for intake centers; in 2013 this audit was introduced in the subsidiaries in Egypt and Morocco. The subsidiaries in Algeria, the United States and Tunisia should enter the program in 2014.



EN27
Percentage of products sold and their packaging materials that are reclaimed by category

See indicator EN2 on the use of recycled PET.

COMPLIANCE WITH LEGISLATION

EN28
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations

Danone paid a total of €114,000 in the form of penalties and fines for environmental issues in 2013, involving five sites.

TRANSPORT

ADD EN 29
Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce

Transport is a major source of greenhouse gas emissions. The share of logistics in products' carbon footprint varies by division:

	Group	Fresh dairy products division	Waters division	Early life nutrition division	Medical nutrition division
Share of logistics in the carbon footprint	11%	10%	21%	3%	6%

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

In the Fresh dairy products division, logistics environmental best practices have been communicated since 2011 via the publication of *Green Supply Chain Books* now also shared with the Early life nutrition division. In 2012 the Waters division published its first *Green Supply Chain Book*. These best practice guide books allow the subsidiaries to share their most effective measures and therefore facilitate their deployment at new sites.

Initiatives proposed in this way by the Waters and Fresh dairy products divisions aim to improve the subsidiaries' environmental and operational performance for a variety of activities including storage, waste management, and upstream and downstream transport.

TRANSPORT

For each activity, the subsidiaries are encouraged to reflect on three key focus areas to reduce impact from transport:

- reducing energy intensity (alternative energy sources, lower consumption, etc.);
- optimizing resources (optimizing travel distances and times, streamlining the frequency of trips, etc.);
- the quality of achievements and the various players' involvement (from the supplier through to the customer).

Rail transport

Mass rail transport is a major strategic focus for the Waters division. In 2013, the "rail/road" ratio for departure from Evian and Volvic plants stabilized at around 55%. Efforts to increase the use of rail over long distances (Germany, United Kingdom) have brought the "rail/road" ton-kilometer ratio for Evian Volvic Sources to close to 50% in Europe. This performance is the result of various optimizations, including:

- the success of Project Quicksilver from the Volvic plant to Germany, which increased the "rail/road" ratio from 32% in 2010 to 55% in 2011, and then 80% in 2012 and 2013. This flagship project, supported by two grants from the European Marco Polo program (initiatives for environmental improvements to transport), goes beyond the commitments made to the European Commission with more than ten weekly trains carrying 1,000 metric tons of water leaving Volvic for the three German "rail link area" platforms. In addition, a logistics innovation now eliminates the return of cases of consigned bottles to the Volvic plant, which amounts to some 26,000 fewer trucks per year on the Volvic-Germany route;
- the accelerating use of multimodal transport. The Aguas Danone Argentina and Aguas Font Vella y Lanjaron subsidiaries (Spain) are introducing intermodal transport programs and considerably reducing road traffic on certain major routes. In 2013, the Danone Eaux France subsidiary opened a multimodal route connecting Evian with Bretagne, which will take its ratio of multimodal flow over total flow from 2% to 4% ; more than 1,000 trucks are shifting to multimodal transport;
- continued initiatives to supply raw materials through rail transport. In 2013, for example, more than 200,000 empty leased pallets were returned from the Daventry platform (United Kingdom) by rail to the Evian and Volvic plants (reverse logistics), thus eliminating the use of 600 trucks on the road.

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

Road transport

Raw milk intake by the Fresh dairy products division has improved thanks to route optimization software programs now used in Russia, Brazil, Ukraine and Turkey to reduce transport distances. A new transport management software program reduces trip times and distances in the United States. Danone also continues its co-logistics projects throughout the world to pool transport resources with other companies and improve truck loading rates: with Walmart in the United States, Arla Foods in the United Kingdom, Saputo in Canada, etc. Danone Mexico, for example, has developed an efficient co-logistics model with Ferrero: the subsidiary shares its logistics resources with Ferrero, thus giving access to the more than 350,000 local points of sale through which it distributes its products in Mexico. The model enables Danone and Ferrero to reduce costs by using the same infrastructures. At the end of 2012, the project was tested and optimized for one site, then replicated at 13 additional sites in only 15 months. This approach resulted in a logistic fee benefit of €1.6 million in 2013. Using this same logistics resources sharing and optimization approach, Danone Russia created a joint venture with Norbert Dentressangle dedicated to logistics services (transport and storage). This joint venture, in which Danone opens its logistics network to other industrial companies, launched business in July 2013. New initiatives were taken in the Waters division to reduce greenhouse gas emissions caused by road transport. In Mexico and Argentina, the installation of new distribution centers in certain remote areas significantly reduces truck transport distances.

TRANSPORT

Constantly streamlining and seeking new solutions

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

In the Fresh dairy products division, several initiatives are emerging. Back-hauling actions, for example, continue in several subsidiaries to avoid empty truck returns. In Chile, a back-hauling partnership created with Walmart allows Danone to use this customer's trucks on certain routes. In Mexico, the frequency of truck deliveries is reviewed throughout the year to adjust it to the actual level of sales. During low seasons, the number of deliveries can therefore be optimized while significantly reducing costs (€17,000 per month).

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

- Evian transport towards Russia has shifted from road transport to a rail/shipping/road method via the Antwerp platform (Belgium);
- in China, the Danone Waters China subsidiary has introduced a new road/rail/shipping transport mix for long-distance product deliveries. This initiative generates significant environmental and economic benefits. In 2013, the Mizone brand reduced its logistics related CO₂ emissions by more than 8,600 tons (on the 600 mL format);

- the innovative downstream consolidation shared warehouse concept in the Miramas Carrefour warehouse was continued in 2012. This concept enables a full train delivery followed by redistribution to the 123 Carrefour stores in the southeast of France and other distributor warehouses;
- elsewhere, the Danone Eaux France subsidiary continued its optimization initiatives for finished products pallets in 2013, in response to new French transport legislation authorizing 44-ton trucks (compared with 40 tons previously). The Salvetat brand's shift from four to five pallet layers, for example, reduces trucks on the road by 15%. The truck load factor in France in terms of net available weight has reached 92%.

GENERAL

ADD EN30

Total environmental expenditures and investments by type

In thousands of euros	2012	2013	2012 - 2013 variation on a like-for-like basis
Environmental expenditure			
Fees paid for packaging collection/recycling	51,658	50,877	
Cost of industrial treatment: waste – water – atmospheric emissions	31,233	35,166	
Taxes and duties	8,194	8,514	
Other environmental costs (studies, certifications, audits, etc.)	5,890	5,227	
Costs of managing the CO ₂ emissions reduction plan	2,563	1,918	
Fines and penalties	93	114	
Third-party damages	8	1	
Subsidies received	-63	-1,726	
Environmental expenditures before depreciation	99,576	100,089	
Depreciation	8,218	8,149	
Total environmental expenditures	107,742	108,238	-4%
Environmental investments			
Investments generating a reduction in CO ₂ emissions (except Green Capex)	37,348	14,944	
Investments for environmental compliance: wastewater – waste – air pollution – soil pollution (except Green Capex)	4,832	13,916	
Investments in improving water quality (except Green Capex)	997	2,679	
Green Capex	4,102	1,707	
Investments in reducing water consumption (except Green Capex)	920	316	
Total environmental investments	48,199	33,563	-49%

In 2013, investments targeting environmental protection amounted to some €33.6 million, or around 3% of the group's total capital investments.

The primary investment categories are the following:

- investments targeting reduction of CO₂ emissions (energy savings, logistics, renewable energy use, eco-design of packaging, etc.). On a like-for-like basis, these investments have decreased 67% compared with 2012. They decreased this year due to the prioritization of other projects, in particular targeting the growth of sales;
- environmental compliance: waste, wastewater, air pollution, soil pollution (wastewater treatment, treatment facilities, noise measurement, air quality, waste treatment, etc.). On a like-for-like basis, these investments rose 60% compared with 2012;
- investments in projects related to water discharged by the plants: following the launch of new products with an impact on wastewater quality, some plants have invested to improve the efficiency of their treatment facilities, in particular in Latin America. These investments more than doubled in 2013.

In addition, since its creation in 2010, the Green Capex approval process has provided financing for projects with high environmental value, but with a return on investment that would prevent their acceptance under the usual investment approval process. This process takes into account a theoretical savings derived from applying a value to metric tons of CO₂ reduction resulting from these projects. Operating expenditures related to the environment amounted to around €108.2 million in 2013. They include €50.8 million for waste, water and air management and for environmental taxes other than duties on packaging. This latter expenditure amounted to €50.9 million in 2013.

GOVERNANCE

Working to connect Nature and Business

Danone's environment strategy is rooted in governance in accordance with the company's decision-making processes. The Nature plan is managed at several different levels, beginning with a Nature Committee comprising the company's key decision-makers (General Managers, VPs for operations, research and development, procurement, etc.). Sponsorship of the Nature strategy is assured by the group's CFO, member of the Executive Committee. In addition, every division has a Nature Committee and there are Nature managers in every subsidiary. In 2013, the group designed a Nature training module to raise awareness of the strategy within Danone. This module will be expanded and made available to all employees in 2014.

Responsible environmental communication

In 2011 Danone created an Environmental Claims Guide in collaboration with the British "anti-greenwashing" agency Futerra and distributed it to all subsidiaries communicating on Nature topics, to provide them with the necessary elements for responsible communication of their environmental initiatives. This nature claim management approach includes an internal approval process for claims and aims to ensure that the group's environmental communication respects strict guidelines for conduct in all strategic areas: climate change, water, packaging, agriculture and biodiversity. This tool is now available to Danone's teams via a new interactive website launched in 2013.

SOCIAL DIMENSION

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EMPLOYMENT

LA1

Total workforce by employment type, employment cofixed-termntract, and region

At December 31, 2013, the group had a total workforce of 104,642 employees (long- and fixed-term contracts).

The table below indicates the breakdown by geographic region and business division, with a comparison for the years 2011 to 2013.

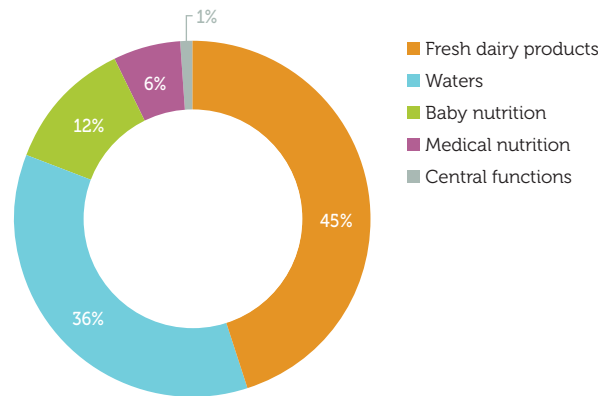
Total workforce (excluding interim workers)	Social Indicator Scope At December 31			Total Group Workforce Scope At December 31	
	2011 ⁽¹⁾	2012 ⁽¹⁾	2013	2012 ⁽¹⁾	2013
Total number of employees	87,164	86,555	85,853 <input checked="" type="checkbox"/>	102,401	104,642
of which managers in %	17%	18%	18%	16%	16%
By geographic region					
France	10%	10%	10%	9%	8%
Rest of Europe	25%	22%	22%	32%	30%
China	10%	11%	12%	9%	10%
Rest of Asia Pacific	18%	19%	20%	17%	17%
Americas	31%	32%	32%	27%	26%
Africa and Middle East	6%	6%	4%	6%	9%
Total	100%	100%	100%	100%	100%
By business division					
Fresh dairy products	38%	36%	35%	45%	45%
Waters	42%	42%	43%	36%	36%
Early life nutrition	13%	14%	14%	12%	12%
Medical nutrition	5%	6%	7%	6%	6%
Central functions	2%	2%	1%	1%	1%
Total	100%	100%	100%	100%	100%

⁽¹⁾ Historical data

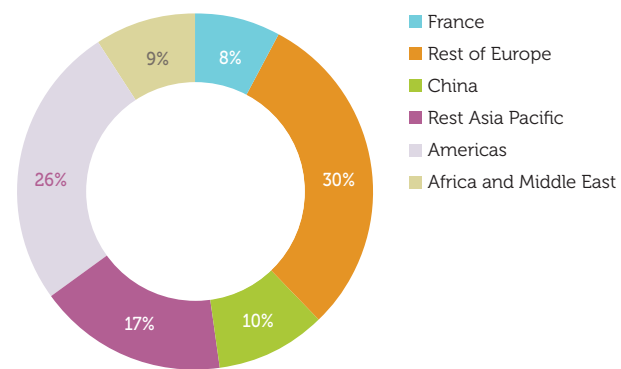
2013 figures verified in the 2013 Registration Document

EMPLOYMENT

Breakdown of workforce by business division in 2013 (in % of Total Group Workforce Scope)



Breakdown of workforce by geographic region in 2013 (in % of Total Group Workforce Scope)



Breakdown of workforce by long-term, fixed-term contracts and interim workers

Long-term employees are under contract without an end date with a Danone subsidiary; employees are those with a contract with a Danone subsidiary comprising an end date. Interim workers refer to individuals without contract with Danone but under the group's direct management.

This breakdown between long-term and short-term workforce was calculated based on average workforce (the average workforce is calculated by adding together the average total workforce at the end of each month of the year, then dividing this total by 12).

Average workforce	2012 ^(*)			2013		
	Long-term contracts employees ^(**)	Fixed-term contracts employees ^(**)	Interim workers	Long-term contracts employees ^(**)	Fixed-term contracts employees ^(**)	Interim workers
Total	85%	4%	11%	91%	4%	5%
Europe	88%	6%	6%	89%	7%	4%
Asia	84%	4%	12%	93%	5%	2%
Rest of the world	84%	2%	14%	91%	1%	8%
By geographic region						
Africa and Middle East	77%	5%	18%	91%	5%	4%
Asia Pacific	84%	4%	12%	93%	5%	2%
Eastern Europe	86%	6%	8%	90%	8%	2%
Western Europe	89%	6%	5%	88%	7%	5%
Latin America	84%	1%	15%	91%	1%	8%
North America	96%	3%	1%	96%	3%	1%
By business division						
Fresh dairy products	81%	3%	16%	88%	5%	7%
Waters	90%	4%	6%	95%	3%	2%
Early life nutrition	77%	5%	18%	89%	6%	5%
Medical nutrition	92%	4%	4%	93%	5%	2%
Central functions	93%	6%	1%	91%	8%	1%

(*) Social Indicators Scope
 (**) Under contract with a Danone subsidiary

EMPLOYMENT

Net job creation

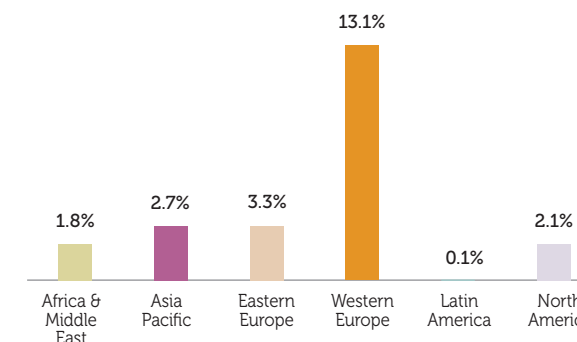
At December 31, 2013, on a like-for-like basis, 364 net jobs had been created (Total Group Workforce Scope). The group's highest net job creation is in Asia.

Full Time / Part Time

	2012		2013 ^(*)	
	Full time Danone employees	Part time Danone employees	Full time Danone employees	Part time Danone employees
Total	96.7%	3.3%	96.1%	3.9%
Europe	90.6%	9.4%	90.9%	9.1%
Asia	99.5%	0.5%	97.3%	2.7%
Rest of the world	99.5%	0.5%	99.5%	0.5%
By geographic region				
Africa and Middle East	99.4%	0.6%	98.2%	1.8%
Asia Pacific	99.5%	0.5%	97.3%	2.7%
Eastern Europe	96.3%	3.7%	96.7%	3.3%
Western Europe	87.1%	12.9%	86.9%	13.1%
Latin America	99.7%	0.3%	99.9%	0.1%
North America	97.6%	2.4%	97.9%	2.1%
By business division				
Fresh dairy products	97.4%	2.6%	97.5%	2.5%
Waters	97.9%	2.1%	96.2%	3.8%
Early life nutrition	95.1%	4.9%	95.2%	4.8%
Medical nutrition	89.6%	10.4%	90.2%	9.8%
Central functions	92.9%	7.1%	91.7%	8.3%

(*) Social Indicators Scope

Percentage of part-time employees by geographic region (average workforce)



This breakdown is calculated by reference to workforce at December 31, 2013, by geographic region.

Part-time work is mainly used in Western Europe, and to a lesser degree in Eastern Europe.

EMPLOYMENT

LA2

Total number and rate of employee turnover by age group, gender, and region

The annual turnover rate for 2013 is 17%. Conditions are extremely varied by region: from 6% in Western Europe to 26% in Latin America. Regions with a high turnover rate are those where qualified employees are more demanded.

On a like-for-like basis, the turnover rate decreased slightly from 2012 to 2013.

Turnover rate ^(**)	2012	2013
Total	18%	17%
By geographic zone		
Africa and Middle East	20%	26%
Asia Pacific	16%	14%
Eastern Europe	15%	15%
Western Europe	7%	6%
Latin America	28%	26%
North America	17%	16%
By category		
Staff, Supervisors & Workers	19%	17%
Managers	15%	14%

% of departures ^(*)	2012	2013
By gender		
Women	15%	15%
Men	17%	16%
By category		
Staff, Supervisors & Workers		
- of which women	15%	16%
- of which men	17%	16%
Managers		
- of which women	14%	15%
- of which men	15%	16%

(*) This indicator is calculated as per Danone-IUF convention, by taking into account external recruitments and departures

(**) Social Indicators Scope

ADD LA3

Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations

This indicator is not consolidated at group level.

LABOR/MANAGEMENT RELATIONS

LA4

Percentage of employees covered by collective bargaining agreements

The tables below provide data on the percentage of subsidiaries and employees covered by a collective bargaining agreement.

Subsidiaries covered by a collective bargaining agreement ^(*)		
	2012	2013
% of subsidiaries	71%	74%

Employees covered by a collective bargaining agreement ^(*)		
	2012	2013
% of employees	89%	89%

(*) Social Indicators Scope

The number of employees covered by a collective bargaining agreement remained stable from 2012 to 2013.

Are excluded subsidiaries with less than 100 employees.

LA5

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

Danone has signed a global convention with the IUF specifically regarding consultation of employee representatives in case of operational changes with consequences for employment (May 1997). It stipulates a minimum three-month notice period and was revised in 2005.

OCCUPATIONAL HEALTH AND SAFETY

ADD LA6

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

In 2011, Danone strengthened its commitment to systematically introduce Management-Employee committees to define, assess, implement and monitor workplace health and safety policies and programs.

The global convention signed in September 2011 with the IUF with regard to health, safety, working conditions and stress clearly specifies Danone is particularly committed to creating a dedicated system for coordinating health and safety at work and working conditions for every site in all of Danone's consolidated subsidiaries (including headquarters).

This convention is implemented in all group subsidiaries via the Danone Way program, whose "Health, safety and working conditions" key practice was updated in 2012 to include expectations with regard to its application: communication of the convention to staff representatives and self-assessment by subsidiaries of their practices to date, concerning the convention's principles.

OCCUPATIONAL
HEALTH AND SAFETY

LA7

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

Danone has been committed to a worldwide program known as WISE (for Working In a Safe Environment) since 2004, with the goal of developing a safety culture at all group sites to significantly reduce the number of work-related accidents. This program is rolled out in all divisions around the world, in plants and logistics centers and in distribution. It also applies to subcontractors working at Danone sites.

The management of safety and working conditions as well as the WISE program are coordinated by the group Human Resources Department with the support of designated managers at every level of the company's organization.

The frequency rate 1 of work-related accidents (FR1) is the ratio of the number of accidents involving at least one day of medical absence to the millions of hours worked; it includes accidents involving fixed-term contracts, long-term contracts and interim workers.

In 2013, the continued decline of FR1 in 2013 is mainly due to the Fresh dairy products division in Latin America (which had a sharp decline of FR1 in Argentina and Mexico) and, to a lesser extent, to the improvement of the FR1 for Waters and Medical nutrition divisions.

Nevertheless, in 2013, the FR1 deteriorated in Western Europe, notably in France, where subsidiaries have been directly affected by uncertainties due to the adaptation and competitiveness project and to the reorganization plan of the sales function.

In 2013, Danone decided to extend the monitoring of its safety performance, following the severity rate (which represents the average number of calendar days lost reported to 1,000 hours). The severity rate of accidents with lost time for the group in 2013 amounted to 0.07.

After a sharp decline during eight years (FR1 declined by nearly 60% between 2009 and 2011), the improvement of the frequency rate is slower since 2012.


However, the group's efforts to develop a "safety culture" continued to expand in 2013, in particular by:


- continued WISE program (80% of sites audited every year);
- transposing an excellence approach, supported by the WISE program, to other operational areas such as commitment of all employees and operating efficiency;
- extending the "safety culture" to encompass a culture of health in the workplace, through training in ergonomics, workstation design, etc.;
- launching a new safety standard, including specific teaching of group's fatalities during the last 10 years.

This effort is also expressed in the "Health, safety, working conditions and stress" convention signed by Danone and IUF and managed through the Danone Way program.

The table hereafter indicates the breakdown of work-related fatalities, accidents engendering at least one day of work absence, and frequency rate 1 (FR1) by division at December 31, 2012 and 2013.

OCCUPATIONAL
HEALTH AND SAFETY

	2012			2013		
	Number of fatalities	Number of accidents with at least 1 day of leave	Frequency rate 1 (FR1)	Number of fatalities	Number of accidents with at least 1 day of leave	Frequency rate 1 (FR1)
By business division						
Fresh dairy products	5	274	4.1	1	228	3.4
Waters	0	119	1.4	0	103	1.2
Early life nutrition	0	41	1.6	0	61	2.5
Medical nutrition	0	17	1.7	0	11	1.1
Other	0	31	7.4	0	30	7.2
Total	5	482	2.5	1	433	2.3 

 2013 figures verified in the 2013 Registration Document

The number of fatal accidents includes only Danone employees part of the group consolidated subsidiaries, except subcontractors.

Information concerning work-related illness and the associated absenteeism rate are not yet consolidated at group level.

LA8

Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases

In 2010, Danone launched the Dan'Cares program which aims to provide all Danone's employees with a medical coverage for basic healthcare, including hospitalization and surgery, prenatal and maternal care, medical visits and pharmacy.

Dan'Cares specificity is its scope of action: it is intended to be deployed in all the group's subsidiaries, including countries where this medical coverage are not traditionally supported (for maternity for example). All employees are concerned, long-term contracts, fixed-term contracts or even, in some cases, interim workers.

In certain countries, medical coverage offered to employees is extended to their families.

The program began with an audit in 15 countries, representing 69,000 employees and 56 subsidiaries in 2010 (around 85% of the employees excluding the ex-Unimilk group). This audit helped identify ten countries which have deployed Dan'Cares from 2011, with a goal to improve medical coverage by 2013.

Secondly, in 2012, an assessment of existing medical coverage was performed in all the group's subsidiaries, to extend the implementation of Dan'Cares in all the countries where Danone operates.

To date, 70,000 Danone's employees in 25 countries benefit from a medical coverage in line with Dan'Cares standards, from which 40,000 are the results of the actions plans launched since 2011.

OCCUPATIONAL
HEALTH AND SAFETY

ADD LA9

Health and safety topics covered in formal agreements with trade unions

On September 29th 2011, Danone signed a worldwide convention on health, safety, working conditions and stress with the IUF (International Union of Food workers). This convention follows on from the agreement signed in 2010 with trade unions in France.

The convention declares that health and safety at work, working conditions, and preventing stress in the workplace are complex and closely interwoven issues that require shared preventive measures.

The Danone–IUF convention restates each party’s responsibilities. The company is responsible for the health and safety of its workers and of all individuals working at the locations for which it is accountable. Among other things, the convention asserts the following principles:

- it is imperative to take into account the human consequences of change, in advance of major organizational changes;
- preserving a balance between personal and professional life must be encouraged, among other things by planning work schedules, break times and vacations as far in advance as possible;
- involving employees as close to the ground as possible to identify ways to simplify their work makes it possible not only to find new efficiency levers, but also to improve employee well-being;
- employees safety requires their participation in safety-related preventive measures, but also their right to withdraw from a hazardous situation;
- medical monitoring must be systematically introduced in all subsidiaries and locations.

This convention is implemented in all group subsidiaries via the Danone Way approach, whose “Health, Safety and Working Conditions” key practice was updated in 2012 to include expectations with regard to its application: communication of the agreement to staff representatives and self-assessment by subsidiaries of their practices to date concerning the convention’s principles.

TRAINING
AND EDUCATION

LA10

Average hours of training per year per employee by employee category

Indicators regarding training were stable from 2012 to 2013, which reflects Danone’s ongoing training efforts in all geographic regions.

In 2013:

- the average number of training hours per employee was 31;
- 83,060 employees received training (compared to 85,917 in 2012).

Average number of training hours	2012 ^(*)	2013 ^(*)
Staff, Supervisors and Workers	29	29
Managers	41	40
Total	31	31
By geographic region		
Africa and Middle East	19	24
Asia Pacific	32	33
Eastern Europe	32	30
Western Europe	29	30
Latin America	33	30
North America	36	29

Number of employees trained ^(†)	2012 ^(*)	2013 ^(*)
Staff, Supervisors and Workers	70,859	67,231
Managers	15,058	15,829
Total employees trained	85,917	83,060
By geographic region		
Africa and Middle East	4,416	4,244
Asia Pacific	27,395	26,842
Eastern Europe	10,468	11,025
Western Europe	14,272	14,143
Latin America	26,750	24,184
North America	2,616	2,622

Number of training hours ^(†)	2012 ^(*)	2013 ^(*)
Staff, Supervisors and Workers	2,026,554	2,007,938
Managers	631,397	624,812
Total number of training hours	2,657,951	2,632,750 ✓

(*) Social Indicators Scope

(**) 2012 figures on a like-for-like basis

✓ 2013 figures verified in the 2013 Registration Document.

TRAINING AND EDUCATION

ADD LA11

Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings

For several years, Danone subsidiaries impacted by the aging of the working population (primarily in Western Europe and particularly in France) have either signed agreements or adopted action plans that aim to plan for this aging and support continued professional activity to a more advanced age. Measures implemented include:

- training (ergonomics, skills transmission, preparation for retirement, leadership);
- mid-career reviews;
- job adaptations to relieve physical and mental stress.

Two initiatives currently promote greater coordination and more systematic local initiatives in terms of lifelong skills development and training programs designed to ensure employability:

- the implementation of legal obligations by the French subsidiaries in the area of preventing physically straining work. Two prevention topics dictated by law involve the development of skills and qualifications, and end-of-career management, and should lead to joint agreements or action plans;
- the deployment of “CODE Leadership” at operational staff level. Efforts have been made to adapt Danone Leadership College (DLC) courses and firmly establish them into day-to-day operational workplace routines, particularly in the framework of the DaMaWay policy⁽¹⁾. This deployment aims to increase the autonomy of operators and teams in the workplace, and to foster the acquisition of transferrable skills.

ADD LA12

Percentage of employees receiving regular performance and career development reviews

The Individual Development Plan (IDP) that allows every individual to look towards the future and define training initiatives beyond the annual performance review, continues to apply to a large portion of group employees. In 2013, 82% of managers and 69% of Staff, Supervisors and Workers (SSW) benefited from an IDP (a 11 points increase for SSW compared with 2012, and stable for managers).

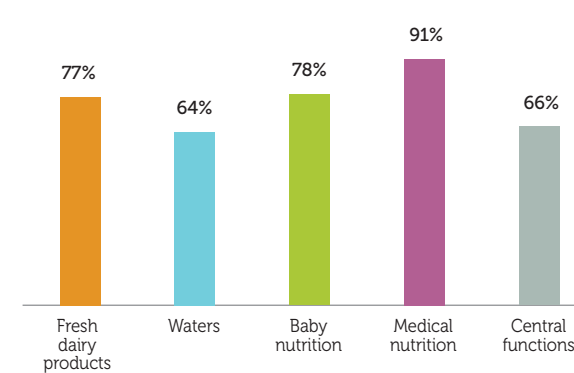
In the Staff, Supervisors and Workers categories, in 2013, Asia and the Central Functions are ahead of the other regions and divisions.

In 2013, 76% of the group managers had an annual performance review (Performance and Development Review - PDR). North America, Asia Pacific and Medical nutrition are ahead of the other regions and divisions for this indicator.

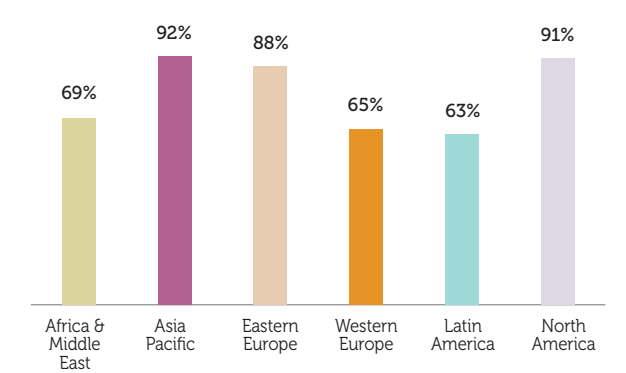
These figures are provided for the Social Indicators Scope at December 31, 2013.

TRAINING AND EDUCATION

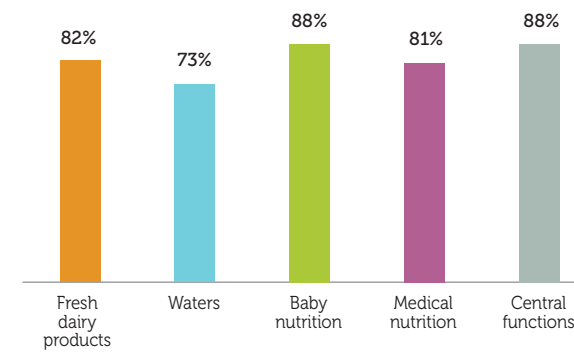
% of managers who had a PDR^(*) in 2013 by business division



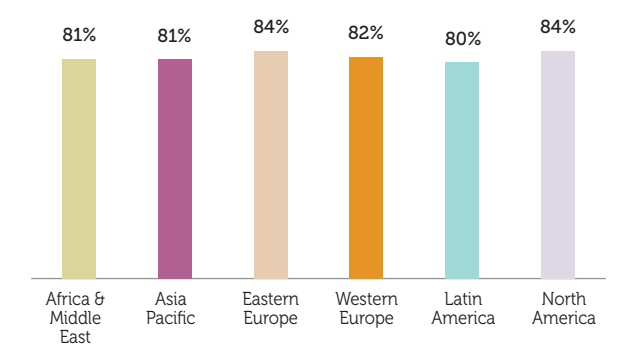
% of managers who had a PDR^(*) in 2013 by geographic region



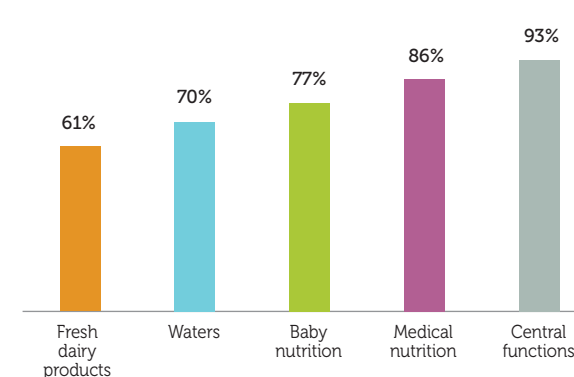
% of managers who had an IDP^(**) in 2013 by business division



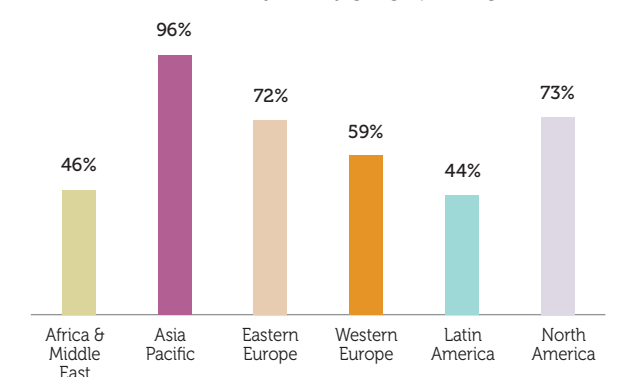
% of managers who had an IDP^(**) in 2013 by geographic region



% of SSW^(***) who had an IDP or equivalent for at least 2 years by business division



% of SSW^(***) who had an IDP or equivalent for at least 2 years by geographic region



(1) DaMaWay is Danone's industrial performance management system that applies to all production sites in all divisions. This system supports all operators of every age and qualification level with training and initiatives to allow them to develop their autonomy and teamwork and share expertise in industrial performance.

(*) PDR: Performance and Development Review
 (**) IDP: Individual Development Plan
 (***) SSW: Staff, Supervisors and Workers

DIVERSITY AND EQUAL OPPORTUNITIES

LA13

Composition of governance bodies and breakdown of employees per category, according to gender, age group, minority group membership, and other indicators of diversity

Gender diversity

The share of women within the management population increased in 2013 compared to 2012, at all levels and especially at the directors and executives level, which is crucial to foster a global business.

	2012		2013	
	Women	Men	Women	Men
Total managers^(*)	45%	55%	47%	53%
of which directors and executives	31%	69%	33%	67%
of which executives	13%	87%	19%	81%
of which other managers	47%	53%	48%	52%

(*) Social Indicators Scope

These results are derived in particular from the Women Plan introduced in 2009 and rolled out in every subsidiary around the world, which applies two main approaches:

Organizational:

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

Individual:

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

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

Age

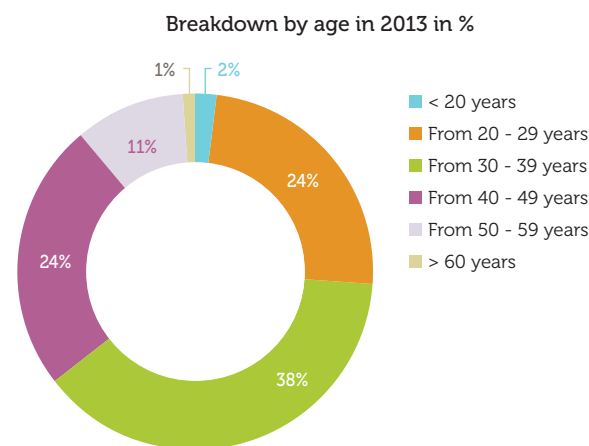
64% of Danone employees are under 40 years old in 2013, figure improved compared to 2012 (67%) and showing first results of the Danone will towards more age diversity.

Nevertheless, there are significant disparities between regions, with a higher percentage of older workers in Western Europe and North America (28% and 23%) compared to other regions of the world, for example in Latin America and Africa – Middle East, where the rate is 5%. Those regions are marked by a strong growth in the group’s activities with a very young population.

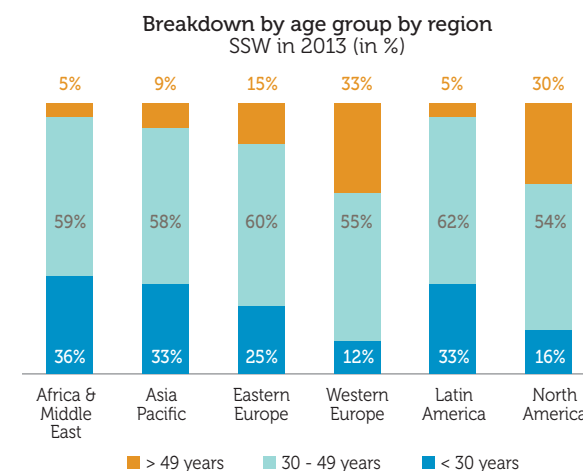
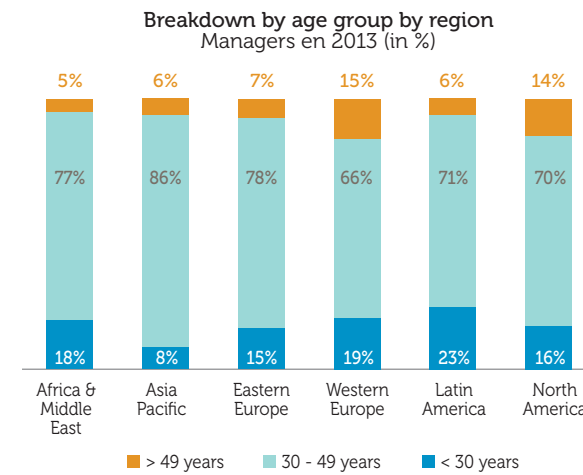
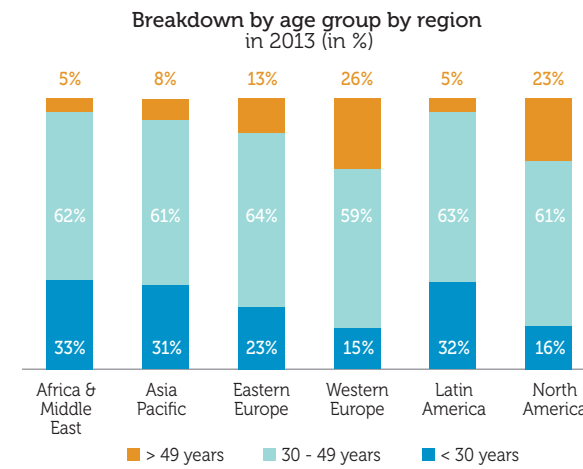
Danone has also been engaged for several years in reflection on the issue of the professional integration of young people. Within the French subsidiaries, initiatives address both the employment integration of young generations and the origin of applicants for employment. This is the case of the following projects:

- “Initiative 500”, which allows, since 2010, 225 young people with no employment qualifications to enter in these subsidiaries for a pre-qualification contract giving them access to studies’ certificates recognized by French government;
- “Sales school”, with the annual recruitment of 64 young students in a work-study program from a two-year university degree to Master 2 in sales professions.

Finally, the group continues in 2013 two majors initiatives on relations between generations with the Octave and Gen D seminars (see pages 29 of this Report).



DIVERSITY AND EQUAL OPPORTUNITIES



Disabilities

In France, the integration rate for people with disabilities in the group’s French subsidiaries rose from 3.1% in 2007 to 5.2% in 2013 (slightly down compared to 2012).

Integrating people with disabilities into headquarters is the most difficult, given the gap between training levels and required qualifications. Many subsidiaries have signed specific three-year agreements with trade unions to support a longer-term approach to this issue.

At global level, the number of employees with disabilities rose to 887 in 2013. 73 subsidiaries employ at least one disabled worker. In these 73 subsidiaries, the percentage of disabled people represents 1.4% of their overall workforce, a figure that improved compared to last year.

This average percentage covers a variety of situations in terms of degree of advancement and integration policy for employees with disabilities, notably depending on whether or not they are subject to demanding legislative requirements.

LA14

Ratio of basic salary of men to women by employee category

Managers and Directors categories

The data is provided by the “HIRIS” information system for Human Resources management indicators.

The basis chosen for comparison, i.e. the “compa-ratio”, is the total wages received by the individual compared to the median wages established each year for all managerial and executive categories organized by grade.

There are ten grades (excluding Danone Executive Board members) in all 60 countries where the group does business. The compa-ratio indicates this wage gap independently of the currency and country of reference.

DIVERSITY AND
EQUAL OPPORTUNITIES**Examples:**

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

The tables below provide an overview of the gender gaps by level.

**Directors excluding general managers:
internal Danone grades 6b to 5 (equivalent to grades 20 to 22 of the Hay system)**

Compa ratio						Average age			
Grade	Women	Men	Total	2013 Gap	vs 2012 Gap	Grade	Women	Men	Total
5	0.98	1.02	1.01	-0.04	0	5	45.8	46.3	46.2
6A	1	1	1	0	0.02	6A	44.8	44.9	44.9
6B	0.93	0.95	0.94	-0.03	-0.01	6B	42.4	43.4	43.1
Total directors	0.96	0.98	0.97	-0.03	-0.01	Total directeurs	43.6	44.5	44.2

Total workforce of 1,264 directors of which 32.4% women and 67.6% men. These figures include all directors in the group.

There is an overall gap of -3% across the entire population, with a new gap identified in 2013 for the grade 5 directors. There is a reduction of the gap identified in 2012 for the grade 6a and 6b directors.

**Managers category:
internal Danone grades 9.9 to 7 (equivalent to grades 15 to 18 of the Hay system)**

Comp aratio						Average age			
Grade	Women	Men	Total	2013 Gap	vs 2012 Gap	Grade	Women	Men	Total
7	0.89	0.92	0.9	-0.03	-0.04	7	40	41.5	40.9
8	0.86	0.85	0.85	0.02	-0.01	8	37.3	39.7	38.6
9	0.81	0.79	0.8	0.02	0.02	9	35.1	37.5	36.4
9.9	0.85	0.79	0.82	0.05	0.01	9.9	27.8	30.2	28.9
Total managers	0.84	0.83	0.83	0.01	0.00	Total managers	35.5	38.1	36.9

Total workforce of 16,577 managers, of which 47.8% women and 52.2% men. These figures include all managers in the group.

For the entire manager population, more than 16,500 employees, no gender gap is apparent for wages.

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

DIVERSITY AND
EQUAL OPPORTUNITIES**Staff, Supervisors and Workers categories**

As the group does not have a single classification system for these categories, and deployment of the information system does not yet cover all these job categories, data is collected from the internal SAP/Business Object Financial Consolidation reporting system.

The male-female comparison is made using the median annual men-women wage ratios.

Figures are calculated based on the median ratios for men's and women's annual wages on a comparable basis between 2012 and 2013, so that subsidiaries that exited or entered the scope between 2012 and 2013 are not included. Moreover, Danone Russia is not included to this indicator.

This perimeter coverage of this reporting is 98%.

	Staff and Supervisors	Workers
2012 Sustainability Report	1.00	1.06
2012 comparable basis with 2013	1.00	1.05
2013	1.00	1.07
Gap	0.00	0.02
% of total employees 2013	97%	97%

The results can be read as follows: 50% of subsidiaries pay their male and female "Staff and Supervisors" at the same level on average, for all levels and all positions; and 50% of subsidiaries pay their male "Workers" an average of 7% more than their female counterparts.

HUMAN RIGHTS

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INVESTMENT AND PROCUREMENT PRACTICES

The Seven Fundamental Social Principles are:

1. Child labor

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

2. Forced labor

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

3. Non-discrimination

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

4. Freedom of association and right to collective bargaining

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

5. Health and safety at work

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

6. Work hours

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

7. Pay

The company ensures that:

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

HR1

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

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

- Danone joined the United Nations Global Compact in 2003, and reaffirmed its commitment in 2009;
- in 2005, the Seven Fundamental Principles (*see left*) defined by the International Labour Organization conventions were addressed in an agreement between Danone and the IUF, and were the subject of joint visits of 47 of the group's subsidiaries from 2009 to 2013;
- the group implements them via the Danone Way approach, which applies to 89% of the group sales and includes 16 key practices relating to Social and Environmental Responsibility, including a specific Human Rights dimension (*see page 54 of this report*);
- the Seven Fundamental Principles are the basis for the RESPECT program launched in 2005 (*see page 59 of this report*) which aims among other things at ensuring the application of these principles by the group's suppliers.

In the framework of the RESPECT program, to ensure that all suppliers comply with these fundamental social principles, Danone has integrated a specific "**Fundamental Social Principles**" clause into its General Terms of Procurement. This clause is included in all contracts and is compulsory for all suppliers. By signing the contract, the supplier undertakes to:

- comply with the Fundamental Social Principles;
- promote respect for these principles among their own suppliers, subcontractors and partners;
- give Danone the right to verify the application of these principles, in particular through audits;

INVESTMENT AND
PROCUREMENT PRACTICES

- if non-compliance by a supplier is identified during an audit, draft a corrective action plan targeting all identified non-compliance issues for approval by Danone;
- if a supplier refuses to draft a corrective action plan, or if recurring non-compliance issues are raised in several audits, recognize Danone's right to terminate the contract with this supplier.

Since 2009 the scope of supplier responsibility has been expanded to include Environment and Business Ethics, and the contractual clause has been amended accordingly.

The Seven Fundamental Social Principles on human rights are thus integrated into all agreements involving significant investments, encompassing:

- 70% of sales agreements with customers;
- 90% of purchasing contracts with major suppliers;
- 100% of acquisitions of majority interests in external companies;
- 100% of agreements concerning local community development, in particular with NGOs in the framework of Danone Ecosystem Fund projects.

HR2

Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken

See RESPECT program, pages 59 to 61 of this report.

ADD HR3

Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained

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

- the **Danone Way approach** (*see page 54 of this report*): every Danone employee has received a Danone Inside Pack that describes the Danone Way approach and its 16 key practices. These materials provide information on human rights, particularly with regard to the ban on child labor and forced labor, diversity and equal opportunity, and safety at work. Among the approach's 16 key practices, eight relate specifically to "Human Rights" and "Human Relations";
- the **RESPECT program** (*see page 59 of this report*). The Procurement departments manage supplier compliance with regard to social responsibility, and in particular respect for human rights. A communication guide about the RESPECT program including the Fundamental Social Principles was broadly distributed to the procurement function in 2010. In this area, 100% of purchasers have been informed.

Beyond this, the number of hours of training and/or information is not consolidated at group level.

NON-DISCRIMINATION

HR4

Total number of incidents of discrimination and actions taken

A convention was signed with the IUF concerning anti-discrimination measures and promotion of diversity. Every year since 2009, a Danone representative and an IUF representative visit several countries and sites together in order to promote these conventions and concretely verify if they are applied on the ground. These joint visits have been carried out in 47 subsidiaries. No case of discrimination was identified during these visits.

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

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

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

FREEDOM OF ASSOCIATION
AND COLLECTIVE BARGAINING

HR5

Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights

A convention concerning the right to union organization has been signed with the IUF. Every year since 2009, a Danone representative and an IUF representative visit several countries and sites together in order to promote these conventions and international employee dialogue, and to concretely verify on the ground that the conventions have been implemented and adapted to local conditions. These joint visits have been carried out in 47 subsidiaries. In addition, the IUF notifies central management if it is informed of failure to respect freedom of association.

Freedom of association is also one of the key practices monitored in all subsidiaries by the Danone Way approach (*see page 54 of this report*), including a key practice on Social Dialogue that promotes employee dialogue in every group subsidiary.

The Danone Way approach thus encourages subsidiaries to:

- implement the necessary conditions for electing staff representatives, whether unionized or not, in compliance with local legislation;
- guarantee staff representatives' independence with regard to management teams and political parties through the organization of ad hoc elections;
- hold economic and social information meetings between staff representatives and management of each site, and with all employees;
- confirm agreements between staff representatives and management by signing negotiated agreements.

CHILD LABOR

HR6

Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor

Respect for this principle is verified through the Danone Way approach (see page 54 of this report), for which the abolition of child labor is a prerequisite. All subsidiaries are required to put in place the necessary procedures and resources to ensure that there is no child labor at their sites. All the subsidiaries that completed the Danone Way assessment in 2013 were in compliance with this prerequisite, and no non-compliance incidents were identified.

FORCED AND COMPULSORY LABOR

HR7

Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor

This aspect is dealt with in the same way as the indicator for child labor (HR6).

SECURITY PRACTICES

ADD HR8

Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations

Service providers in the security sector commit to comply with the RESPECT program's Fundamental Social Principles, and are screened by the group manager in charge of life and property safety. The percentage of security personnel actually trained is not consolidated at group level.

INDIGENOUS RIGHTS

ADD HR9

Total number of incidents of violations involving rights of indigenous people and actions taken

This criteria does not apply to Danone activities.

SOCIETY DIMENSION

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LOCAL COMMUNITIES

SO1

Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting

The aim shared by all Danone's social innovation initiatives is to strengthen team skills in addressing the following challenges:

- understanding social and stakeholder issues;
- measuring social impact;
- co-development and co-management, in particular with NGOs;
- the commitment of Danone employees to various programs;
- internal and external communication.

Foster exchange between inclusive and conventional business models, through a peer-to-peer approach

Danone's teams working in co-creation with civil society partners take part in testing new models that differ from those applied in mainstream business but complement them. Four years of experimentation have led to the development of more robust and sustainable models particularly in raw materials sourcing projects and projects involving direct selling to consumers.

In 2013, Danone Ecosystem Fund actions gave rise to the launch or consolidation of three approaches to drive exchanges between these innovative projects and peer projects within the subsidiaries:

- the creation of a cross-cutting approach between the Danone Ecosystem Fund, the Waters division and a business practices transformation platform ("Growth Too") to work on the "Direct To Consumer" model. This approach firmly establishes the projects' social aspect as a key component of their construction and functioning. These projects generate many jobs through micro-entrepreneurship, particularly by providing training for people often excluded from the labor market. A community of project leaders working on these distribution models, has been set up to share best practices and to consolidate a comprehensive model delivering business performance and social impacts;

- the promotion of sustainable agricultural practices within a network of buyers due for launch at a workshop in the first quarter 2014; the network will bring together buyers involved in Danone Ecosystem Fund projects and in the RISE program, partner NGOs, members of the academic world and other institutions;
- the integration of a sustainable sourcing component into the mission of DanTrade, a new entity which coordinates the Fresh dairy products division's procurements: "Connect to create the best sustainable sourcing solutions, together". It aims to establish sustainability as one of this organization's founding principles and to raise buyer awareness of issues relating to transparency, traceability, and the promotion of ingredients as a means of distinguishing the group's brands and products.

Measure the impacts of inclusive models

Social innovation projects reach both direct and indirect beneficiaries. The people who play an active part in the projects benefit from them directly, from the perspective of the fund's job development and employability mission. In addition, when a job is created, for example a micro-entrepreneur selling door-to-door who was excluded from the job market so far, the income generated by the business has positive impacts on his/her family development. And where a program creates a service that contributes to the independence of elderly people, it can be considered as impacting public health issues. The people impacted are therefore "indirect" beneficiaries of those projects. The goal today is that all these projects directly benefit 50,000 people through job creation, micro-entrepreneurship and professional skills enhancement.

In this framework, a certification process for the project indicators is in progress in partnership with an independent firm (Ernst & Young) to guarantee quality reporting on the fund's projects.

Moreover, the Danone Ecosystem Fund has set up partnerships with academic research institutes to take reflection on **measuring social impact** even further (see the 2012 Sustainable Development Report, SO1 section, pages 159-160).

LOCAL
COMMUNITIES

The overall goal of a study to measure social impact is to identify, qualitatively and/or quantitatively, how the projects have changed the lives of the programs' beneficiaries.

At the end of 2013, **seven social impact studies** had been initiated with academic partners around the world, such as the William Davidson Institute at the University of Michigan (USA) or the SROI (Social Return On Investment) network in partnership with the French business school ESSEC (Cergy, France) and the Centre de coopération International en Recherche Agronomique pour le Développement (Paris, France).

Lastly, to take a new approach to measuring all business impacts for Danone, the fund works with the French business school HEC (Paris, France) on a comprehensive impact measurement method, in the short and medium term, based on the value created for Danone's stakeholders.

Measuring social and business impact is therefore a key factor for the Danone Ecosystem Fund and must:

- help to identify possible program improvements or highlight decisive lessons in the projects' success to enhance replicable models;
- objectively assess the return on investment of these programs, to report on the value created to the stakeholders, particularly shareholders;
- contribute to the progress of research in this area by treating the fund's projects as laboratories;
- leverage the impacts for Danone within the group and encourage the subsidiaries to engage in this kind of project.

CORRUPTION

Danone's **Business Conduct Policy** (BCP) was revised in 2009. It includes founding texts such as the Universal Human Rights Declaration, a list of Danone's commitments to the United Nations Global Compact, OECD guidelines and the Sustainable Development Principles, which include in particular the Fundamental Social Principles and Business Ethics Principles, directly referring to prevention of corruption.

The latest 2009 version of the Business Conduct Policy was distributed to all directors and managers (and even more broadly in certain subsidiaries) by the Human Resource Departments of the subsidiaries, and supported with special initiatives to inform employees. This topic is included in:

- the Danone Way referential;
- the evaluation of the subsidiary control system (known as Dango);
- the internal semi-annual opinion survey;
- the internal audit program each time an audit in the subsidiaries addresses these subjects.

Since 2006, **directors and managers sign a specific clause in their employment contracts** indicating that they are familiar with the Business Conduct Policy (BCP) and commit to compliance by themselves and their teams. Various tools have been provided to support effective application of these principles (presentations, posters, question-and-answer booklets, etc.). A specific program to prevent fraud was also developed in 2006 and has been expanded every year since then.

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

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

CORRUPTION

Since 2005 the **DIALERT** whistleblowing system has been implemented to allow all employees to report to Danone management directly and in confidence of any breach of:

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

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

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

This channel produced a total of 40 valid ethics notifications in 2012. Around ten cases of confirmed fraud related to internal control led to appropriate sanctions.

SO2

Percentage and total number of business units analyzed for risks related to corruption

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

SO3

Percentage of employees trained in the organization's anti-corruption policies and procedures

All Danone employees were informed of the 2009 revision of the group Business Conduct Policy. This was achieved through information meetings, presentations and question-and-answer sessions, and distribution of documents with or without formal acknowledgement of receipt. Managers, and in particular subsidiaries Executive Committees members, received more extensive training and information. Since 2009, an induction document has been drafted and sent to the subsidiaries for transmission to each newly recruited employee upon arrival. Titled "Danone Inside Pack," it contains several pages covering the Business Conduct Policy. It was also distributed for the first time in 2009 to employees working in the subsidiaries.

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

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

SO4

Actions taken in response to incidents of corruption

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

CORRUPTION

Lastly, mid-yearly reporting on internal fraud has been in place for six years, with the participation of 175 subsidiaries, or almost every entity of the group. There were 280 cases of suspected fraud registered in 2013, of which 170 proved to be actual fraud, a majority of which were minor (products or materials stolen, minor misappropriations). None of these cases of fraud had a significant impact on Danone's accounts in 2013. In the huge majority of cases identified, the employees implicated were dismissed following the fraud investigations.

Finally, a follow-up meeting of cases of fraud and suspected fraud takes place monthly at the group's headquarters to ensure the effective monitoring of cases and their appropriate management in terms of ethics and internal control. For this purpose, detailed information on the nature of the main cases are collected and analyzed by the monitoring committee of fraud (Dialert Committee). It brings together representatives of Human Resources functions, Internal Audit and Legal, and meets monthly.

PUBLIC POLICY

SO5

Public policy positions and participation in public policy development and lobbying

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

Danone has therefore reorganized its corporate teams in charge of public policy and lobbying. The goal is to better distinguish policy development from factors related to the application and monitoring of regulations. This organization has been confirmed in the European plan for adaptation of the organizations implemented in 2013.

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

- in 2011, Danone created a Public Affairs kit and the Public Affairs Policy, which were presented to the subsidiaries in January 2012 and are regularly reminded during "PROUD" trainings, dedicated to Public Affairs' managers in the group's subsidiaries. These tools are used to define action areas and initiatives to be implemented by the headquarters and subsidiaries;
- the deployment process has also been formally defined as a Public Affairs best practice in the Danone internal governance system to ensure that this policy is actively implemented and monitored every year in the group's subsidiaries.

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

PUBLIC POLICY

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

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

ADD SO6

Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country

As indicated in Danone Business Conduct Policy, the use of funds or other group assets, either directly or indirectly, to benefit organizations of a political nature may only take place in the framework of the laws and regulations in effect in each country, and must be applied with complete transparency. This use is only possible with formal management approval. This rule became more restrictive in the new 2009 version of the Business Conduct Policy.

However, Danone encourages its employees to be involved in their local community. These principles were further reinforced in the Public Affairs Policy communicated to Danone subsidiaries in January 2012 and are regularly reminded during "PROUD" trainings, dedicated to Public Affairs' managers in the group's subsidiaries.

ANTI-COMPETITIVE BEHAVIOR

ADD SO7

Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes

See indicator SO8 hereafter.

COMPLIANCE

SO8

Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations

Following an investigation by the Chinese authorities (the NDRC, National Development and Reform Commission), in terms of pricing through the distribution chain, with companies marketing infant formula in China, Chinese authorities have inflicted on Dumex, a Danone Early life nutrition subsidiary in China, according to the fine of RMB 171.99 million (3% of the subsidiary's sales), approximately €20 million.

PRODUCT RESPONSIBILITY DIMENSION

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146 PRODUCT AND SERVICE LABELING

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150 COMPLIANCE



CONSUMER HEALTH AND SAFETY

PR1

Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures

Consumer health

Prior to the product design process, Danone analyzes local nutrition situations and nutrition patterns and ensures the nutritional value of proposed formulas

In 2013, Danone continued to pursue the Nutriplanet program which involves collecting key data about local nutrition and health situations and eating habits.

At end 2013, nutrition and health situation surveys covered 51 countries and related, depending on the case, to the entire population (17 countries), adults and children over three (eight countries) or specifically to babies and their mothers (26 countries). At the same time, a specific survey on elderly people was conducted in 11 countries. Highly targeted surveys on consumption of fluids covered 13 countries at end 2013.

Danone's survey of eating patterns launched in 2011 also gained speed and now covers six countries.

For new product launches, the **Nutrition check** included in projects verifies the products' nutritional positioning before they are launched, and their alignment with local issues.

Danone regularly evaluates the nutritional quality of its products following their market launch.

In 2013, the NutriProgress program for nutritional quality verification and improvement covered eight countries for the Fresh dairy products division (Belgium, France, Italy, Spain, UK, Brazil, Mexico and USA): 2,018 Danone products and 2,730 competing products were assessed and compared.

For the Early life nutrition division, data was updated in 43 countries (France, Argentina, Colombia, Chile, Mexico, Brazil, China, Indonesia, United Arab Emirates and the 34 countries in the Africa region).

The review covered seven countries for the Waters division (UK, Poland, Argentina, Brazil, Mexico, Indonesia and China), analyzing some 66 Danone references and 457 competing products.

The subsidiaries develop action plans based on this evaluation. The Fresh dairy products subsidiary in Argentina, for example, reduced the level of sugar and fats in several of its product ranges (drinkable yogurts Yogurissimo & Danonino, Danonino soft white cheese, Yogurissimo set yogurt, Danette, Serenito) over two years. During this period, 10,000 tons of sugar and 880 tons of fats were eliminated.

Over the same period, the US subsidiary, Dannon Company, achieved a 29% reduction in the sugar content of the "Danimals" children's product, while retaining the same level of consumer preference.

In the Early life nutrition division, across the Europe/ Middle East/Latin America regions, a comprehensive reformulation program reduced the calorie content of growing-up milks by an average of 9% (and up to 25% in certain formulas) and sugar content by an average of 4%; the great majority of formulas no longer contain sugar.

CONSUMER HEALTH AND SAFETY

In total, **31% of 2013 sales correspond to products improved between 2011 and 2013⁽¹⁾ and 67% of sales are of products complying with demanding standards** (Fresh dairy and Early life nutrition products complying with Danone nutrition quality targets, water, sugar-free beverages, Medical nutrition)⁽²⁾.

Nutrition services and nutrition education programs for consumers increasingly undergo scientific evaluations to measure their impact.

For example, the “*Eat Like A Champ*” program supported by the Fresh dairy products subsidiary in the UK⁽³⁾ underwent a scientific impact study by an independent organization. The study’s results, presented in September 2013 on the European “*Diet, Physical Activity and Health*” platform⁽⁴⁾ show that children’s eating habits are improving: children consume fewer biscuits, cakes, sweets, fried foods, crisps, sweetened drinks, etc., and drink more water and eat more fresh fruit, whole grain cereals, skim or semi-skim milk and plain yogurts. The results were sustained six weeks after the end of the program.

Consumer safety

Danone implements a Quality and Food Safety policy developed to focus its attention on consumers. The system is based on a set of criteria to ensure product quality and safety and **compliance with Danone specifications at each stage in the distribution chain**, from product design to consumption, everywhere and all the time.

To bring all group operations into line with a recognized food safety standard, wherever they are based, **Danone has chosen the FSSC 22 000 standard.**

The percentage of plants in each division having ISO 22 000 certification is given in the table below:

	ISO 22 000	FSSC 22 000
Medical nutrition	100	33
Fresh dairy products	96	70
Baby nutrition	90	43
Waters	76	8

At group level, the Quality department defines the quality policy and ensures its implementation: defining standards, systems and performance indicators consistent across the different divisions and monitoring their implementation.

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

Danone’s four divisions adapt this policy to the specificities of their business lines (manufacturing processes, number of ingredients, supply sourcing, etc.).

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

The performance indicators relating to consumer needs

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

- Food Safety Index, to guarantee product safety based on seven indicators (good hygiene practices, good manufacturing practices, HACCP, control and monitoring plans, biovigilance and traceability);
- product compliance, to assess that the group delivers products in line with expectations, in every country where it does business;
- feedback from consumers, to evaluate their level of satisfaction.

CONSUMER HEALTH AND SAFETY

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

During 2013, Fresh dairy products division continued to focus on “We Love Danone Yogurt” program, to reinforce the Quality culture in “hearts and minds”. By the end of the year 27 subsidiaries launched the program and more than 8700 Danone employees followed it.

Early life nutrition division continued the deployment of FOQUAL program, to fix the basics and drive the Quality Culture. This extensive work had a positive impact on the indicators results, with a decrease of 15 % in consumer complaints and an increase of 4% in Product Compliance.

Waters division did a big focus during 2013 in Quality in Execution, through initiatives like ABC concept, to standardize product specifications management and monitoring in plants and in Supply Chain. It brought increases in the indicators related to product safety and conformity of an average of 2%.

Medical nutrition centered its efforts in improvement projects in factories on doing things “Right First Time”, which contributed in having no crisis in 2013, and in the reduction of consumer complaints and non-quality costs.

In addition, improvements are driven by Damaway concept (Danone Manufacturing Way, Danone own industrial production model) in all factories what helps in creating a culture of quality in hearts and minds.

ADD PR2

Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes

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

17 food safety crises were recorded in 2012. Danone’s crisis management procedure includes blocking, withdrawing or even recalling products in some cases, in collaboration with the relevant institutions, where there is a serious or direct risk for consumer health.

In all cases, and even if the incidents are classified as a “crisis” under Danone’s crisis management process, in-depth verifications and enquiries are systematically carried out into the complaints to establish whether or not the group is responsible.

(1) 2013 Scorecard results, 37 subsidiaries, scope: Fresh dairy products, Early life nutrition, sugared beverages

(2) 2013 Scorecard results, 45 subsidiaries in the four divisions.

(3) <http://www.eatlikeachamp.co.uk/>

(4) http://ec.europa.eu/health/nutrition_physical_activity/docs/ev20130926_co08_en.pdf

PRODUCT AND SERVICE LABELING

PR3

Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements

Danone's products feature a nutrition label complying with regulations. Fresh dairy products and beverages (except mineral waters) also include a detailed information label, as defined in Danone's own Nutrition Information Scheme Charter. The Charter is consistent with the nutrition labeling system defined by the FDE association (Food and Drink Europe), and applied by many food industry firms. This charter is currently being reviewed to follow regulatory developments in Europe. Outside Europe, group's subsidiaries apply the Charter where it is compatible with local regulations and sufficiently easy for consumers to understand.

In 2013 **nutrition information was listed directly** on the packaging of **99% of sales**, either voluntarily or in response to regulatory requirements. In particular, the portion size was indicated on 93% of the products sold⁽⁵⁾.

In Europe, 95% of products contained Front-Of-Pack-type nutrition information, by means of a "GDA (Guidelines Daily Amount) for energy" icon⁽⁶⁾, in accordance with the commitment made in the Food & Drink Europe.

The nutrition information listed on packaging is often conveyed via the subsidiaries' consumer relations departments and/or websites: **nutrition information communicated in this way in 2013 represented 92% of sales⁽⁷⁾**.

In addition to labeling, many Danone subsidiaries have created information and education programs for consumers: **238 programs of this kind were active around the world in 2013** including several programs at a national scale in the concerned countries. **Globally, around 501 million people have access to those programs⁽⁸⁾**.

ADD PR4

Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes

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

In 2012, two crises were recorded in connection with non-compliant labeling. Where there is a serious or direct risk for consumer health, Danone's crisis management procedure includes blocking, withdrawing or even recalling products in some cases, in collaboration with the relevant institutions.

In all cases, and even if the incidents are classified as a "crisis" under Danone's crisis management process, in-depth verifications and enquiries are systematically carried out into the complaints to establish whether or not the group is responsible.

PRODUCT AND SERVICE LABELING

PR5

Practices related to consumer satisfaction, including results of surveys measuring consumer satisfaction

Maintaining relations with consumers through consumer focus and local community based service

The primary mission of Danone's Consumer Services Center is to develop and maintain relationships with customers. This Center allows the company to offer advice as well as information. Viewed as a local community based service, it also helps gather consumers' comments, suggestions and reactions.

The Consumer Services Center's objective is to rapidly respond to demands from consumers and to create added value for the brands. The Center answers all kinds of questions about the products and brands, and more generally questions about dietetics and nutrition. It also deals with claims linked to product quality. **The Consumer Services Center can be contacted 24/7**, on the internet, or by phone (as the number is on the packaging). The mailing addresses of the Danone subsidiaries' Consumer Services Centers are also printed on packaging.

In France, for example, Danone's Consumer Services Center processes around **50,000 contacts per year** by phone, traditional mail and email. Its scope of responsibility covers all Danone products sold on the French market.

Danone collects and efficiently processes feedback from consumers to ensure they are satisfied with the products offered to them

Today, Danone obtains consumer feedback via most global communication channels, including social networks, using a specially designed computer tool capable of processing each consumer request and turning it into concrete action. Over 75 % of Danone's sales, including its flagship products, are screened via this tool in regions with differing cultures and languages in order to respond to consumer expectations on a daily basis.

In order to be closer to consumers, the "Storechecks" project has been launched and deployed since 2012. It relies on analyzing consumer experience on the purchasing decision moment, what ensures fulfillment of 100 % of its expectations (not only product compliance, but also products availability, presentation and position versus competitors). An on-shelf audit information system has been developed to simplify the process, make the information instantly available and enhance reporting capability.

For example, in Fresh dairy products division, Storecheck has started or is running on a regular basis in a total of 30 subsidiaries (approximately 65% of CANN). Upon the subsidiary business size and budget, Storecheck campaigns are performed once a year up to a quarterly basis, and from 2 to 15 products references are audited per storecheck. In 2013, more than 80 Storecheck campaigns have been done representing more than 600 products references audited.

(5) 2013 Scorecard results, on 45 subsidiaries of the 4 divisions (all products except mineral waters)

(6) 2013 Scorecard results, Fresh dairy products and waters divisions in European Union (10 subsidiaries)

(7) 2013 Scorecard results, on 45 subsidiaries of the 4 divisions (all products except mineral waters)

(8) 2013 Scorecard results, 45 subsidiaries of the 4 divisions ; one person having access to two different programs in counted twice

COMMUNICATION MARKETING

PR6

Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship

Danone works on responsible communication in several ways.

In 2002 Danone introduced a **procedure to ensure that the health and nutrition claims contained in communications are coherent, credible and scientifically valid**. Inspired by European regulations, this procedure applies to all group subsidiaries, except in countries where stricter local regulations are in force. It covers all commercial communications that contain health or nutrition claims directed at the general public, consumers and health professionals. It includes industry advertising and promotional campaigns in which reference is made to a Danone brand, registered trademarks and other trade names that may be interpreted as health or nutrition claims, packaging, labeling, TV and radio commercials, brochures, vouchers, infomercials or advertorials, press documents, content posted online, and generally any communication that will be seen by the public.

This is a multi-step validation procedure involving all of the company's main functions (Research and Development, Regulatory Affairs, Legal, Marketing, Sales, Medical Affairs and Public Relations).

In 2013, **62% of sales had a nutrition claim**⁽⁹⁾.

Most of Danone's advertising investments are dedicated to the healthiest products: in 2013 for example, 70% of advertising expenditures served to promote fresh dairy products and early life nutrition products complying with Danone's nutrition quality targets, as well as waters, beverages with no added sugar, and medical nutrition⁽¹⁰⁾ representing 67% of the product portfolio.

Danone has committed to complying with the ICC or *International Chamber of Commerce Code for Responsible Food and Beverage Marketing Communication*⁽¹¹⁾. The code bans, for example, all advertising displaying or promoting behavior that conflicts with a healthy lifestyle, in particular lack of physical exercise and excessive eating and drinking.

In total, in the Fresh dairy products and Waters divisions, ICC Code compliance is **99.7% for all advertising expenditures**⁽¹²⁾.

Danone is committed to limiting advertising targeting children between the ages of 3 and 12 to products adapted to their nutritional needs, in line with public health priorities.

Danone has therefore joined several local and regional pledges. This commitment was first made in Europe⁽¹³⁾ in 2007, followed by the USA⁽¹⁴⁾ in 2009, Brazil⁽¹⁵⁾ and South Africa⁽¹⁶⁾ in 2010, and Canada⁽¹⁷⁾ and Switzerland⁽¹⁸⁾ in 2012. In most countries, subsidiaries' compliance with these pledges is verified by an independent auditor and the audit results are published.

In the fresh dairy products and Waters divisions, **expenditure on advertising** directly targeting children under 12 represented 11% of these two divisions' total advertising expenditures in 2013.

(9) 2013 Scorecard results, 37 subsidiaries in the Fresh dairy products, Waters (except mineral waters) and Early life nutrition divisions

(10) 2013 Scorecard results, 45 subsidiaries of the 4 divisions

(11) <http://www.iccwbo.org/Advocacy-Codes-and-Rules/Document-centre/2012/Framework-for-Responsible-Food-and-Beverage-Marketing-Communications-2012/>

(12) 2013 Scorecard results, 24 subsidiaries in the Fresh dairy products and Waters divisions

(13) Europe: <http://www.eu-pledge.eu/>

(14) USA: <http://www.bbb.org/us/childrens-food-and-beverage-advertising-initiative>

(15) Brazil: <https://www.ifballiance.org/sites/default/files/Combined%20Pledge.pdf>

(16) South Africa: http://www.cgcsa.co.za/index.php?option=com_content&view=article&id=48:the-south-african-pledge-on-marketing-to-children&catid=1:latest-news&Itemid=50

(17) Canada: <http://www.adstandards.com/en/ChildrensInitiative/default.htm>

(18) Switzerland: <http://www.swiss-pledge.ch/fr/>

MARKETING COMMUNICATIONS

Regarding early life nutrition, Danone recognizes the importance of the WHO Code (International Code of Marketing of Breastmilk Substitutes)⁽¹⁹⁾ and subsequent resolutions of the World Health Assembly.

Danone has committed to applying all legislation and regulations governing marketing and the promotion of breast-milk substitutes and respects the role of Public Health authorities in developing health policies adapted to the social and legal context, and to their development goals.

Beyond legal obligations, the Early life nutrition division has greatly strengthened its tools and governance procedures in this area and published its key documents in 2013: the "Green Book" ("Danone Policy for the Marketing of Foods for Infants and Young Children")⁽²⁰⁾ and the "Blue Book" ("Management System Manual for the Marketing of Foods for Infants and Young Children")⁽²¹⁾.

An external audit of the subsidiaries' practices was initiated in 2011 in Africa; it was rolled out to Asia in 2012 and to the other continents in 2013.

ADD PR7

Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes

Danone's commitment to limit advertising towards children under 12 in the EU countries is audited annually by external auditors in various European countries as part of the "EU pledge on advertising to children":

- **regarding TV commercials**, in 2013, the audit was performed on six countries, by Accenture: Germany, Hungary, Spain, Poland, France and Portugal. 845,904 TV spots have been verified on a three months period. The audit report indicates a 98,1% of compliance with commitments by all committed players. **For Danone, the rate of compliance of TV commercials was 96,6% globally on the six countries**, with the following distribution: 99,6% in Germany, 97,2% in Hungary, 94,9% in Spain, 98,0% in Poland, 99,0% in France and 100% in Portugal;
- **regarding websites**, in 2013, the audit was performed on ten countries: Belgium, France, Germany, Hungary, Netherlands, Poland, Portugal, Romania, Spain and United-Kingdom. 347 websites have been verified, on a two months period. **Of the 18 Danone websites verified, 15 were compliant** and 3 non-compliant.

Corrective action was taken to handle all cases of non-compliance.

It should be noted that none of these cases of non-compliance detected by the audits gave rise to consumer complaints or to objections by the public authorities.

(19) http://www.who.int/nutrition/publications/code_english.pdf

(20) http://www.danone.com/no_cache/fr/publications/pyear/2013/?tx_bidanonepublications_pi1%5Btype%5D=0#pub3569

(21) http://www.danone.com/no_cache/fr/publications/pyear/2013/?tx_bidanonepublications_pi1%5Btype%5D=0#pub3568

CONSUMER PRIVACY

ADD PR8

Total number of substantiated complaints regarding breaches of consumer privacy and losses of consumer data

This indicator is not consolidated at group level.

COMPLIANCE

PR9

Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services

At corporate level, no significant fines have been registered for non-compliance with the laws and regulations concerning supply and use of its products.



REPORT PARAMETERS AND VALIDATION

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BY AN EXTERNAL THIRD PARTY

REPORT PARAMETERS

This section of the report corresponds to GRI indicators 3.1 to 3.11 (see *GRI Index on pages 163 to 169 of this Report*).

Consolidation scope and coverage scopes

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

The consolidation scope is composed of all the subsidiaries fully consolidated for the establishment of the group consolidated financial statement, in other words the subsidiaries in which the group holds, directly or indirectly, a controlling interest.

Nevertheless, some subsidiaries do not report all social, safety and environmental indicators. These entities have been consolidated into the group's consolidated financial statements for the year ended December 31, 2013, and action plans have been drawn up and/or are planned to ensure the availability and accuracy of the social, environmental and safety data reported.

These entities include:

- the more recently-acquired entities, most notably those joining the group as a result of the acquisition of Centrale Laitière (Fresh dairy products in Morocco) in 2013 and the companies forming part of the Wockhardt group (Early life nutrition and Medical nutrition in India) acquired in 2012;
- entities resulting from the merger of the Unimilk group and Danone Russia (Fresh dairy products) in 2010. Steps are being taken to ensure that their data will be sufficiently reliable to be included in the reports on social, safety and environmental indicators as of the 2014 fiscal year.

However, these entities are included in the Total group Workforce Scope.

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

- Total Group Workforce Scope;
- Social Indicators Scope;
- Safety Scope;
- Production Sites Environment Scope;
- Greenhouse Gas Emissions Scope – Danprint.

Total Group Workforce Scope and Social Indicators Scope

In 2013, 181 group entities representing around 82% of the group total workforce reported social indicators (Social Indicators Scope). In the case of the total workforce indicator, the coverage rate is 100% (Total Group Workforce Scope).

Safety Scope

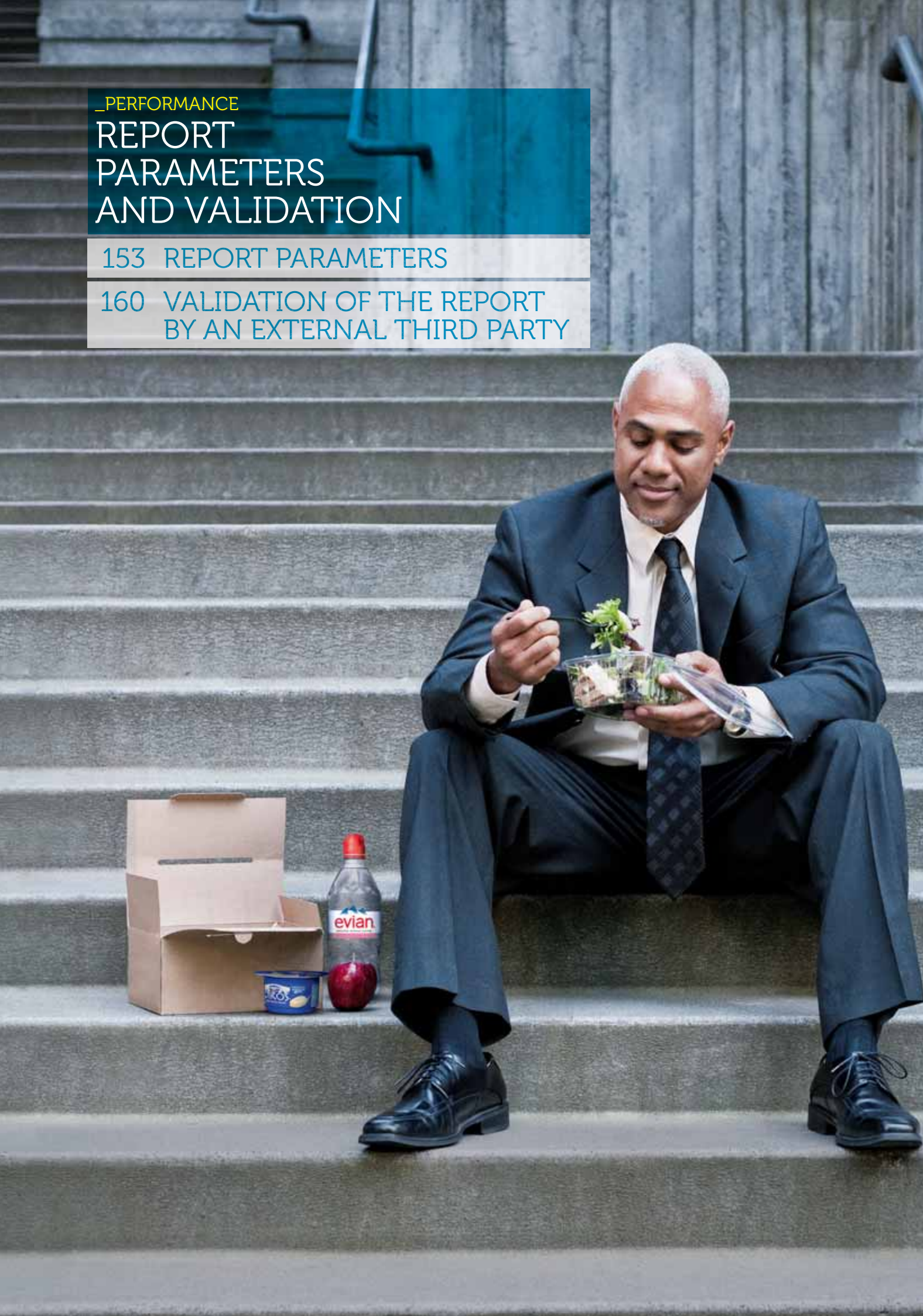
In 2013, 154 group entities representing around 79% of the group total workforce reported safety indicators (Safety Scope).

In addition, in the case of subsidiaries exiting the consolidation scope as of December 31, 2013, their social and safety data is reported until the date they exit the consolidation scope and is not taken into account in the workforce as of December 31, 2013. In 2013, companies exiting the consolidation scope related mainly to ALSafi Danone (Fresh dairy products in Saudi Arabia).

Production Sites Environment Scope

In 2013, 161 production sites (among the group's 191 production sites) representing around 89.9% of the group consolidated net sales reported environmental indicators (Production Sites Environment Scope).

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



REPORT PARAMETERS

Greenhouse Gas Emissions Scope – Danprint (product approach)

In 2013, this scope covered 94% of the group’s sales volume.

Variations in consolidation scope

Scope variations arise from fully integrated subsidiaries creations, acquisitions, disposals or liquidations.

The subsidiaries integration and exit of the consolidation scope rules used for environmental and social data are the same as the rules used for the group’s financial statements:

- **acquisition:** data for the acquired entity is included in the consolidation scope at the date the group took control;
- **creation:** the entity’s data is included in the scope from the date of creation;
- **disposal or liquidation:** data for the entity sold or liquidated is withdrawn from the consolidation scope at the effective disposal or liquidation date in the current financial year.

When data is reported at production site level rather than subsidiary level (case of certain environmental indicators), the rules for integrating or removing sites from the consolidation scope are as follows:

- **acquisition:** data for the acquired site is included in the consolidation scope at the date of acquisition;
- **creation:** data for the newly constructed site is included in the consolidation scope from the starting up date;
- **disposal or closing:** data for the site closed or disposed is withdrawn from the consolidation scope at the effective disposal or closing date.

Like-for-like variations (constant scope)

The group measures changes to some social and environmental indicators on a like-for-like basis, i.e. at constant consolidation scope. The 2013 data are restated using a consolidation scope identical to the 2012 scope.

Selection of indicators

The social indicators presented:

- correspond to Danone’s human resources policy in terms of monitoring of workforce and social performance and employee management and development performance;
- take into account cultural specificities and local differences (various national legislations or legal obligations, etc.).

The environmental indicators presented:

- correspond to Danone’s environmental policy and reflect the progress made by production plants; these indicators are relevant to the group’s business;
- make it possible to monitor Danone’s environmental performance with regard to its primary environmental challenges.

Data collection

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

REPORT PARAMETERS

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

Social and safety indicators

The Human Resources Department is responsible for social indicators. Reported data are generally derived from payroll systems installed in the subsidiaries and reported via the group’s financial consolidation software (SAP/ BusinessObjects Financial Consolidation).

Safety indicators are reported monthly and entered at the level of each subsidiary in WISE, the group consolidation system for safety indicators.

Environmental indicators

The Nature Department is responsible for environmental indicators.

Environmental data are reported at the level of each production site by the Environment manager via the NatiV application. Greenhouse gas emissions (product approach) are reported via the Danprint application.

Methodological details

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

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

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

Workforce

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

Employees on long-term leaves (more than nine months) are not counted in the total workforce at the end of the reporting period.

In China, employees remunerated by Danone but whose contracts are with a third-party company (equivalent to a temporary work agency), are not included in the workforce.

Fixed-term contracts and movements within the group are not included in the entries/exits.

Net job creation

Net job creation corresponds to the current fiscal year’s workforce compared with the previous fiscal year’s workforce, on a like-for-like basis, as specified previously.

Number of training hours and number of trained employees

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

The number of trained employees takes into account all the employees who received at least one training session during the year, including employees who have left the group as of December 31, 2013.

The training sessions for which evidence has not been received at the reporting closing date are included in the following fiscal year.

REPORT PARAMETERS

In the United Kingdom, the Early life nutrition and Medical nutrition subsidiaries take into account training as well as coaching, seminars and training sessions lasting less than one hour, which may lead to inflated data relative to other subsidiaries.

Employees with disabilities

This indicator covers employees declared as disabled workers. The definition of a person with disabilities is determined by local regulations in the different countries. In addition, due to local regulatory specificities, certain countries include both externally documented disability recognition and disability recognized internally by the on-site occupational physician.

Absenteeism

The absenteeism rate is, in percentage, the total number of absence hours divided by the theoretical total number of working hours. The grounds for absence taken into account for this indicator include sick leaves (with or without hospitalization), illness and injury related to work and unauthorized leave. Longterm sickness (more than nine months) and maternity/paternity leaves are not included.

The hypothesis choice for the theoretical hours worked calculation is at the discretion of the subsidiaries, taking into account local specificities, which can lead to minor heterogeneities.

Some subsidiaries monitor absenteeism only for hourly paid employees, as other employees are included in a specific program providing them some available days-off that can be used for several reasons (vacation, sickness, special leave, etc.). Such is the case in particular for Dannon Company (Fresh dairy products – United States), whose absenteeism rate for employees not paid on an hourly basis is estimated.

Frequency rates of work accidents

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

The severity rate (SR) represents the number of calendar days of absence due to work-related accidents with lost time for every 1,000 hours worked.

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

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

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

Waste

In 2013, waste was classified into four categories for monitoring purposes (hazardous waste, non-hazardous organic waste, non-hazardous inorganic waste and sludge from water treatment facilities).

The sludge from water treatment facilities taken into account in the indicators relates only to those sites that discharge their wastewater directly into the environment following on-site treatment (are excluded sludge from internal wastewater treatment facilities that are subject to further external treatment).

In 2013, the “Volume of sludge from wastewater treatment facilities” indicator covered 32% of these sites, i.e. 19 sites in all, representing around 16,000 tons of sludge. Steps are currently being taken to ensure the accuracy of other sites’ data, as soon as possible.

REPORT PARAMETERS

Consolidated data related to waste do not include (i) product returns (noncompliant raw materials rejected/unsold due to commercial issues), and (ii) whey, a by-product normally reused by a third party.

Data related to recovered waste include materials recovery (recycling, compost, reuse, etc.) and energy recovery.

Water consumption

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

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

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

Energy consumption

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

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

Greenhouse gas emissions by organization

Greenhouse gas emissions by organization (scope 1 and scope 2) for 2013 are calculated using the methodology described in the GHG Protocol Corporate Standard (revised 2010 version).

The approach chosen by Danone is to include all emissions sources of the group’s production sites in the measurement of its carbon footprint, since for the most part offices, warehouses and vehicles are not owned by the group.

Direct emissions (scope 1) are those arising from consumption of fuels (natural gas, propane/butane/LPG, heating oil, fuel oil and coal) and from refrigerant leaks (in accordance with the GHG Corporate Protocol, only HFC and PFC consumption is included). No group site uses PFC.

Indirect emissions (scope 2) are those linked to the generation of electricity, steam, heat or cold and purchased by the group.

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

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

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

REPORT PARAMETERS

Wastewater

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

In the case of the Akbou site (Fresh dairy products – Algeria), the net COD was estimated for 2013, as a result of operational problems and the lack of usable measurements. The purified output of the site's treatment plant was estimated on the basis of conservative assumptions (COD measurements were taken early in 2014 when the site was experiencing operational difficulties). This site's data represents 28% of the group's net COD data. An action plan will be implemented to improve the reliability of COD measurement at this site in the next few years.

Consolidation and internal control

Danone's group central Human Resources and Environment Departments respectively consolidate social and safety, and environmental data based on the information reported by production sites and group subsidiaries around the world.

The social data are collected from each group's subsidiary. Generally, reported data are extracted from subsidiaries' payroll systems.

Consistency checks are performed on data, then the group Human Resources departments' of each subsidiary validate the data before reporting in SAP/Business Object Financial Consolidation.

Safety data are monthly reported by each site in the group's safety data consolidation system. Those data are validated by each subsidiary, then a validation and publication process is implemented by the group, in relation with the divisions.

Consistency checks are performed at division and group level at the end of the third quarter and during the consolidation of the data, and a formal "post-closure change request" procedure is applied for any corrections.


Environmental data is collected at the level of each production site by the Environment manager. It is verified and approved by the subsidiary's Environment coordinator before consolidation in the NatIV tool.

The Environment coordinators of each division verify and approve consolidation of environmental data before its final approval by the group's Nature Department.

REPORT PARAMETERS

External controls

To receive an outside opinion of the reliability and robustness of Danone Way approach results, Danone asked KPMG Audit to verify the results of this approach. The audit report detailing the work undertaken and their comments and conclusions can be found on *pages 160 to 161 of this report*.

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

Adjustment of previous data

Certain reporting errors in previous financial years may be detected during the course of the current year's reporting. If this situation arises, historical data is readjusted to allow better interpretation of results and trends.

VALIDATION OF THE REPORT
BY AN EXTERNAL THIRD PARTY

Danone
17, boulevard Haussmann
75009 Paris



This is a free translation into English of the original report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Limited Assurance Report on the Results of the Danone Way Approach Published in the Group's Sustainability Report for 2013

As requested, and in our capacity as an independent third party, we hereby present our report on the Results of the Danone Way approach ("the Results") provided in the chapter "Danone Way: key practices in Danone subsidiaries for sustainable business development" of the Group's 2013 Sustainability Report.

Management responsibility

The Results were prepared under the responsibility of the Group's Corporate Organization Development and Social Dynamics Department, in accordance with the Danone Way internal protocol (the "Protocol") which may be consulted at the department. The sections "Change in methods in 2013" and "2013 Results" presented in the chapter "Danone Way: key practices in Danone subsidiaries for sustainable business development" provide further details on the consolidation scope, the changes made to the Protocol and methods used to collect and control the published Results.

Independence and quality control

Our independence is defined by the rules and regulations, ethical code of the profession and our internal procedures. We have also implemented a quality control system comprising documented policies and procedures for ensuring compliance with the code of ethics and professional auditing standards.

Responsibility of the independent third party

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

We conducted the review in accordance with International Standards on Assurance Engagements (ISAE 3000), in compliance with professional standards and best practice applicable in France.

VALIDATION OF THE REPORT
BY AN EXTERNAL THIRD PARTY

Nature and scope of our work

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

- assess the suitability of the Danone Way Protocol with regard to its relevance, reliability, neutrality, understandability and completeness;
- verify that a data-collection, compilation, processing and control procedure has been implemented to ensure the completeness and consistency of the Results and review the internal control and risk management procedures used to prepare the Results.

At parent entity level, we performed analytical procedures on the Results and verified, using sampling techniques, the calculation and the consolidation of the Results.

At the entity level for a representative sample of entities selected⁽¹⁾ on the basis of their activity, their contribution to the consolidated Results, their location and risk analysis, we conducted interviews to verify that the procedures were followed correctly and we performed tests of details, using sampling techniques, in order to verify the calculation made and reconcile the Results with the supporting documents. The selected sample represents 16.7% of the Danone Way consolidated net sales.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the Results of the Danone Way approach, taken as a whole, published in the chapter "Danone Way: key practices in Danone subsidiaries for sustainable business development" of the 2013 Sustainability Report are presented fairly in accordance with the Protocol.

Comments on the Protocol and on the Results

Based on the work performed, the following comments were made on the Protocol, its implementation and the Results:

Internal controls on the Results of the Danone Way approach have been improved during the annual Danone Way campaign and the consolidation of group data. However, there is still room for improvement and it would be appropriate to:

- continue to raise the awareness of the persons in charge of Danone Way at the subsidiaries level on the need to formalize the fact that they consider some topics do not apply to them;
- strengthen the internal control regarding the topic related to "Suppliers' and Business Partners' Corporate Social Responsibility (GOV2); during our work in some subsidiaries, we observed certain difficulties in understanding the requirements defined in the Protocol with regard to this topic.

Paris La Défense, 4 of April 2014
KPMG Audit - Department of KPMG S.A.

Philippe Arnaud

Partner

In charge of the Climate Change and Sustainability Services Department

(1) Danone Ltd., Stonyfield, Danone Canada, Danone South Africa, Danone Waters China, PT NIS, Sari Husada.

_PERFORMANCE

GRI INDEX AND CONTENT



Self-evaluation of the application of GRI according to version 3.0 guidelines for the GRI with approval by KPMG Audit.

_PERFORMANCE

GRI INDEX AND CONTENT

		Page of this report	Scope	Chapter and/or page of RD
1. STRATEGY AND ANALYSIS				
1.1	Statement from the most senior decision-maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy	4 - 5	F	
1.2	Description of key impacts, risks, and opportunities	6 - 45 52 - 53	F	
2. ORGANIZATIONAL PROFILE				
2.1	Name of the organization		F	p. 6
2.2	Primary brands, products, and/or services		F	ch. 2.3, 2.4
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures		F	p. 23 - 24
2.4	Location of organization's headquarters		F	p. 6
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report		F	ch. 2.2
2.6	Nature of ownership and legal form		F	p. 6
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)		F	p. 87 - 88
2.8	Scale of the reporting organization		F	ch. 2.2, 3.2
2.9	Significant changes during the reporting period regarding size, structure, or ownership		F	ch. 2.1, 3.1
2.10	Awards received in the reporting period	62 - 67	F	
3. REPORT PARAMETERS				
Report Profile				
3.1	Reporting period (e.g., fiscal/calendar year) for information provided	69	F	
3.2	Date of most recent previous report (if any)	69	F	
3.3	Reporting cycle (annual, biennial, etc.)	69	F	
3.4	Contact point for questions regarding the report or its contents	back cov.	F	
Report Scope and Boundary				
3.5	Process for defining report content	152 - 159	F	
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	152 - 159	F	
3.7	State any specific limitations on the scope or boundary of the report	152 - 159	F	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	152 - 159	F	
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	152 - 159	F	

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		Page of this report	Scope	Chapter and/or page of RD
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods)	152 - 159	F	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	152 - 159	F	
GRI Content Index				
3.12	Table identifying the location of the Standard Disclosures in the report	162 - 169	F	
Third party validation				
3.13	Policy and current practice with regard to seeking external assurance for the report	160 - 161	F	

4. GOVERNANCE, COMMITMENTS AND ENGAGEMENT

Governance

4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight		F	ch. 6
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement)		F	ch. 6.1
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members		F	ch. 6.1
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body		P	ch. 6.1
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)		P	ch. 6.3, 7.6
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided		F	ch. 6.1
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics		F	ch. 6
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	71	F	ch. 5, 6.1
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	57 - 61	F	ch. 5.1, 6.1
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance		F	ch. 6.1

Commitments to External Initiatives

4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	71	F	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	72	F	
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations	72	F	

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		Page of this report	Scope	Chapter and/or page of RD
Stakeholder Engagement				
4.14	List of stakeholder groups engaged by the organization. Examples of stakeholder groups are: communities; civil society; customers; shareholders and providers of capital; suppliers; and employees, other workers, and their trade unions	73	F	
4.15	Basis for identification and selection of stakeholders with whom to engage	73 - 74	F	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	74	F	
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	75	F	

5. MANAGEMENT APPROACH AND PERFORMANCE INDICATORS

5.1. ECONOMIC PERFORMANCE INDICATORS

Economic Performance

EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	77	F	ch. 4.1, 4.2
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	78	F	
EC3	Coverage of the organization's defined benefit plan obligations	78	F	
EC4	Significant financial assistance received from government	78	NR	

Market Presence

SUPP EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	79	F	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	79	NR	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	79	F	

Indirect Economic Impacts

EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	80 - 83	P	
SUPP EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	83 - 84	P	

5.2. ENVIRONMENTAL PERFORMANCE INDICATORS

Materials

EN1	Materials used by weight or volume	88	P	
EN2	Percentage of materials used that are recycled input materials	88	P	

Energy

EN3	Direct energy consumption by primary energy source	89	P	
EN4	Indirect energy consumption by primary source	90	P	
SUPP EN5	Energy saved due to conservation and efficiency improvements	91	P	
SUPP EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	91 - 92	F	
SUPP EN7	Initiatives to reduce indirect energy consumption and reductions achieved	92	F	

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		Page of this report	Scope	Chapter and/or page of RD
Water				
EN8	Total water withdrawal by source	92 - 94	P	
SUPP EN9	Water sources significantly affected by withdrawal of water	94	P	
SUPP EN10	Percentage and total volume of water recycled and reused	94	F	
Biodiversity				
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	95	F	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	96 - 97	F	
SUPP EN13	Habitats protected or restored	97 - 98	NR	
SUPP EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	99	P	
SUPP EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	100	P	
Emissions, Effluents and Waste				
EN16	Total direct and indirect greenhouse gas emissions by weight (t CO ₂ eq)	100 - 101	P	
EN17	Other relevant indirect greenhouse gas emissions by weight (t CO ₂ eq)	102 - 103	P	
SUPP EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	104	P	
EN19	Emissions of ozone-depleting substances by weight	104	P	
EN20	NO, SO, and other significant air emissions by type and weight	105	P	
EN21	Total water discharge by quality and destination	105	P	
EN22	Total weight of waste by type and disposal method	105 - 106	P	
EN23	Total number and volume of significant spills	106	P	
SUPP EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	106	NR	
SUPP EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	106	P	
Products and services				
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	107 - 108	P	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	108	P	
Compliance				
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulation	109	F	
Transport				
SUPP EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	109 - 111	P	
Overall				
SUPP EN30	Total environmental protection expenditures and investments by type	112	F	

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		Page of this report	Scope	Chapter and/or page of RD
5.3 SOCIAL PERFORMANCE INDICATORS				
Employment				
LA1	Total workforce by employment type, employment contract, and region	115 - 117	F	
LA2	Total number and rate of employee turnover by age group, gender, and region	118	P	
SUPP LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	118	NR	
Labor/Management Relations				
LA4	Percentage of employees covered by collective bargaining agreements	119	P	
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	119	P	
Occupational Health and Safety				
SUPP LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	119	P	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of workrelated fatalities by region	120 - 121	P	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	121	P	
SUPP LA9	Health and safety topics covered in formal agreements with trade unions	122	P	
Training and Education				
LA10	Average hours of training per year per employee by employee category	123	F	
SUPP LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	123	F	
SUPP LA12	Percentage of employees receiving regular performance and career development reviews	124 - 125	P	
Diversity and Equal Opportunity				
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	126 - 127	P	
LA14	Ratio of basic salary of men to women by employee category	127 - 129	P	
5.4 HUMAN RIGHTS PERFORMANCE INDICATORS				
Investment and Procurement Practices				
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	131 - 132	F	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	132	F	
SUPP HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	133	F	

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		Page of this report	Scope	Chapter and/or page of RD
Non-discrimination				
HR4	Total number of incidents of discrimination and actions taken	133	F	
Freedom of association and collective bargaining				
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	134	F	
Child Labor				
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	134	F	
Forced and Compulsory Labor				
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	135	F	
Security Practices				
SUPP HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	135	NR	
Indigenous Rights				
SUPP HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	135	NR	
5.5 SOCIETY PERFORMANCE INDICATORS				
Local Communities				
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	137 - 138	F	
Corruption				
SO2	Percentage and total number of business units analyzed for risks related to corruption	139	P	
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	139	P	
SO4	Actions taken in response to incidents of corruption	139 - 140	F	
Public Policy				
SO5	Public policy positions and participation in public policy development and lobbying	140 - 141	F	
SUPP SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	141	F	
Anti-Competitive Behavior				
SUPP SO7	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes	141	F	
Compliance				
SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	141	F	

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		Page of this report	Scope	Chapter and/or page of RD
5.6 PRODUCT RESPONSIBILITY PERFORMANCE INDICATORS				
Consumer Health and Safety				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	143 - 145	F	
SUPP PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	145	P	
Product and Service Labeling				
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	146	F	
SUPP PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	146	P	
SUPP PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	147	P	
Marketing Communications				
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	148 - 149	F	
SUPP PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	149	P	
Consumer Privacy				
SUPP PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	150	NR	
Compliance				
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	150	F	

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This Sustainability Report has been prepared with design, coordination and editing services provided by the Department of Organisation Development and Social Dynamics. This report is also the product of an on-going dialogue with Danone's stakeholders.

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Self-evaluation of the application of GRI according to version 3.0 guidelines for the GRI with approval by KPMG Audit.