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Welcome
to the
Alimentation
Revolution
INTEGRATED
REPORT



FROM INTEGRATED THINKING...

A UNIQUE MISSION AND A DUAL ECONOMIC AND SOCIAL PROJECT AT THE HEART OF THE COMPANY

.....



OUR MISSION

BRING HEALTH THROUGH FOOD TO AS MANY PEOPLE AS POSSIBLE

FROM INTEGRATED THINKING...

THE MANIFESTO: MOBILIZING EMPLOYEES TO SUPPORT DANONE'S AMBITIONS



Emmanuel Faber
Chief Executive Officer, Danone

"The Manifesto is an invitation to share ideas and feelings. It invites for the 1st time 100,000 collaborators to a discussion and a collaborative experience."

This Manifesto belongs to every Danoner.

By living our Manifesto, we carry forward our mission to "bring health through food to as many people as possible" and our dual project for business success and social progress, while reflecting our values of Humanism, Openness, Proximity and Enthusiasm.

This Manifesto embodies our commitment to lead an Alimentation Revolution by supporting people to adopt healthier choices and lifestyles, and by caring about the health and wellness of Danone and Danoners, of our communities and our planet, of current and future generations.

OUR BELIEFS

As Danoners, we believe that

GOOD HEALTH IS EVERYTHING TO ALL OF US

Good health is a state of general well-being. It involves the mind as well as the body, and emotion as well as sensation.

FOOD IS HEALTH'S MOST SIGNIFICANT PARTNER

Healthy eating and drinking is an essential part of life, to build and to maintain our well-being. From the earliest times, all over the world, people have always understood this and it is still true.

HEALTH CANNOT LIVE LONG WITHOUT PLEASURE

Without appetite and delight, no-one would eat or keep eating well. Pleasure in food and beverage is a precondition of every healthy lifestyle.

FOOD IS THE WARMTH BEHIND EVERY CULTURE

Healthy eating is an idea that goes beyond nutritional needs and appetites. Its richness is a part of every culture - always different and always special - and worth taking the time to understand.

THE WEALTH OF NATIONS GROWS FROM A HEALTHY PLANET

Everything we eat depends on the earth that it grows in or feeds on. As gardeners of this planet, we have a duty of care and a business-necessity to manage its resources responsibly and sustainably.

RESEARCH IS OUR BEST ALLY

Food is more than nature. It is the outcome of human endeavour, combining technological progress with deeper understanding of its value and its potential.

PREPARING FOR TOMORROW IS THE BUSINESS OF TODAY

New ways can and will be found, to better serve this generation and the next, and to bring healthy, affordable food and safe water to the greatest number, across the world.

OUR COMMITMENTS

As Danoners, we commit

FOR HEALTH AND WELL-BEING

We will stand next to everyone's quest for good health, by encouraging diets and lifestyles that bring the most benefit in people's lives.

WITH THE BEST WE CAN DO, ALWAYS

We will stand by all our products and services, with pride and openness, as a guarantee of quality and integrity - whatever a consumer may choose, and wherever they may choose it.

FOR EVERY PERSON, AT EVERY AGE, WITH PLEASURE

We will stand for the widest range of products and services to feed the needs and wishes of every person at every key stage of life, encouraging balanced nutritional habits or delivering specific health benefits.

FOR OUR OWN HOMES

We celebrate our own diversity, and stand up for the principle that every culture has the right to enjoy its own way of eating and living well, by offering products inspired by and relevant for local needs and ideas.

FOR OUR PLANET AND ITS LIVING HERITAGE

We will stand together for a healthy planet and devote all our energies to protect and preserve the abundance of life and the variety of nature, in all its forms and ecosystems.

FOR WHAT IS INVENTED AND WHAT STILL NEEDS TO BE INVENTED

We will always respect our obligation to prepare the future through new, sustainable ways to provide healthy food and access to safe water for all, by bonding with communities and stakeholders. We will keep our place at the forefront of these efforts.

NOT ALONE, BUT WITH PARTNERS AND FRIENDS

We are a collaborative Danone team. We will stand firmly by our belief that it is better to walk together and share benefits, by engaging with more consumers and more communities, in our common quest to find better health through better food and beverage, for the greatest number.

Each of us has the power to make this happen.



DANONE

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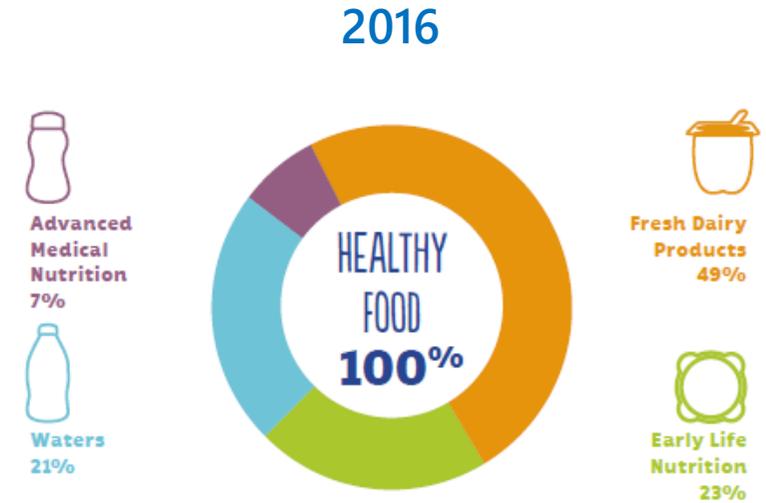
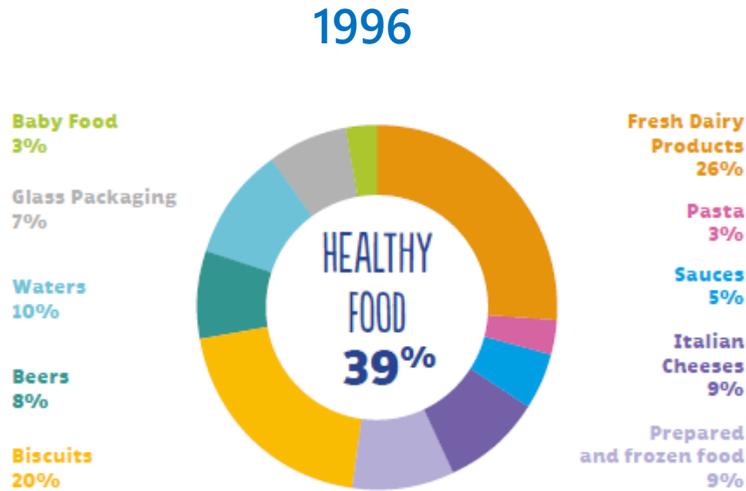
TRANSLATING OUR VISION OF ALIMENTATION WITH OUR ALIMENTATION TREE



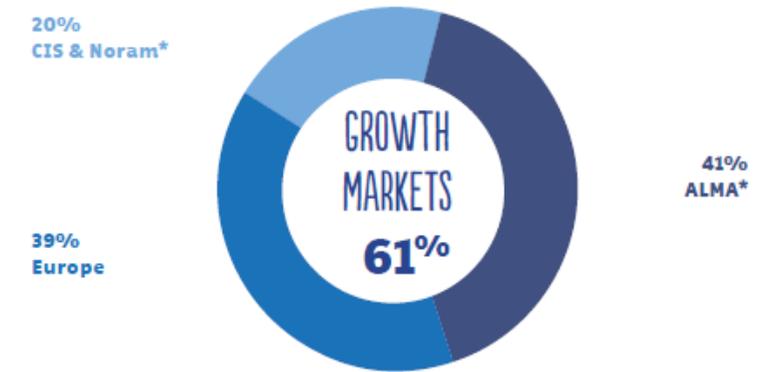
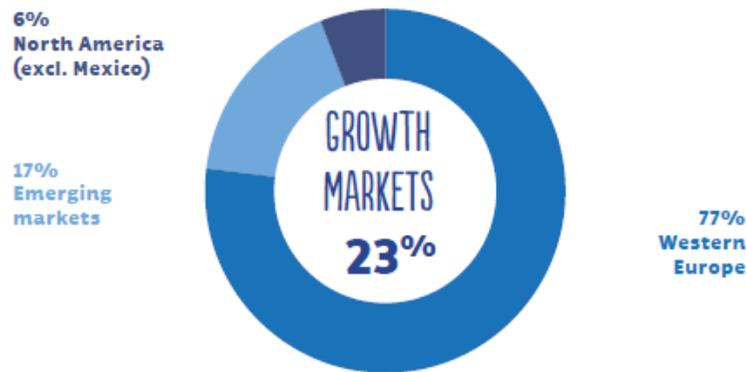
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EVOLUTION OF PRODUCTS PORTFOLIO AND MARKETS IN LINE WITH OUR MISSION

FOCUSING THE PRODUCT PORTFOLIO ON HEALTHY FOOD CATEGORIES



REACHING A NEW GLOBAL EQUILIBRIUM



*NORAM - North America: USA+ Canada / ALMA: Asia Pacific + Latin America + Middle East + Africa

FROM INTEGRATED THINKING...

MATERIAL ASPECTS



- 1** Production and commercialization of safe and healthy products
- 2** An open and constructive social dialogue with employees
- 3** Assessment of suppliers' CSR performance
- 4** Guarantee of employees' health and wellbeing at work
- 5** Management and protection of water resources
- 6** Sustainable raw materials supply
- 7** Guarantee of access to water for everyone
- 8** Fight against fraud and corruption
- 9** Individual employee development
- 10** Taking into account of CSR challenges in the Danone's strategy
- 11** Reduction in the quantity of waste and recycling
- 12** Sustainable relationships with suppliers
- 13** Reduction of the environmental footprint of products and activities
- 14** Supporting the local economy and local supply
- 15** Promotion of a healthy lifestyle and nutritional education

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

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HEALTHIER FUTURE APPROACH

UNIQUE BUSINESS APPROACH

Danone's ambition is to generate strong, profitable and sustainable growth by 2020.



BETTER HEALTH

Danone wants to influence healthier eating and drinking practices, to encourage healthier lives.



BETTER WORLD

Danone believes that healthy food starts with healthy nature.



BETTER LIVES

In line with our dual commitment to social progress and business success, Danone creates social value.



FROM INTEGRATED THINKING...

OUR SOCIAL INNOVATION PLATFORMS

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DANONE SUPPORTS FOUR FINANCIAL FUNDS:

- DANONE COMMUNITIES,
- THE DANONE ECOSYSTEM FUND,
- THE LIVELIHOODS CARBON FUND,
- THE LIVELIHOODS FUND FOR FAMILY FARMING.

These funds anchor the inclusion of sustainable development challenges in Danone's strategy, thereby giving even more meaning to the company mission: to bring health through food to as many people as possible.



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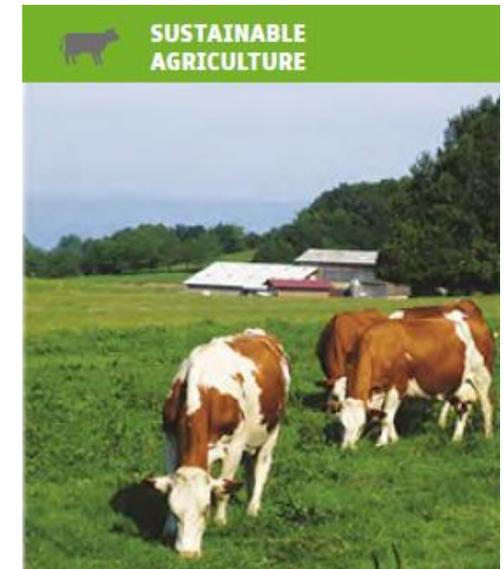
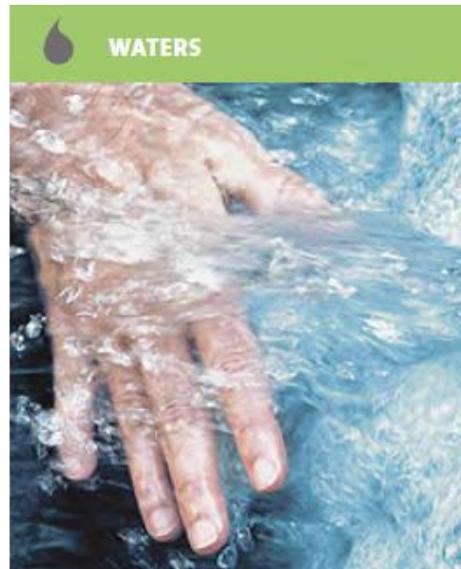
BETTER WORLD : STRATEGY AND COMMITMENTS

At Danone, we believe that healthy food starts with a healthy planet. The initial raw materials used in our ingredients are rain, soil and sunlight—natural resources that combine to grow the food, feed the cows and provide the water we need to make healthy foods and beverages for our consumers around the world.

Which is why our Nature strategy is built around four priorities: climate, water, packaging and sustainable agriculture. We're working hard to promote sustainable farming, make water cycles healthier, achieve zero net carbon emissions in the long-term, and give all of our packaging a second life

PROTECTING OUR STRATEGIC RESOURCE CYCLES

We're committed to strengthening our strategic resources—milk, water and plastic—and managing them as cycles rather than taking a conventional linear approach. The only way to achieve these goals is to rely on our unique organization and work with our partners along our value chain.



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BETTER WORLD : STRATEGY AND COMMITMENTS



CLIMATE

WHY IT MATTERS

Climate change affects the natural cycles of water, soil and biodiversity as well as the ecosystem of services that play a vital role in the food system, such as forests. Overcoming this challenge is essential to making our global food cycle more resilient and growing our business sustainably in the future. Bottom line: we need to fight climate change by reducing our environmental footprint and helping nature sequester more carbon.

HOW IT WORKS

We have committed to a climate policy with a long-term goal of zero net carbon emissions—and not just direct emissions, but indirect emissions as well, what we call our extended scope of responsibility, including agriculture. To reach this target, we will rely on co-creation, working with the farmers, suppliers, customers and local communities within our ecosystem to find solutions.



WATERS

WHY IT MATTERS

Water is a precious, sometimes scarce resource that must be used in cooperation with local ecosystems and communities. The United Nations Sustainable Development Goal for Water establishes clear linkages with other goals related to health, food security, climate change and ecosystems' resilience to disasters.

HOW IT WORKS

Helping to protect water cycles at local level is critical to our ability to strengthen the resilience of Danone's supply chain, paving the way for sustainable business growth in the future.

We are therefore committed to preserving this vital resource and to respecting its natural cycles by adopting responsible practices at every stage of the value chain.



PACKAGING

WHY IT MATTERS

Packaging has an important role to play by protecting the nutritional benefits and quality of our products and allowing them to be stored, transported and used safely. However, packaging also presents challenges. It uses valuable resources in its design and generates waste when not recycled. Which is why we're committed to turning packaging waste into a resource

HOW IT WORKS

Danone's Packaging Policy was published in November 2016, with the ambition to "Co-build the circular economy of packaging: sourcing sustainable materials and creating a second-life for all plastics". Breakthrough innovation, whether technical, social or environmental, as well as collaboration all along the supply chain, will play key roles in this transformation.



SUSTAINABLE AGRICULTURE

WHY IT MATTERS

Danone's operations are linked directly to nature and to farming, which now presents major challenges, including food safety, competitiveness, price volatility and access to raw materials. This means that the sustainability of our business hinges on our ability to strengthen and protect our global food cycle in terms of both quality and quantity.

HOW IT WORKS

In agriculture, we're looking for ways to source sustainably, promoting farming models that are competitive but respectful of natural cycles and ecosystems. We will also continue to work with farmers to develop new tools and solutions to support climate smart farming.

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BETTER WORLD : DASHBOARD

	2016 PERFORMANCE	TARGETS
We will fight climate change by reducing our footprint and helping nature sequester more carbon		
Reduction in CO₂ footprint Intensity (gr CO ₂ equivalent/kg product)	50,1% Intensity reduction Danone Direct Responsibility (DDR) scope vs 2007 5,6% Intensity reduction Danone Full scope VS 2015	50% intensity reduction DDR 2007-2020 50% intensity reduction Full scope 2015-2030 Zero net Carbon by 2050
 Reduce energy consumption of factories Intensity (kWh/T product) Baseline 2000	51% energy reduction	60% energy reduction by 2020
Use climate-friendly refrigerants in our new cooling installation within our operations Number of new coolers & fridges compliant	75% compliant in point of sales fridges & coolers (100% Compliance in point of sales for regions where it is legally allowed and available)	100% compliant in all new installations within our operations (plants, warehouses, sales points, etc.) by 2025 and immediately in regions where it is legally allowed and available
Eliminate deforestation from our supply chain Relevant standards specific to each commodity	Paper & Board Policy: 86% compliance (97% compliance in top risky countries) Palm oil policy: 100% RSPO fully segregated Soy policy: joined RTRS (RoundTable on Responsible Soy) Sugar and timber: In progress	Eliminate deforestation by 2020 for commodities at risk: Paper & Board; Palm Oil; Soy for animal feed; Sugar; Timber
Evian zero net carbon	Reduction and offset trajectories in line with target	Zero net carbon by 2020
We will protect water resources, particularly when scarce, and use them in harmony with local ecosystems and communities		
 Protect natural mineral water resources in our watersheds	87% of sites have run SPRING audits in the Waters division	100% of sites have run SPRING audits in all Waters division sites (including new ones) by 2020
Return clean water to nature compliant with Danone "Clean Water Standards" (CWS) for wastewater	63% of sites compliant with CWS discharging 56% of clean water to nature.	100% of sites compliant with the standards discharging 100% clean water to nature by 2020
Reduce water consumption in factories Process water intensity (m ³ /T product) Baseline 2000	47% water reduction	60% water reduction by 2020

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BETTER WORLD : DASHBOARD

	2016 PERFORMANCE	TARGETS
We will Co-build the circular economy of packaging by sourcing sustainable materials and creating a second life for all plastics		
 Develop the use of sustainable resources	11% rPET in the Waters division excluding Turkey & China	25% rPET in the Waters division where it is allowed by 2020 and 33% by 2025
Zero plastic landfill for post-industrial packaging waste	90% of post-industrial packaging waste are diverted from landfill	Zero plastics landfill by 2020 in countries with developed collection systems and by 2025 in all our factories
Co-create a second life for all plastics	2 nd life roadmap under development	2nd life roadmap for 10 priority countries by end 2017
We will promote agriculture that that is competitive, respects natural ecosystems and generates both economic and social value		
 Promote sustainable agriculture	ELN Animal welfare program: 100% lamb; Beef have access to pasture and 100% of eggs are free-cage. Dannon US Pledge: 90% direct Milk sourcing is Animal Welfare compliant (<i>Validus certified</i>)	100% animal welfare compliance for meat; egg and fish by 2020. Dannon US Pledge: 100% animal welfare compliance, US direct milk sourcing by 2017 (<i>Validus certified</i>) 50% Oikos, Dannon, Danimals; non GMO Project Certified by 2018.
Source raw materials sustainably	Palm oil policy: 100% RSPO fully segregated Soy policy: joined RTRS Sugar: In progress	
We will Prevent food-waste and maximize its recovery within our own operations		
Reduce by 50% non recovered food waste Baseline defined according to Food Loss & Waste Protocol	2016 Food waste Baseline: 12 kg / tons product sold	50% reduction by 2025

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BETTER WORLD : PROJECT



ORISA ORGANIC RICE HELPS PROTECT WATER QUALITY

Water is at the heart of Aqua's business, which makes stewardship for the entire water cycle vital for this Indonesian subsidiary of the Waters Division. In the infiltration area collecting water used at the company's Cianjur plant in Indonesia, Aqua mitigates risk through a collaborative approach based on educating smallholders and encouraging them to switch to organic farming.

WHY IT MATTERS

Protecting its infiltration area is essential for Aqua to secure high-quality water for years to come, and demonstrate its commitment to preserving water sources. The farming community is a key partner in this initiative, and Aqua has invited members to implement healthy agricultural practices.

HOW IT WORKS

Aqua worked closely with over 700 farmers working 89 hectares of land to encourage a switch from chemical to organic production. Since organic farming is still a niche market, the company created a new brand of organic rice, Orisa, and then supported market access through its more than 350 AHS (Aqua Home Service) outlets. Today there is an efficient path to market: Aqua distributors pick up farmers' rice when they stop in to drop off Aqua water jugs.

HOW DOES THIS PROJECT CREATE VALUE?

This project delivered a quadruple win: Aqua gets reliable water quality while strengthening its community, as farmers make a good income from organic rice production. And Aqualady (AHS) outlets get additional revenue by selling organic rice at their stalls. Last but not least Aqua successfully promotes a healthy lifestyle through affordable organic rice, establishing credibility with stakeholders.



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THE DANONE WAY PROGRAM

- DANONE WAY IS AN INITIATIVE THAT PROMOTES DEPLOYMENT OF BEST PRACTICES IN SUSTAINABLE DEVELOPMENT
- DANONE WAY OFFERS SUBSIDIARIES A PROCESS BUILT ON CONTINUOUS PROGRESS

UNIQUE BUSINESS APPROACH

- 95%** of subsidiaries have communicated to all required employees the latest version of the Compliance Policies and Code of Business Conduct (vs 94% in 2015).
- 71%** of subsidiaries have set up a cross-functional working group or committee on sustainability, including a Danone Way coordinator and the head of Public Affairs (vs 65% in 2015).

BETTER LIVES

- 80%** of subsidiaries formalized in minutes the information/discussion meetings between management and employee representatives bodies. (vs 86% in 2015)
- 98%** of subsidiaries have set up a “learning plan” and budget allocation target for collective & individual needs for all populations (workers, staff and supervisors, managers, sales representatives if applicable). (vs 95% in 2015)

BETTER HEALTH

- 73%** of subsidiaries systematically consider three points in recommendations for new product launches: appropriate nutritional composition vs needs of target consumers; comparison of nutritional composition to alternatives available on the market; consistency of advertising/communications and nutritional quality (no possible comparison as it is a new practice).
- 65%** of subsidiaries have teamed up with local stakeholders to address a relevant public health issue (no possible comparison as it is a new practice).

BETTER WORLD

- 67%** of subsidiaries have adopted a one or two year roadmap to reduce their carbon footprint on their Direct Responsibility Scope (production, packaging, logistics, product end of life, etc.) in keeping with Danone’s targets. (vs. 69% in 2015)
- 63%** of subsidiaries have a concrete action plan with local or centralized procurement teams that shows progression to eliminate deforestation from/due to soy by 2020 in line with Danone’s commitments described in the soy Policy. (no possible comparison as results were not published in 2015)

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SOCIAL INNOVATIONS KPI'S



9 BUSINESSES

8 COUNTRIES

SICAV

10.29%

OF THE TOTAL PERFORMANCE OF THE SICAV (MUTUAL FUND).

The indicator refers to the total performance net of fees over 5 years. (it was 8.55% in 2015)

MEASURING THE COMMITMENT OF DANONE'S EMPLOYEES

23%

DANONE'S EMPLOYEES REPRESENT 23% OF THE DANONE COMMUNITIES FUND.

(vs 20% in 2015)

43%

OF DANONE EMPLOYEES IN FRANCE SUBSCRIBED AT LEAST ONCE TO THE DANONE COMMUNITIES FUND IN 2016.

(VS 34% IN 2015)

SOCIAL

1 Million

BENEFICIARIES IN TOTAL.

The indicator refers to the total number of beneficiaries of the social businesses supported by Danone Communities, in regards to the 8 countries in the Fund.

300,000

BENEFICIARIES IN THE FIGHT AGAINST MALNUTRITION AND POVERTY.

The indicator refers to the total number of beneficiaries of the nutrition social businesses supported by Danone Communities.

700,000

BENEFICIARIES WITH ACCESS TO DRINKING WATER.

The indicator refers to the total number of beneficiaries of the water access social businesses supported by Danone Communities.

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SOCIAL INNOVATIONS KPI'S



SOCIAL IMPACT

67 Projects

29 Countries

4,650 jobs created

40,912 people professionally empowered

2.9M indirect beneficiaries

22,500 women professionally empowered

139 M€ funding

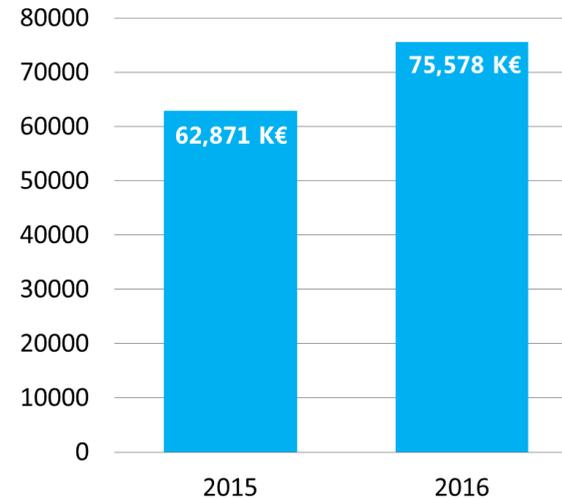
62 M€ Ecosystem

77 M€ co-funding

46 CBUs

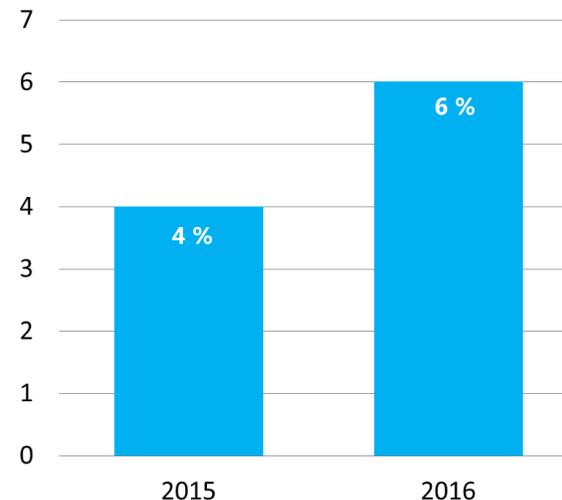
56 NGO partners

ECONOMIC IMPACT



Sales generated by Danone Ecosystem Fund capabilities
This indicator refers to sales generated by business under all projects (not exclusively Danone).

ENVIRONMENT IMPACT



Percentage of milk from Danone Ecosystem Fund projects vs total sourcing of Danone concerned subsidiaries

This indicator refers to the volume of milk sourced from projects as a percentage of total milk sourced by Danone concerned subsidiaries over the same period.

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SOCIAL INNOVATIONS KPI'S



THE LIVELIHOODS CARBON FUND

9 active projects:

- 3 ecosystem restoration projects
- 3 agroforestry projects
- 3 rural energy projects

SOCIAL IMPACT

Achievement since 2011

107,000 households equipped with efficient cook stoves in 2016
(vs 56,000 in 2015)

Objective:

120,000 households equipped with efficient cookstoves

ENVIRONMENTAL IMPACT

Achievements since 2011

122 million trees planted in 2016 (vs 120 million in 2015)

Objective

130 million trees planted

THE LIVELIHOODS FUND FOR FAMILY FARMING.

3 projects will be launched in 2017

Objective of 200,000 farms
converted to sustainable
agricultural practices

Objective of 2,000,000 people
positively impacted

120,000,000€
Total investment volume objective

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THANKS FOR YOUR
ATTENTION



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DANONE | FOR ALL
OUR MISSION IN ACTION | SUSTAINABILITY | ACTIVITIES & BRANDS | RESEARCH & INNOVATION

FOR YOU
CANDIDATES | JOURNALISTS | INVESTORS

INTEGRATED REPORT

- > Our pledge
- > Our projects
- > Our figures

LEARN MORE

Learn more about how Danone creates value beyond the traditional world of business—and how we put into action our commitment to co-build a healthier future.

> SEE THE PRESENTATION OF OUR VALUE CREATION IN 2016 BY EMMANUEL FABER

[en/for-all/integrated-report/](#)