

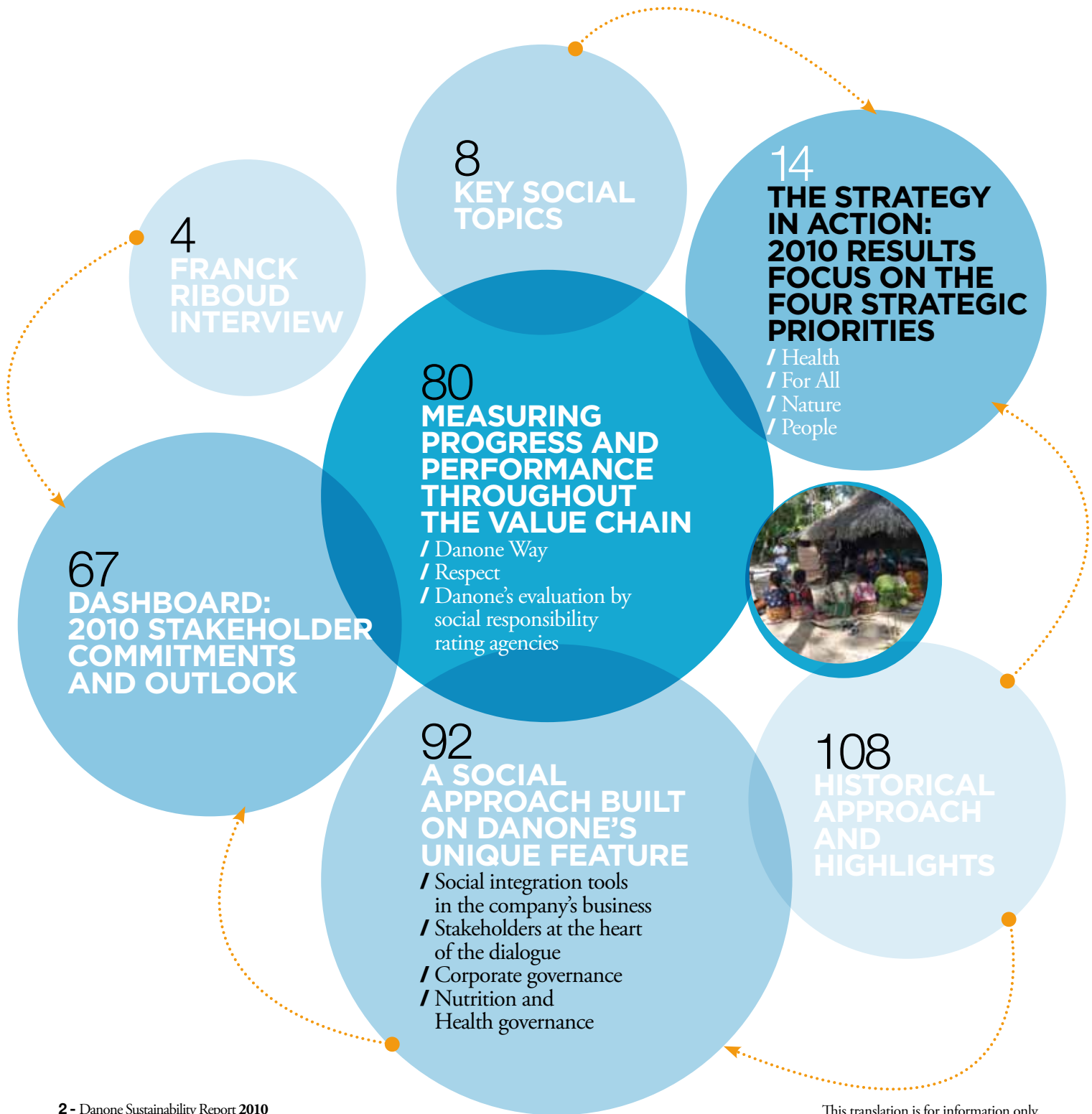
2010  
*Sustainability  
Report*



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# Strategy

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# Performance

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GRI INDEX<sup>™</sup>



<sup>™</sup> Self-evaluation of the application of GRI according to version 3.0 guidelines for the GRI with approval by KPMG Audit.



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Franck Riboud  
interview  
**“My vision  
for Danone:  
a company  
that creates  
economic value  
while creating  
social value”**

**The “dual economic and social project” that is the foundation of the Danone way of doing business is almost forty years old. What still makes it timely today?**

**Franck Riboud:** this “dual project” was born of a simple fact that remains just as true today: a company cannot succeed in the long run if it turns its back on the society it is a part of, if it only looks to its short-term economic gain. Danone’s founder understood very quickly that creating economic value and social value are both essential to a company’s solidity.

**Much has changed since 1972. What are the major factors that have shaped the company’s evolution over these past years, and what are those that promote a different vision of doing business?**

**FR:** we simply forgot that business performance is also measured by the health of the surrounding society: if this society is not doing well, or is getting poorer, there will be fewer consumers or less frequent consumption; which in turn means more difficulty finding efficient subcontracting and supply channels, etc. At Danone, for example, for every job within the company there are between five and ten jobs generated outside, at our milk producers and industrial and service suppliers. Danone’s competitiveness and that of the regions where it does business are therefore very closely linked.



**Franck Riboud**  
CEO

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## Do the interests of business converge with meeting social needs?

**FR:** it is common to oppose the “social” and “economic” spheres, where social needs are perceived as a cost and therefore generally detrimental to a company’s competitiveness. I see things differently. Take food and its contribution to health, which is at the core of Danone’s mission. The challenges are huge at the scale of the planet: supporting people by offering healthy and balanced nutrition for every stage of life, helping reduce nutritional imbalances that lead to obesity or dietary deficiencies, allowing everyone access to quality food. I see no opposition here, but rather an extraordinary convergence between the economic and social spheres. A bad diet has direct consequences on people’s health, but also major economic consequences in terms of public health costs. Food companies like Danone should offer solutions that please consumers and respond to public health concerns in each country. This can be an impressive catalyst for innovation and growth.

The same is true for the environment: reducing energy and raw materials consumption and developing clean technologies are good for the planet, and also for business.

Social needs are vast, in terms of health, housing, education and preserving natural resources. Companies that innovate and contribute to effective solutions to meet these needs will strengthen their economic competitiveness by creating social value. In the same way, who can believe that a company whose products and services have no real social utility can succeed long-term?

## In 2008, Danone’s general management decided to step up the pace. Why?

**FR:** the financial, economic and social crisis that erupted in 2008 was revelatory. It was largely the product of the evolution I have described, and it highlighted the need to provide direction and to redefine the vision of the company we wanted to be. Danone’s Executive Board did this by focusing on four strategic priorities that contribute to Danone’s mission of “bringing health through food to as many people as possible.” The first two priorities, “Health” and “For All,” are directly related to the development of our business and our growth objectives, while the two others, “People” and “Nature,” are characteristic of Danone’s approach. For each of these priorities we have defined a goal and objectives with an initial phase to be completed at end 2012. We want these priorities to help transform Danone’s businesses, operations and organizations.

For example, the “Nature” priority is leading us along a transformative path. A food company is closely connected to natural life cycles. Danone bottles natural spring water, and maintaining this water supply into the future is vital both to the company and to the people who depend on it. Our products come from milk, fruits and plants. We want to bring the entire Danone organization into alignment with this approach by progressively becoming an environmentally neutral company. The first step is to massively reduce the carbon footprint of our industrial processes, packaging and logistics. To effect this change at every level, an ambitious 30% reduction goal has been set for 2008 to 2012, and integrated into the objectives of Danone’s 1,500 senior managers around the world. Alongside this reduction policy, Danone has launched innovative carbon offset programs by investing in the restoration and preservation of ecosystems that play a vital role in food security and in supporting the income of rural populations in Africa, Asia and Latin America.

## *Franck Riboud interview*

**We are now at the half-way point in this program. Are we on track to meeting our objectives?**

**What are the catalysts and obstacles along the way?**

**FR:** we are right in line with the plan we have defined thanks to strong commitment at every level and in every area of the company. The innovative transformation that will result in delivering both economic and social value is at work. This change cannot happen without some resistance, but I am impressed by the teams' motivation. For example, at the end of 2009, Danone created the Danone Ecosystem Fund with the approval of its board of directors and its shareholders, endowed with €100 million for the purpose of supporting initiatives that strengthen the "Danone ecosystem." The principle is that any project financed by the Fund must be launched and carried through by a local CBU. In just one year, more than 20 projects have been proposed and financed in some fifteen different countries. Many are extremely innovative. They involve support for small farmers, job creations in local distribution and package recycling, for example. All these projects contribute to building a solid foundation for the company in these countries.

**Does this approach lead to the creation of new products and services?**

**FR:** according to experts, the global population will reach eight billion by 2025. It is crucial to find solutions to feed this growing population while sparing our limited natural resources. This will be hard to do under current models. We must come up with new approaches. Pilot projects such as Grameen-Danone in Bangladesh compel us to think differently, to come up with solutions that break with the way the food industry has developed in recent years: low-cost micro-factories, products that are easy to distribute and preserve without a cold chain, ingredients from local farms, etc. Other experiments in Indonesia and Mexico for example have allowed us to test out new concepts for accessible products with a high nutritional impact or local distribution.

When we look at the reality of nutrition needs in the world, we realize we have a huge innovation project ahead of us. I am convinced that we must move faster, bring our Research & Development and marketing teams even closer to the field, listen actively to needs, strive to invent solutions that truly meet these needs, and work with other players – public authorities, NGOs – who have intimate knowledge of the populations concerned. Naturally we will make mistakes, and certain products or services will not work out, but others will be tomorrow's rising stars. Here again, creating shared value involves changing the way we work.

**How do you view your relationship with the farming sector upstream?**

**FR:** these past years we have moved into a very tense phase with regard to agricultural raw materials, with scarcity of certain products and major price fluctuations. This situation is not temporary, but likely to last and perhaps to worsen. Farming is once again becoming a strategic business on a global scale. Industrialists have a responsibility to ensure supply for their factories at competitive cost compared to the competition by working in partnership with producers. We must support production models that help expand agricultural production while maintaining environmental balance and taking into account the diversity of regional situations. Pilot programs supported financially and technically by Danone with milk producers in France, Ukraine, Egypt and Mexico are opportunities for us to explore these interactions between economic, social and environmental factors. Danone and the producers that supply our factories are part of the same "ecosystem," where each one benefits from the other's good health.

**The "local" appears to be back at the center of Danone's concerns**

**FR:** Danone has always been a "multi-local" company with Country Business Units (CBUs) that produce locally for local consumers. And so we remain.

The globalization of these past twenty years has fostered the myth that distance no longer matters, that low logistics and information costs mean we can relocate to wherever production costs are lowest. However, when this movement is pushed to extremes, the resulting social and environmental costs bring its validity into question. Without denying the undoubted benefits of international trade, companies must weigh their decisions by taking all aspects into consideration. Transporting less, storing smaller amounts and distributing locally can make a lot of sense in certain situations.

**You make it sound like the traditional division of roles between companies, NGOs and public authorities is being redefined.**

**FR:** we all suffer from the old divisions between social, political and economic agents. To caricature, companies “do economics” and what is known as “Corporate Social Responsibility” aims to correct the negative social and environmental impacts of their business. NGOs work in the social and environmental fields, and companies might finance them or provide technical assistance to support their mission, through sponsorships, partnerships or charity donations. Public authorities serve to protect the public interest, defining and enforcing the rules that apply to all.

The limits of this “partitioned” approach in solving the problems faced by mankind can clearly be seen today. Whatever the agents and their role, our real purpose is to create shared value. This must be the yardstick for our actions, not the money spent or the means applied. The experience of Danone teams in numerous countries shows us that we can “co-develop” with other players whose roles and skills are different and complementary.

Let us be clear. I don't think that companies are here to “save the planet.” We have neither the responsibility nor the means to respond to every social need.

But together with the Danone teams, I am trying to put a new conception of business into practice, where the economic sphere can contribute to solving a certain number of social issues.

**What is your greatest wish for Danone?**

**FR:** that Danone remains what it is, a company where people share pleasure and passion, are free to try new things, and pay close attention to the results. Without these results, we would not have the freedom to try to implement our vision of business.



## Key social topics

SOCIAL ISSUES

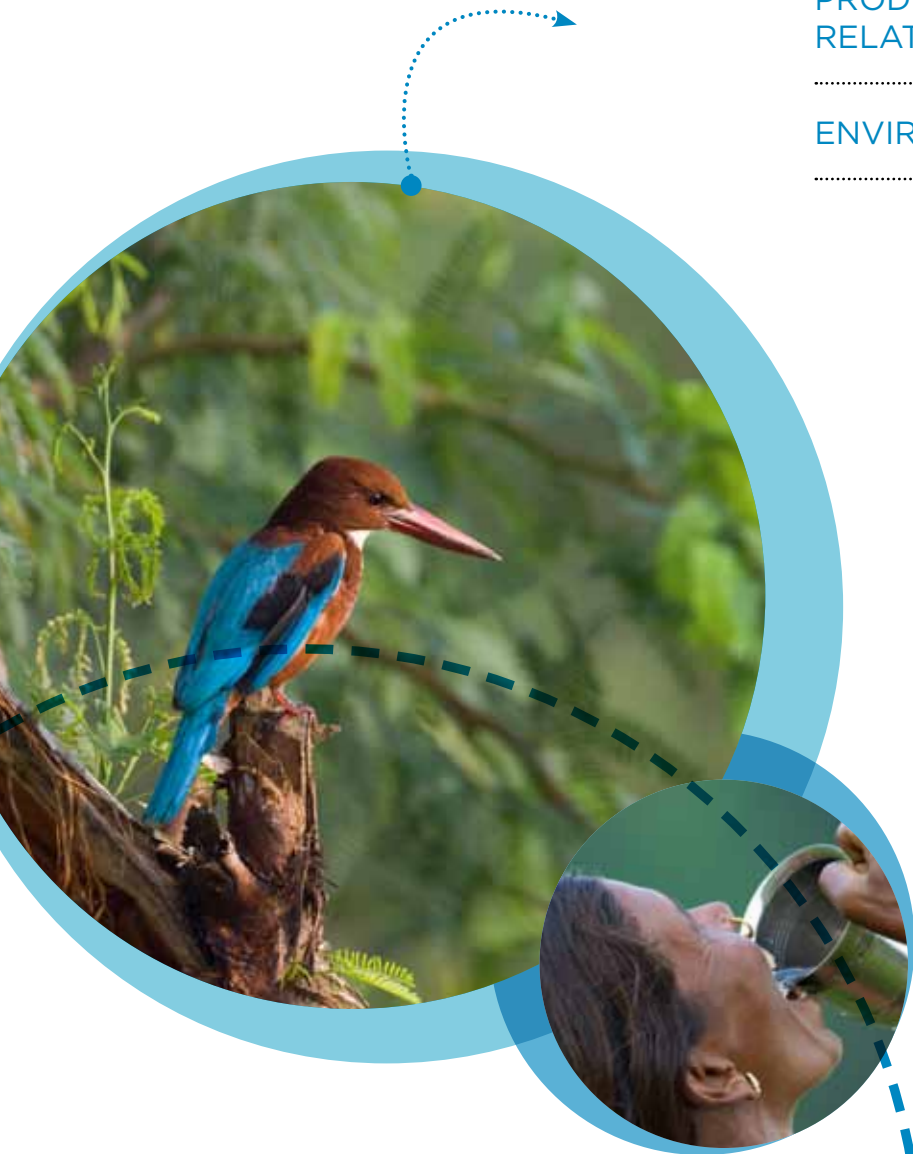
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## *Social issues*

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### **Employment and skills**

Beyond the financial and economic crisis, the world is facing the biggest downturn in terms of employment experienced over the last 60 years, with an acute increase in unemployment rates in all countries accompanied by the massive destruction of jobs. Given this context, employees are worried and afraid of losing their jobs: how does one talk about commitment to people who fear that they might lose their jobs at any moment?

Employment is an important issue: it represents both the income of the family (and thus its ability to consume), a factor of identity and social integration, a means of personal achievement for some, and in many countries the guarantee of a minimum level of social protection.

Employment has thus become the number one social concern because employment is inseparable from the commitment of employees.

In a context of globalisation and intense competition, companies are having to regularly reorganise themselves to remain competitive and cope with the many changes that can sometimes result in job losses. It is the responsibility of the company to help each employee build up their only real active security when faced with a potential risk of job loss by continuously developing and strengthening their professional skills and employability. Providing information and instruction on the economic situation, maintaining the quality of social dialogue, establishing the means to support the transformation processes are also ways to reassure employees facing the anguish of job loss.

### **Taking into account the territories in which the company operates**

Beyond employees who fear for their jobs, the company cannot develop and grow in isolation. It needs raw materials, transportation, customers, distributors, skills and competence. The interdependence of these various activities shows that it is not possible to contemplate the development of the company without considering the development of its environment. In order for the company to be sustainable, it must be concerned about the health and robustness of its environment, and take preventive actions intended to strengthen the fabric of the local economy while developing skills and competence with regard to its employees and also the labour pool in the employment area.

### **Employee commitment**

Commitment is a key lever of employee performance: it cannot be decreed; it is embodied and manifested every day in the relationship between employees and their supervisors or managers, but also in the understanding of the company's mission, in the alignment of management with the stated values, in the social value that the company creates all around itself. The quality of life in the workplace and corporate culture constitute major challenges with respect to recruitment, retention and employee commitment.

## *Product and consumer related issues*

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The primary consumer expectations related to health include **food safety, the quality and conformity of products** marketed with respect to nutritional and organoleptic specifications as well as indication of the health benefits being scientifically proven.

This commitment to quality is carried right throughout the product life cycle, from development to production, up to the point of consumption, and from raw materials to the products sold.

Consumers also express widely varying expectations, including ease (of purchase, storage and preparation), availability and price. In developed countries, their expectations are widely reported by consumer groups that have become essential partners of the company.

The major challenge is to continue to develop consumer confidence in brands that continuously invest to ensure product safety and quality, that respect the environmental and care about their social impact

Food is a daily necessity for all of us, providing not only the energy and nutrients essential for life, but also pleasure, symbolic meaning, identity and values for all individuals. It also represents tradition, culture and friendship within communities.

Scientific research consistently demonstrates that **a varied and balanced diet and regular physical exercise** are key factors in maintaining good health and preventing chronic diseases. On the other hand, a poor diet combined with a sedentary lifestyle can lead to a higher incidence of diseases, such as diabetes, osteoporosis and high blood pressure.

Every day, scientific advances confirm the specificity of dietary needs, which vary by age (baby, child, teenager, adult, older person), gender and physiological state (pregnancy, metabolic disorder, chronic disease, aging, etc.). An increasing body of evidence shows that dietary intake at early age (during pregnancy and the first two years of life) are major determinants of future health and that they should be given serious consideration to prevent certain diseases.

However, a wide range of socioeconomic conditions in the different countries and population groups that do not have equal access to food resources must be taken into account. With the 2008 world food crisis, for example, certain countries' efforts to fight malnutrition suffered a defeat, and it's likely that the coming rise in commodity prices will only worsen the situation.



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The world food-related health situation is a major global concern worldwide given the continuing spread of the double burden of:

- **undernutrition and malnutrition**, resulting from food insecurity and/or the poor quality of dietary intakes, which affect nearly one billion people;
- **excess weight, obesity and chronic food-related diseases**, such as diabetes, hypertension and cardiovascular diseases, partly stemming from an inadequate dietary intake in terms of both quantity and quality. This phenomenon is growing at a particularly fast pace in emerging countries under the influence of a very rapid nutritional transition. The WHO (World Health Organization) is forecasting over 1.5 billion overweight and obese people by 2015, while the IOTF (International Obesity Task Force) is estimating 360 million cases of diabetes in 2030.

In view of this situation, most member countries of the United Nations responded to the warning issued by the WHO in 2004 by developing national health programs designed to prevent food-related diseases. These programs call upon the food industry to be part of the solution by taking voluntary, self-disciplinary steps to improve their products' nutritional value (reduction in fat, sugar and sodium content); responsible communications (nutrition labeling, health claims, advertising); and promoting healthy lifestyles. By 2013, stakeholders are expecting a real impact on products and marketing practices from the self-disciplinary measures taken by the food industry. If not, political decision-makers may adopt new regulations for the food industry.

In addition to the double burden of undernutrition and obesity, another challenge facing the world is an aging population in the developed countries. The WHO estimates that by 2050, people over 65 will make up more than 25% of the European population. For this population, prevention and the treatment of age-related illnesses, especially through the use of specific dietary supplements, will be essential for the long-term viability of health care systems.

## *Environmental issues*

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In the next twenty years, the world's population is estimated to see an increase of over 40%. **Consequently food requirements and the pressure on natural resources will significantly increase.** This trend is already reflected by multiple effects: pollution and soil loss, pollution of rivers and groundwater, emission of greenhouse gases, increasing production of waste and depletion of biodiversity-rich environments. There will eventually be a need to produce more with less inputs on an agricultural area that is fast diminishing.

While agriculture is vital for humans, it accounts for nearly 25% of all greenhouse gas emissions, 70% of water consumption, and even 40% of the pollution of groundwater. It will therefore ultimately need to reinvent itself to cope with these challenges.

Livestock's role has been especially criticized, seeing that it alone would be responsible for 18% of greenhouse gas emissions and 37% of soil degradation. This involves two risks: a risk of increased pressure of taxes and a risk of tension in the lower categories of products of animal origin.

Agri-food companies are presented with a **dilemma that involves, on the one hand, responding to the ever greater needs of consumers and on the other hand, limiting the impact of their activities on the environment.** For their part, stakeholders' expectations point firstly towards reducing the impacts of industrial activity and the precise measurement of this reduction (ISO certification, measuring the carbon footprint, reductions in water and energy consumption, contributing to the elimination of waste). Controlling the impacts related to packaging requires not just the reduction of materials at source, but also recycling, reuse and/or the provision of biodegradable packaging. To a more limited extent it also involves the reduction in consumption of animal products.

Pressure on the supply of raw materials from agriculture (increasing price volatility, new competitors for soil via biofuels, climate impact on crops) is high. This changing supply side context is inducing agricultural producers to seek improvements in strategy much further upstream. We are moving from a period of plenty to a time of dwindling resources, which will eventually affect costs.

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For their part, consumer expectations are laying greater stress on agricultural practices combining safety, environmental protection and respect for natural cycles. In response, regulatory developments and advances in research have been pushing forward **better ways of taking into account environmental and health concerns** (precision agriculture, effective pesticides at low doses, alternative control methods against diseases and pests, etc.).

Some leading global mass market retail / distribution chains (Walmart, Carrefour, Tesco) having gradually undertaken the promotion of sustainable development are progressively seeking to work with suppliers who are environmentally respectful (Walmart Index). Networks of suppliers have also been launched to work on diverse and varied issues (water, agriculture, etc.) and to define common environmental good practices.



# THE STRATEGY IN ACTION: 2010 RESULTS

## Focus on the four strategic priorities

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## Health

In 2010, the major achievement of the Nutrition and Health strategy was an **in-depth analysis of the nutritional value of products** not subject to related regulatory requirements, representing **83% of the group's total revenue**. The nutritional content of 79% of these products was analyzed and compared to internal nutritional standards based on health authorities' guidelines.

Moreover, in line with Nutrition and Health Charter commitments, several nutritional improvement programs were conducted in 2010 to meet internal nutritional standards.

**Many value-added nutritional and/or health innovations** were introduced in areas as diverse as product families, eating patterns, new ingredients or health benefits, and geographic expansion.

2010 also saw the creation of new efforts to encourage consumers, various population groups (children, parents, physicians, etc.) and Danone employees to adopt a healthy lifestyle through a balanced diet and regular exercise. Most of these initiatives were developed in partnership with local institutions, such as the ministry of health, research centers, professional organizations and NGOs.

### Danone's Health Strategy priorities

More than ever before, Danone aims to support the health authorities' food and nutrition objectives in every country in which it operates through its mission "to bring health through food to as many people as possible."

This aim is broken down into two strategic priorities and is based on an approach very specific to Danone:

- a unique line of products tailored to local needs;
- responsible product promotion and involvement in information and education;
- a unique approach based on a solid foundation characterized by detailed knowledge of local health and nutrition issues; ongoing dialogue with local stakeholders; product reformulation; innovation; and special investment in scientific research.

## Health

In this way, Danone is clearly demonstrating its determination to contribute to a sustainable health objective by helping prevent chronic food-related diseases and fostering the fulfillment of its consumers' biological potential.

### A unique line of products providing consumers with the health benefits they need throughout their lives

#### 1. Products meeting the needs of a large proportion of the local population (type of food, eating times and habits)

- **Daily food products complying with strict internal nutritional standards** (Danone Nutrition Book) **that meet public health authorities' guidelines.** For example: yogurt (Danone natural and with fruit), fermented milk (Kefir), soft white cheese (Danio), mineral and bottled water (Evian, Aqua), and fruit-based products such as compotes without added sugar (Taillefine Jardins Gourmands) and smoothies (C-Optima), etc.
- **Occasional food products or "indulgence" products**, whose nutritional content is also regulated by internal standards. For example: drinks (Taillefine, Bonafont Levite) and dairy desserts (Danette, Fantasia).

#### 2. Products meeting special dietary needs and whose nutritional profile is specifically tailored to consumer needs (especially by adding essential nutrients), such as baby nutrition products (infant formula and grow-up milk, complementary foods), certain fresh dairy products like Danonino for children, etc., or dietary supplements for pregnant and/or breastfeeding women or designed to fight malnutrition caused by nutritional deficiencies or certain diseases (Fortimel, Forticare, etc.). The composition of these products is generally governed by strict regulations – if not, then by very demanding internal standards, such as the Danone Nutrition Book or Baby Nutrition Standards.

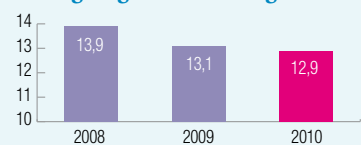
2010 achievements included an **in-depth analysis of the nutritional value of products** not subject to related regulatory requirements (fresh dairy products, drinks and baby nutrition products, representing **83% of the group's total revenue**).

The **nutritional content of 79% of these products was analyzed** and compared to competitive products as well as internal nutritional standards based on health authorities' guidelines. The rate of compliance with internal nutritional standards reached 63% for dairy products and 93% for complementary foods for babies (prepared foods, compotes, desserts, cereal).

### Nutritional quality evolution of the Dairy products portfolio in Brazil

- 50% of adults in Brazil are overweight, which is a major public health concern.
- Danone pays particular attention to reducing fat and sugar content. This is a progressive approach that integrates consumer preferences.
- Across all the brands in the Dairy products division, 242 metric tons of sugar were withdrawn from the market between 2009 and 2010, and products' average sugar content<sup>(\*)</sup> has decreased steadily.

Average sugar content/100g<sup>(\*)</sup>



<sup>(\*)</sup> Taking into account the volume of each product.





“Bien Vieillir” – France

**Social environment**

The ageing of the French population has led to an increased risk of severe falls for the elderly, generating significant financial costs for health insurance systems.

It is difficult for physical educators to find employment in France

**The project**

Combine nutrition and physical activity to combat health problems and support the well-being of seniors, and offer new possibilities for employment to physical educators.

**The goal for Nutricia France**

Reach seniors who suffer from malnutrition and offer them appropriate solutions.

**Social goals**

Train 240 physical educators in nutrition concepts.  
Create 65 new jobs based on this dual competency.

**Partners**

Siel Bleu, association promoting health through physical activity.



**Contribution from the Fund**

→ 670,000 euros over three years.

3. **Products providing appropriate functional benefits** for consumers with specific physiological and metabolic conditions, such as Danacol for adults with high cholesterol, Néocate for babies allergic to cow’s milk, and Souvenaid for Alzheimer’s disease patients.

Danone pays particular attention to the taste experience offered by all its products as it is now widely accepted that taste is a major factor in dietary choice. In addition to ensuring nutritional quality and functional benefits, Danone also tries to make its products as widely available as possible through affordable prices and innovative distribution channels.

**Promoting products responsibly and providing information and education to encourage healthy behaviors**

1. **Providing reliable and clear product information** helps consumers make informed food choices. All Danone products provide nutrition information per 100 grams and/or per serving. In Europe, dairy products and beverages also provide the contribution per serving to the Guideline Daily Amounts (GDA) for calories and seven nutrients (proteins, carbohydrates, including sugars, fat, including saturated fats, fiber and sodium). Danone’s health claims are exclusively based on recognized scientific data and expressed in a transparent and non-misleading manner for consumers.
2. Conducting **responsible marketing practices**, especially for the most vulnerable consumers, such as children, includes complying with the International Chamber of Commerce (ICC) Code for Responsible Food and (non-alcoholic) Beverages Marketing and the self-regulation of advertising to children under 12 in many countries (all European Union countries, the United States and Brazil).

## Health

3. Setting up **product information services and healthy eating educational programs** (labeling, website, brochures, teaching kits, events, etc.) **and promoting physical exercise** contributes to government efforts to encourage healthy lifestyles. These activities target consumers, employees and other groups, including health professionals. Most of these initiatives were developed in partnership with local institutions, such as the ministry of health, research centers, professional organizations and NGOs, to make sure they were suitable for the local community.

In 2010, particular emphasis was placed on promoting water as the healthiest solution to good hydration, with such programs as the **H4H initiative (Hydration for Health – [www.b4hinitiative.com](http://www.b4hinitiative.com))**; “Healthy Hydration” for Indonesian health professionals, which provides health professionals and consumers with a “hydration scale”; and, in Poland, “Mum, Dad, I prefer water” for parents and children, which promotes the regular drinking of water. This program, developed by the Polish subsidiary Zywiec Zdroj, received the support of the Ministry of Health, the Food and Nutrition Institute and the Mother and Child Institute.

Several other programs for the general public were also launched:

- “Learn how to reduce your cholesterol” in France, an online guide for people with high cholesterol ([www.savoirreduiresoncholesterol.com](http://www.savoirreduiresoncholesterol.com));
- “Healthy Alphabet,” an educational kit for pre-school teachers in the Czech Republic ([www.zdravaabeceda.cz](http://www.zdravaabeceda.cz));
- In the United Kingdom, Danone created “**Eat Like a Champ**”, a fun program that raises school children’s awareness of the importance of a balanced diet and physical activity. Developed in close cooperation with the British Nutrition Foundation and the Department of Health, this program supports the British government’s anti-obesity efforts.



Danone also provided active support for the **promotion of breastfeeding** to health professionals and mothers. Various programs designed for health professionals were also developed, such as the creation and distribution of the “Infant Food Pyramid,” produced by Mellin in Italy.

In addition, a large number of CBU’s (Country Business Units) created **workplace programs** that encourage employees to take charge of their health through a balanced diet and regular exercise. These programs consist of educational sessions, doctors’ visits and checkups, balanced meals, fitness equipment and other initiatives. The impact of the program set up at the Daniel Carasso Research Center in Palaiseau, France is currently the subject of a study being jointly conducted with INSERM (French National Institute of Health and Medical Research).



## Health

### Danone Institutes, a unique international network

Since 1991, Danone has been supporting the **Danone Institutes**, independent non-for-profit organizations, to help advance knowledge about the links between food, nutrition and health.

Their programs include providing support for scientific research, informing and training health professionals, and educating the public. The network of 18 Danone Institutes in 19 countries comprises 250 prominent and independent researchers, physicians and dieticians specialized in all aspects of food and nutrition, including biology, medicine and the humanities.

### Danone Institutes' major achievements in 2010

The Danone Institutes **published several works** designed to help practitioners, journalists, education professionals and others take advantage of the latest breakthroughs in the field of nutrition:

- Food & Drugs, Are there complementary beneficial effects for health? (International Danone Institute);
- Guia alimentaria para las personas mayores, Spain;
- Manuel sur l'alimentation des adolescents à destination des enseignants (Teachers' guide to adolescent nutrition), France.

**New educational programs** for children were launched, including:

- Zdravá abeceda in pre-schools in the Czech Republic.

Danone Institutes held **some 15 scientific conferences and clinics for health professionals and scientists:**

- The International Danone Institute supported and helped lead Nutrition Leadership Program workshops for French-speaking Africans for the third consecutive year;
- The Danone Institute Conosur (Argentina, Chili and Uruguay) held a symposium on the links between nutrition and immunity for the second consecutive year, drawing 250 scientists;
- The Danone Institute Belgium brought together over 200 professionals for a seminar on the topic, "Top Sports and Nutrition," during its annual nutrition conference.

Nearly 1 million euros was awarded in support of nutrition research. Since 1991, some 1,000 research projects have been funded by the Danone Institutes, and more than **18 million euros distributed in the form of research awards and grants.**



**These two strategic priorities largely rely on our R&D and Quality expertise and a unique multi-faceted approach:**

- 1. In-depth knowledge of health and nutrition** issues in the countries in which we operate by analyzing the latest scientific data in the areas of epidemiology, sociology and food supplements and by consulting experts in the food and nutrition fields (Nutripacks reports). This work enables us, for example, to identify any deficiencies in specific populations, such as iron deficiencies in infants and children and protein deficiencies in the elderly.
- 2. Ongoing dialogue with stakeholders in the food, nutrition and health field**, such as health authorities, professional organizations, inter-trade organizations and consumer representatives (*see pages 97 to 103 in this report for more information about the stakeholders' approach*).
- 3. The development of appropriate nutritional solutions** in response to local requirements (dietary needs, taste, cost, eating habits, etc.). This stage generally proceeds with the help of scientific committees, which combine complementary expertise in nutrition, medicine and human sciences. These nutritional solutions can come about by improving existing products (Nutriprogress program) or developing new ones. Whatever path is chosen, taste always plays a central role to make sure consumers have the enjoyable experience they expect.

With the Nutriprogress program, we continually analyze the nutritional quality of our existing product portfolio and design reformulation programs, if necessary (by, for example, gradually reducing the fat, sugar or sodium content and/or fortifying the product with vitamins and minerals).

In 2010, for example, we thoroughly analyzed the nutritional profile of our baby food line: nutritional quality of the whole infant formulas and milks portfolio was improved by the addition of essential fatty acids (beyond regulatory requirements); added salt content was reduced in complementary foods (6.5 metric tons of salt were removed); and added salt was completely taken out of Cow & Gate cereal, which is sold in the United Kingdom.

**"Nutripacks: sociology's contribution"**

In addition to nutritional information, analyzing eating patterns (behaviors, practices, symbols) is vital to identifying dietary concerns. A qualitative methodology was developed by Danone Research and the Montpellier CIRAD (French Agricultural Research Center for International Development).

The first pilot project conducted in 2010 in Algeria showed that a new eating pattern was emerging – a unique combination of traditional and modern practices. Men's and women's roles are being redefined, particularly in urban settings where women are more likely to do the shopping.

A new sales network is appearing in cities: women are cooking dishes at home and selling their products to grocers or directly to working women. Analyzing eating habits is therefore useful for developing nutritional strategies appropriate for the local community.

## Health

For 30 years, continuous efforts have been made to reformulate Danonino soft white cheese for children by reducing its sugar and fat content and fortifying it with calcium and vitamin D. Since 2010, the German Research Institute for Child Nutrition (FKE) has stated that Fruchtzwerg can form part of a healthy afternoon snack for children (“Optimix” snack as defined by the FKE).

4. **Many value-added nutritional and/or health innovations** were also launched in 2010, introducing an original idea or new product in areas as diverse as product families, eating patterns, new ingredients or health benefits, and geographic expansion. The main new products rolled out in 2010 were as follows: Activia Pouring in the United Kingdom (fermented milk for pouring on breakfast cereals); Taillefine Stevia in France (yogurt with a natural sweetener that reduces the sugar content); C-Optima fruit smoothie (100% fruit, acerola-based mixture that meets daily vitamin C requirements); Milupa Fruta (compotes for infants); Nutrinidrink smoothie (fruit purée for malnourished children); Nutrilis Aqua (gelatin with high water content for elderly people who have trouble swallowing); Dumex HI-Q1 infant milk in Thailand (infant milk combining prebiotics and probiotics); and Densia, sold in Argentina under the brand name Ser Calci + (yogurt that meets 50% of the daily calcium requirements for women over 45).

5. **The development of products providing functional benefits,** demonstrated by rigorous scientific research and recognized by the publication of results in the world’s best peer-reviewed scientific journals. More than 100 clinical studies were conducted in 2010. Dozens of clinical studies have demonstrated Neocate’s effectiveness in improving the symptoms of milk protein allergy in infants. A recent study showed that the regular consumption of Danacol not only helps reduce the cholesterol level in people with high cholesterol, but also improves their eating habits. In 2010, other studies were conducted in partnership with prestigious research institutes to confirm the initial encouraging results on Souvenaid’s positive effects on the cognitive abilities of Alzheimer’s disease patients.



Fruchtzwerg (Danonino):  
30 years of nutritional  
improvement in Germany

“Danone Research, a unique  
feature of Danone’s strategy”:  
key figures:

- 43 patents filed in 2010, bringing the portfolio up to 448
- 140 articles published in peer-reviewed scientific journals
- 108 active clinical studies in 2010
- 1<sup>st</sup> international “Microbes for Health” symposium held in cooperation with the Pasteur Institute (Paris, November 2010): 366 participants from 27 countries

Main areas of expertise:  
Nutrition and physiology;  
Digestive system and microbiology;  
Immunology;  
Neurosciences;  
Water science;  
Clinical research;  
Food design and quality;  
Packaging;  
Sensory analysis and behavioral sciences.

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### **More than three years after the health claims regulation took effect, where does Danone stand?**

European Regulation 1924/2006 (often called the “claims regulation”), concerning “nutrition and health claims made on foods,” was adopted on December 20, 2006 and has been in effect since July 1, 2007.

Danone supports this health claims regulation. Its main objective is to provide clarity to consumers by ensuring that product claims are legitimate.

Danone received two favorable opinions from the European Food Safety Authority (EFSA). One concerned a January 2009 report establishing a link between calcium and vitamin D consumption and bone growth in children. The other involved a July 2009 report showing that Danacol’s phytosterol content significantly reduced the cholesterol level (7-10% in two to three weeks) when eaten daily as part of a balanced diet and healthy lifestyle. A high cholesterol level is a risk factor for developing cardiovascular diseases.

Danone received two unfavorable opinions. The first, in February 2009, concerned a report submitted by Danone Baby Nutrition division, specifically regarding the ingredient Immunofortis and the role it plays in babies’ natural defenses. The second, in December 2010, involved the causal link between the consumption of Actimel and the reduced risk of Clostridium difficile-associated diarrhea in adults over 50 undergoing antibiotic treatment.

In reference to these two reports, Danone publicly expressed its disagreement with the EFSA’s conclusions because they contradicted the results of many clinical studies published in prestigious international scientific journals.

### **2010 year-end review**

Since the nutrition and health claims regulation took effect, it must be stated that implementation is a complex task for the European institutions responsible for enforcing it (EFSA and European Commission) as well as scientists and manufacturers.

## Health

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There are two major concerns: the clarity and detail of the assessment criteria and the methodology for assessing the claims.

The criteria issue mainly arises for claims involving a specific scientific field or a field that is still developing. This is the case, for example, with intestinal flora. In view of these difficulties, EFSA held several meetings to clarify matters, including one specifically on the “Gut and Immune System” that has yet to fully explain the assessment criteria. Yet the criteria involving generic ingredients, which have been studied for decades (vitamins and minerals, for example), are sufficiently clear.

The second concern relates to the assessment methodology. At this time, the regulation does not provide for direct discussions between the relevant scientific experts and the panel members responsible for assessing the claims. Such discussions would allow these experts to explain both the claims submitted and the scientific strategy followed and to resolve any misunderstandings. The lack of ongoing dialog makes the process more cumbersome.

Given these challenges, Danone has adopted a pragmatic attitude and has not submitted any new claims to the EFSA.

Danone, of course, remains a player in the discussion, seeking solutions for implementing this necessary regulation under the best conditions.

6. **Danone’s involvement in scientific research in addition to demonstrating its products’ health benefits.** In partnership with prestigious research organizations, Danone supports many programs in a variety of areas, such as the benefits of better hydration, the influence on long-term health of early nutrition during pregnancy and the first two years of life (metabolic imprinting, partnership with the European EARNEST project), and the intestinal microflora’s function and impact on health (Saint Louis University, US; INRA and Pasteur Institute, France). In 2010, Danone also created a joint business chair with the French AgroParisTech scientific institute that combines research and educational objectives; research mainly concerns the metabolic impact of products, while the education component includes the training of young graduates.





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## Measuring progress: a process under development, with the aim of precision monitoring

In order to make its achievements more tangible, based on the strategy, approach and commitments laid out in its “Food, Nutrition and Health” charter, Danone plans to create a survey with a series of performance indicators in 2011 that will address:

- Danone’s expertise in nutrition and health (internal expertise, use of outside experts);
- the nutritional quality of its product portfolio  
(for example: percentage of products analyzed for their nutritional content; percentage of products whose composition meets standards based on health authorities’ guidelines);
- programs designed to improve products’ nutritional value  
(for example: number of products with reduced fat, sugar and sodium content and number of products fortified with essential nutrients);
- value-added nutrition/health innovations  
(for example: percentage of innovations corresponding to products providing health and/or nutritional benefits);
- products’ health benefits  
(for example: number of clinical studies conducted);
- responsible communication practices, such as labeling, health claims and advertising  
(for example: percentage of products with nutritional information, compliance with self-regulating advertising code);
- contribution to educating the public about healthy lifestyles  
(for example: number of educational programs and number of people reached);
- ability to help provide solutions to public health challenges  
(for example: number of health professionals trained);
- ability to create affordable products  
(for example: number of products in the market).

These indicators will be consolidated in 2011 for 12 countries representing over 70% of the group’s total revenue. The results will be published every year.

## Health

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### Product quality in hearts and minds

Product quality, which forms an integral part of Danone's DNA, is one of the group's main assets passed down over time.

A **quality governance system** has been set up over the past two years, encompassing all the quality procedures applicable to manufacturing food products, "from farm to fork," from conception to consumption." **Three key phases** must be carefully monitored to ensure healthy products that meet consumer requirements:

1. early in the process, the quality of the product design, from the marketing brief to the product specifications;
2. followed by product production, from raw materials processing to the finished product;
3. and, finally, consumers' perception of the product's quality; this last phase allows us to improve the first two.

In 2010, Danone improved its oversight of these three key phases, with the aim of satisfying consumer requirements, which keep growing at an ever-faster pace.

For more information about the Quality strategy, *see pages 87 to 89 of the 2009 Sustainability Report.*

First, **Danone must reassure the targeted consumers that it is producing good, healthy and nutritionally appropriate foods.** By linking science with food-risk assessment, from the birth of any product innovation to process and production-equipment control, the Danone Food Safety Center aims to provide its internal customers and the divisions' and CBUs' quality departments with clear and business oriented guidance that give consideration to each country's economic and social fabric. In 2010, the Danone Food Safety Center developed a new structure based on streamlined operating methods, seeking to take the robust governance of the quality process to an even higher level.

For more information, see the chapter on performance indicators, the PR1 indicator and "Consumer Safety" *on pages 219 to 222 of this report.*

Second, Danone must **ensure that its products comply with the nutrition and quality specifications** defined during the design phase, with the goal of making Danone products consumers' preferred foods. Reflecting Danone's quality commitments, performance indicators have been developed and are regularly monitored as part of a continuous improvement approach. The goal is to ensure that our products comply with quality standards every day in every part of the world. Information management systems for data collected in the field are being set up at all CBUs. As a result, a database of all products, recipes, raw materials, packaging, consumer complaints and critical points in the manufacturing process is now available.

Furthermore, in 2010, most consumer services were made available by e-mail or online, leading to greater interaction and closer ties with consumers.

Each consumer need is therefore tracked by a dedicated performance indicator:

- The **Food Safety Index**, which guarantees food safety and consists of indicators in seven specific areas (good hygiene practices, good manufacturing practices, Hazard Analysis Critical Control Point, control and monitoring plans, bio-vigilance and traceability).
- **Product compliance rate**, to ensure that Danone continually delivers products worldwide that fulfill our promises to consumers.
- **Rate of consumer complaints** to measure satisfaction.



## Health

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### 2010 indicators

*(For more information, see the chapter on PR1 and PR2 performance indicators.)*

In the **Dairy products** division, all indicators improved worldwide: **the Food Safety Index rose 16%, while the number of consumer complaints fell 22%**, and product compliance remained stable at 96.6%. The transition from a Quality strategy focusing on “finished product control” to a Quality strategy geared towards “production process control” explains these good results, which also resulted from better control over the critical stages that ensure food safety throughout the manufacturing process.

In the **Baby nutrition** division, despite a significant rise in sales volume and customers’ growing inclination to express their dissatisfaction, **the number of customer complaints fell 13%** in 2010. These good results can be attributed to successful projects involving all company departments and more interaction between consumer services and production plants. ISO 22000 certification of Baby nutrition plants and more extensive cooperation with strategic suppliers also played a role.

In the **Waters** division, the **Food Safety Index rose slightly by 2%** this year. An assessment based on 2009 standards would have shown greater improvement, but external audit methods and schedules that were more rigorous than in previous years were implemented in 2010, making progress more difficult. The number of consumer complaints remained stable and the performance level, excellent.

In the **Medical nutrition** division, all indicators improved in 2010. **The number of consumer complaints dropped by 27%** compared to 2009 after the launch of the successful “Fix the Basics” program in all plants as well as continuous improvement efforts. **The Food Safety Index rose by 11%** due to the ISO 22000 certification awarded to all Medical nutrition plants.

In the four divisions, no food safety neither extensive quality issues were recorded in 2010, confirming the clear downward trend for these types of incidents in recent years.



## For all

Danone's mission to "bring health through food to as many people as possible" is the foundation for the group's strategy and emphasizes two key concepts: "health" and "as many people as possible" (For All). In pursuit of this mission Danone defined several priorities and began deploying the four dimensions of the New Danone strategy in 2009, including the For All approach. Danone is devoting powerful resources to this goal in the form of specific and innovative tools, such as the various Funds (Danone Ecosystem Fund, Danone Fund for Nature, danone.communities Fund) that offer us outstanding possibilities for executing our initiatives.

For more detailed information about these funds:

- danone.communities Fund *see pages 35 to 39 of this report;*
- Danone Fund for Nature *see pages 45 to 52, pages 169 and 170 of this report;*
- Danone Ecosystem Fund *see pages 48, 62 to 65, 154, 155, 212 and 213 of this report.*

For the governance principles of these funds *see also page 98 of this report.*

By its very nature, this type of mission leads us to reach into new geographic regions and markets. Health is the cornerstone of Danone's global development strategy today, particularly for emerging countries. Consequently, the group must adapt to a variety of local nutritional and economic situations, and in many cases has to invent new models.

The aim of the For All strategy, defined in late 2008, is to **increase the number of consumers from 700 million in 2008 to one billion by 2012** (consumers buying one Danone product at least once a month).



## *For all*

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Three strategic priorities have been identified to allow Danone to achieve this goal:

### **Increasing the number of consumers reached at different levels of the pyramid**

Danone's rapid expansion into emerging markets has revealed that most people in these countries do not have the resources to buy one or more Danone products a day. This means that strategy must be adapted to local realities based on a comprehensive review of traditional product ranges with a view to:

- adjusting prices to the actual purchasing power of Danone consumers in these countries (Reset strategy);
- innovating with products, formats or varying degrees of packaging sophistication (i.e. offering products in large packages, at reduced per-kilo prices, or offering smaller packages sold by the unit).

#### **“Reset” strategy**

The Reset strategy introduced in 2009 has served to help consumers of Danone products increase or maintain their purchasing power.

This strategy aimed to review the different price/product mixes for existing brands to:

- reflect changing consumption trends in periods of crisis;
- address the issue of affordability of Danone products;
- identify potential growth drivers within various consumer categories;
- support the Danone mission by continuing to make products more accessible.

However, the Reset strategy involves more than just price adjustments, but has also led to a return of “core market” products alongside the more sophisticated and functional choices, and to a number of efforts that will sustain our brands over the long term:

- **Resetting the product portfolio** to ensure that all market segments are covered and that product formulas are adapted.

- **Resetting the price range** to guarantee that each brand or brand portfolio includes a range of products to cover all needs across the different levels of the food pyramid. In Argentina, for instance, Activia Fiber and Activia Bottle are higher-end products, Activia Standard ranks in the middle, and the Activia one-liter packaging is more economical. Another example of brand portfolio adaptation is in Romania, where brands such as Activia and Actimel cover the high-end consumption range, the Danone brand meets the core market demand, and Casa Buna targets consumers with less disposable income with a “value-for-money” focus. Promotional initiatives adapted to each distribution channel have also been introduced, notably reactivating local distribution by offering more product for the same price.
- **Jumpstarting innovation:** the launch of Activia breakfasts with cereal “toppers” has created a new timeslot for consuming Danone products. This product has increased consumption in Bulgaria and added 20% to the brand’s sales volumes.
- **Resetting communication,** notably by diversifying the media used and reinforcing the internet presence.
- **Enhancing store presence** to achieve maximum visibility, with a focus on pricing.

### Innovation backed by tools as an accelerating force

All Danone Country Business Units (CBUs) have implemented the Reset strategy, taking into account the specifics of their local market and leveraging the tools at their disposal (**innovation via products-formats-prices, or distribution or production model**) to find the right fit.

In gearing innovation to local situations and consumer habits, best practices have been identified and formalized. Various tools have been created, tested and rolled out to Danone CBUs starting in 2010, particularly the GAP tool.



## *For all*

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### **GAP (Growth Across the Pyramid), targets growth at all levels of the consumption pyramid.**

The GAP methodology is used to analyze consumer behavior with a view to targeting new consumers at every level of the pyramid by developing a product offer that is adapted to different economic and social situations (levels A, B, C and D of the pyramid) in the countries in which Danone operates.

This tool was tested in 2009 and deployed starting in second-half 2010. By the end of 2010, 20 CBUs on different continents (Mexico, Chile, Thailand, Indonesia, Ukraine, Russia, Egypt, Algeria, Turkey, etc.) had applied this methodology to renovating their product portfolios, either by creating new brands for previously non-covered categories with lower purchasing power (levels C and D), or by adapting the products and/or prices of existing brands.

#### **A few notable examples of brand and product innovation:**

- **Casa Buna**, a new fresh dairy brand, created to target the bottom of the pyramid (category D) in Romania;
- **Gran Compra**, a new fresh dairy brand in Argentina, with a pocket-sized format for categories C and D. This introduction led to 34% volume growth between 2009 and 2010;
- **Pureza Aga** in the Waters division in Mexico, a specific format also targeting the lower half of the pyramid;
- **Gizikita**, a new Baby nutrition range launched in Indonesia early in 2010 and comprising several products, especially “porridge” (cereal) for babies and a nutritional topping to be added to young children’s food. Each portion costs just 0.15 euro and delivers up to 50% of the Recommended Daily Allowance of essential nutrients, using as many sustainable locally-sourced products as possible. Danone has successfully involved partners in this approach, and has invested in education, training and advertising to promote awareness of Gizikita and of the importance of proper nutrition among families with young children. Indonesian NGO PKPU and its local volunteers teach mothers about good nutrition using specific visual aids and menus they can take home to help them prepare healthy meals.



**Route To Market (RTM): new distribution models to optimize store coverage and reach previously inaccessible consumers.**

Reliance on local distribution has been increasing steadily as the group has stepped up its expansion into emerging markets. In Eastern Europe, Asia, Africa and Latin America, regions in which small local merchants dominate distribution, Danone is adapting to ensure that its products are available in millions of stands, grocery stores and kiosks (in Indonesia alone, bottled water is sold in almost two million small shops.)

This approach is based on a Route to Market methodology that aims to maximize coverage of stores by using efficient (costs/volumes) and innovative (proximity, micro-distribution, door-to-door, etc.) distribution channels or models.

In 2010, 40 CBUs across all Danone divisions, including Baby nutrition, expanded their business and made products physically accessible to more consumers by applying RTM.

Results to date speak to the efficiency of this approach:

- For example, **in China the Dumex China** Baby nutrition Country Business Unit (CBU) was one of the first to adopt this approach, and has set up a network of local distributors that increased stores coverage by 280% and added 900 new cities to distribution in just two years (2007-2009).
- In the Dairy division in Brazil, **Danone Brazil** increased the number of stores reached by 34% (32,000) between the first and third quarters of 2010.



## For all

- The **Semilla project in Mexico** is a different type of approach: it is inspired by the Danone's experiences in South Africa with Danimal and the Daniladies, and with the Grameen Ladies in Bangladesh, and entails distributing products door to door to create jobs for local residents. This is a perfect illustration of the relationship between economic and social value creation. Adapting to the realities of different countries means taking into account their social concerns and, for the poorest among them, coming up with new distribution models to do as much as possible to create jobs and combat poverty. These street sellers distribute a variety of Danone products that do not need refrigeration, earn more than the local minimum wage and gain access to social safety net programs. Semilla is jointly managed with an NGO and is one of the projects supported by the Danone Ecosystem Fund.

**Production models can also drive innovation.** In the Waters division, **Bonafont in Mexico** set up a mobile plant to give itself a flexible production model by adapting product manufacturing and distribution to the specific characteristics of the local market.

## Continuing the group's geographic expansion

The group is also undergoing a geographic transformation.

Danone's profile is changing now that **emerging markets** have come to account for almost half of its sales (**49% of the total** compared with 30% ten years ago). Its geographic footprint grew **151% between 2008 and 2010**. With the joint venture between Danone and Unimilk, which entered Danone's scope of consolidation at December 1, 2010, Russia became the company's largest market in terms of revenue along with France.

This sustained momentum, particularly in the key "MICRUB" emerging markets – Mexico, Indonesia, China, Russia, the US and Brazil – has increased revenues in these countries by 17% between 2008 and 2010.

These countries are the priority development targets for the years ahead, while the goal in mature markets will be to invent differentiating models and boost the potential of innovations.



Kiteiras – Brazil

### Social environment

The Brazilian Nordeste region suffers from high social inequality that has a particularly strong impact on single mothers.

### The project

- create a sales force in the field with an employment program designed especially for single mothers;
- foster better knowledge of the principles of nutrition and health.

### The goal for Danone Brazil

Expand its business through distribution adapted to a low-income population.

### Social goals

Create 150 jobs by implementing a pilot phase in Salvador and ensure that 100% of the micro-distributors benefit from a minimum income and basic social welfare coverage.

### Partners

Aliança Empreendedora, a Brazilian NGO that supports social integration through micro entrepreneurship.

### Contribution from the Fund

393,000 euros for the pilot phase.



## Creating new models to reach Base of Pyramid (BOP) consumers

Danone's first experiment in this area dates back to the creation of the **danone.communities** Fund in late 2006 (*see pages 92-94 of 2009 Sustainable Development Report*), when it set up a "lab" that was tested as a **social business** in Bangladesh. Four years later, the **danone.communities** projects were stepped up considerably in 2010 by expanding their geographic reach (including in mature countries) and the businesses or divisions involved. The portfolio went from three projects in 2009 to ten approved projects by the end of 2010, of which five had already received Fund financing, and more are in the pipeline (*see pages 37 and 39 of this report*).

Jumping off from the Bangladesh experience, Danone created the "**Base of the Pyramid**" (BOP) internal organization in 2009 (*see page 91 of 2009 Sustainable Development Report*) to foster radical innovation to transform the business and forge new models with a priority focus on bringing the health impact of Danone products to as many people as possible.

**Four priorities** were identified as BOP projects: affordability, access to nutrition, the Danone brand as a guarantee of a good balance between health and pleasure, and local roots at all levels of the value chain.

Danone set up a **dedicated Research and Development team (platform)** in 2009/2010 to accelerate project implementation by developing products with nutritional profiles that are adapted to local requirements of the targeted countries and populations, and by unleashing synergies with danone.communities projects.

Today, the BOP team's projects focus on India, while the danone.communities experiment in Bangladesh continues.



## For all

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### 2010 saw the introduction of the first BOP “business” with a new production site in India and a dedicated local team

On November 18<sup>th</sup>, 2010, the Danone BOP team began construction of its factory in India, north of Delhi. BOP (“Base of the Pyramid”) aims to give people with very low incomes access to products with nutritional qualities adapted to their needs. The program’s goal is to sell nutritionally balanced products at a cost of 5 rupees per pot, a price that is adapted to the standard of living of the local population. This is a complex equation for Danone, requiring the production of highly nutritional products with significant health benefits at a low cost, and tailored to local tastes, infrastructure and distribution systems. Constant innovation is needed in all areas (internal organization and at the various levels of the value chain: suppliers, technologies, product development, formulation, packaging, distribution, etc.) if these new projects are to be successful.

To meet this ambitious goal and maximize projects’ impact, Danone can leverage **a number of strengths that are in turn driving innovation:**

- Detailed **knowledge of consumer habits and nutritional situations** in each country: working with governments and opinion leaders, the Danone teams analyze nutritional deficiencies in terms of energy, food groups, minerals and vitamins to develop supplements that are of good quality, simple, affordable and adapted to local lifestyles.
- Teams consider **quality micronutrients** starting in the product design phase to enrich products in a manner **tailored to local population needs** (iron, iodine, vitamins, etc.) and guarantee a high level of nutritional quality. In Bangladesh for instance, Shokti Pocket is formulated with milk and cereals. Its unique ingredients give consumers access to a product with plant-based ingredients, at a lower cost than significantly more expensive traditional yogurts made entirely with cow’s milk.



- Innovation in the area of **sourcing raw materials and ingredients**: Danone builds supplier networks even in countries with no existing structured markets in terms of quality, consistent production or logistics. In seeking to create business models that reflect the issues faced by each country, Danone seeks to align its business strategy, nutrition approach and social commitments for each product. This overall approach helps the group devise new models for both distribution and local sourcing of raw materials. By working with local producers the group contributes to local economic development, in keeping with its commitment to sustainable development.

Grameen Danone, for instance, sources milk locally from producers near the factory, to help strengthen the milk collection market.

In Senegal, Danone has taken co-development even farther with a new product for children based on local ingredients and recipes. Lemateki is a millet-based product (first cereal of the country) developed with a Senegalese chef representing the Slow Food Senegal association, who has long been working to promote better nutrition among local populations.

### 2010 also saw danone.communities bolster its impact with fresh project momentum

**danone.communities** is a social business incubator that promotes, supports and finances social businesses working to tackle the problems of malnutrition and poverty.

#### An economic and social vision

danone.communities is the brainchild of two men, Franck Riboud, Danone Chairman and CEO, and Muhammad Yunus, Chairman of the Grameen Bank (microcredit) and winner of the 2006 Nobel Peace Prize. They agreed that creating sustainable companies with social objectives would help reduce poverty and malnutrition in the most severely affected countries.

A first factory began production in Bangladesh in 2007. It produces yogurts fortified with micronutrients (iodine, zinc, iron and vitamin A) marketed at a very affordable price to counter nutritional deficiencies in children.



#### Grameen Danone Food Ltd

Grameen Danone Food Ltd (Bangladesh) is the danone.communities Fund's first investment project. Its mission is to combat child malnutrition with a dairy product fortified with vitamin A, zinc, iodine and iron at an affordable price (between 0.05 euro and 0.12 euro). Distributed in part by close to 800 "Grameen Ladies" and produced with milk procured locally from 350 farmers, Shokti+ sales doubled in 2010.

## For all

To take its efforts a step further, Danone is participating in the creation of an innovative financial tool designed to support social business initiatives: the danone.communities SICAV (French mutual fund). At least 90% of the assets are invested in instruments from within the Euro zone, giving priority to Socially Responsible Issuers (ISR), and up to 10% is invested in social businesses via the danone.communities FCPR (venture capital fund).

### Existing projects gather steam in 2010

The three existing projects by danone.communities picked up momentum in 2010:

- 80,000 yogurts were sold every day by Grameen Danone Food in Bangladesh, meaning that sales doubled. Grameen Danone Food is working to build a second factory in Bangladesh;
- up to 700,000 liters of milk were collected during 2010 at “La laiterie du berger” (shepherd’s dairy) in Senegal;
- nearly 80% of the 30 locations operated by 1001 Fountains in Cambodia have already achieved financial equilibrium.

### Two new projects launched in 2010 to expand impact

danone.communities shifted to a higher gear in 2010, taking on two new projects in new regions:

- **Naandi in India:** financed by danone.communities in 2010, Naandi’s mission is to bring clean drinking water to village communities in India. Treatment and distribution systems are managed directly by the villages. This project alone has allowed danone.communities to increase its impact considerably: Naandi distributes 30 million liters a month to around 600,000 people, at a cost of 0.003 euros per liter. It has also created 500 jobs directly and indirectly.
- **Isomir in France:** this project aims to help farmers in France develop their business through short distribution channels, using modular processing plants and technical assistance. To date, some 31 farming projects have been identified.



1001 Fountains

The 1001 Fountains project in Cambodia aims to improve the health of rural populations with clean drinking water distributed by local micro-entrepreneurs. At December 2010, the populations of more than 40 villages, including three orphanages, had access to clean drinking water for less than 0.01 euro per liter.



“La laiterie du berger”

Located at two sites in Senegal, “La laiterie du berger” aims to utilize the fresh milk produced in this country and to improve the situation of Pular farmers. “La laiterie du berger” currently collects between 1,200 and 6,000 liters of milk per day depending on the season, and employs 130 people. This project was launched in 2006 by Bagoré Bathily, and received financing from danone.communities in 2008.

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With these new projects, danone.communities now reaches more than one million people.

### **Ten projects in all by 2011**

In addition to the five initiatives already in place, the danone.communities teams and their partners are implementing five additional projects:

- some will continue to address issues of child nutrition and access to water;
- others will target new health and poverty issues, such as the distribution of essential products in emerging countries and support for agricultural production;
- all will aim to keep Danone's mission alive by promoting social businesses.

The projects in the pipeline will allow danone.communities to expand its geographic footprint and to tackle new aspects of poverty and malnutrition.

Through these new projects, danone.communities will continue to invent new models for partnership that open up fresh avenues for combating poverty and malnutrition and for innovating in these areas. danone.communities' new partners include the Naandi Foundation, ADIE, GRET, ENDA GRAF, the Red Cross and Red Crescent and CARE.

### **Outlook**

danone.communities aims to increase the number of projects from **10 to 15 on four continents by 2012.**



## Nature

### Putting nature at the heart of the company's strategy

Danone products are all coming from nature and its cycles, so a commitment to maintaining a healthy natural environment is key to accomplishing our mission of bringing health through food to as many people as possible. Danone strongly believes that Nature and business are not in opposition, but that they can each act to strengthen the other. This is the basis for a strategy where everything and everyone benefits: the planet, businesses and people.

#### A historic alliance with nature, radically expanded since 2008

**“There is only one planet Earth!”** This idea is the foundation of the group's dual economic and social project that has made nature part of Danone's DNA since 1972. In 1992 Danone turned its policy focus to preserving water resources, before formulating an environment charter in 1996. For the first time in 2000, Danone set ten-year objectives for reducing our environmental impact: when these were all achieved or exceeded by 2008, Danone chose to push further by bringing Nature into the heart of its company's strategy. The group identified five critical areas of environmental impact across the value chain of our business (carbon emissions, water, packaging, agriculture and biodiversity), and took on new challenges. Carbon (CO<sub>2</sub>) serves as a simplified indicator that reflects most other environmental indicators, so Danone chose to base its policy for change on carbon and set the seemingly “impossible” goal of reducing its carbon footprint by 30% from 2008 to 2012. The true challenge is for the company to reassess every one of its practices and entirely reinvent itself.

#### In 2010, significant progress in reducing our environmental impacts and the beginning of a new reconciliation between business and nature

Achievement of all environmental objectives in our 2000-2010 plan (carbon, water, waste and packaging) was confirmed in 2010. In terms of carbon footprint, the group exceeded its annual reduction goal for the second consecutive year, and what we learned in the past two years of intensive efforts makes it possible to reaffirm our “30% carbon reduction” goal for our direct scope of responsibility (excluding upstream agriculture). Significant progress has been made overall in environmental measurements: normalization and integration of carbon assessment into business activities, design of a methodology for measuring the footprint on water, and measurement of the impact of the cold chain.





The participation of hundreds of Danone employees helped rapidly spread good environmental practices, which has brought about effective reductions and commitment even faster. The protection of rainwater catchment areas and the restoration of mangroves in the framework of our offset programs continue at a steady rate. Finally, a major event of the year is the emergence of a score of nature-directed projects with an impact on sales that gradually transform our efforts into a competitive advantage. This will ensure that transformation is sustainable.

It is also the confirmation that, far from contradictory, Nature and business can operate in synergy.

#### Long-term plan 2010-2000

Key progress report	Energy kwh/kg prod	Water l/kg prod	Packaging g/kg prod	Factory waste % recovered
Objectives	-20%	-30%	-10%	80%
Achieved	-42%	-41%	-10%	86%

#### Carbon plan

Key progress report	CO <sub>2</sub> eq. CO <sub>2</sub> g/ kg prod
Objectives	-30%
Achieved	-22%



## *Nature*

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### Danone's "Nature" strategy

#### Manage and strengthen the fundamentals

In 1995 the group defined strict environmental production standards for its factories ("Green Plants Program") and began checking compliance with these standards with internal audits in 1997. In 1999 the group completed its first ISO 14001 certifications (16 sites). By 2010 56% of sites had been certified (up five points compared with 2009). In 2006 the group rolled out its GREEN (Global Risk Evaluation for Environment) project worldwide. This tool summarizes all environmental risks arising at the industrial sites (accident risks, image risks and risks of non-compliance with environmental regulations) in a single standardized rating scale audited by an external partner (ERM). To date, 54% of the group's industrial plants have carried out an external green audit (+6 points compared with 2009). In 2010, specific investments amounting to 3.4 million euros were undertaken to help the lowest rated sites move forward. A GREEN "light" tool was also designed for auditing smaller sites, particularly those designated "HOD" (home & office delivery) in the Waters division, and will be ready for implementation in 2011.

#### Focus on five key areas where our environmental impact is significant

##### 1. Combat climate change and reduce our dependency on fossil fuels

**Priority objectives and results:** reduce our carbon footprint by 30% from 2008 to 2012 across **the entire value chain** wherever Danone's direct responsibility is in play (production plants, packaging and end of life, transport and storage).

A reduction of 9% was achieved in 2010. The consolidated reduction from 2008 to 2010 was 22%. The group reconfirms its goal of a 30% reduction by 2012.

Overall, for the entire Danone scope (including upstream agriculture), the group's carbon footprint decreased from 16.8 to 14 million metric tons of CO<sub>2</sub> equivalent, due to its reduced carbon intensity, changed measurement methods for milk, and volume growth.

- Measure** – To achieve this goal, the group developed the Danprint tool for measuring products' carbon footprint based on their full life cycle, and uses it in all its businesses (covering 97% of the group's volume). In a joint project with software developer SAP, this tool was successfully integrated into the information systems of three pilot Country Business Units (CBUs) (representing 8% of the group's revenues) in 2010, and integration is underway in another ten CBUs. Deployment will continue through the end of 2012, with the aim of consolidating CO<sub>2</sub> along the same model as revenues.

The group also modified the methodology for measuring the carbon footprint of milk production. The method initially drafted with the French Livestock Institute, was adapted to include recommendations from the FAO (UN Food and Agriculture Organization) and the IDF (International Dairy Federation), bringing this measure down from 1.2 kg to 1.0 kg of CO<sub>2</sub> per kilo of milk. Danone is now able to estimate the impact of its milk production in every region and in each of its CBUs.

- Reduce** – Reduction efforts are ongoing and cover every link in the value chain, those under our direct responsibility (where the group acts with full autonomy) and those which we indirectly impact (particularly upstream agriculture and sections of the cold chain). Danone has accelerated the identification and expansion of good environmental practices since 2008, under the management of the group Environment Director and those within each business division.

**Production plants:** the group's Energy plans (notably Campus Energie, an in-house energy-themed university) have continued to sustain decreases in energy intensity after a record 12% drop in 2009. Several CBUs tried out intelligent energy management systems in 2010. The group is also growing its consumption of renewable energies, particularly in the Medical nutrition division (29% of total energy consumption) and Dairy products at Dannon USA (100% of consumption). The cogeneration unit launched in 2009 at the Ochsenfurt production plant is now operational. Finally, new investment ("green CAPEX") has supported the launch of major biomass-based energy production projects, notably in Brazil.

### Reducing CO<sub>2</sub> and costs with green energy

A "green CAPEX" of 2.4 million euros will allow Danone Brazil to save 14 kT of CO<sub>2</sub> and 35% on its electricity bill each year. Danone's energy needs will be met with waste from the local paper industry and renewably-produced wood.



## Nature

**Transport:** reduction of carbon intensity generated by transport by 10% between 2009 and 2010 by strengthening the share of more virtuous transport, for example replacing trucks with rail transport wherever possible. Thus, the rail/road ratio on departure from the Volvic and Evian sites measures 34% and 59% respectively. Evian and Volvic's logistics footprint was reduced by 10% in 2010 compared with 2009, with half of this reduction due to collaborative efforts with the most efficient maritime shipping companies (such as Maersk).

The Dairy products division also developed and deployed a new Cost/Carbon logistics model in 15 countries, "COCO", which identifies the operational parameters (kilometers traveled, load rate, diesel consumption per kilometer) and will make more systematic management of CO<sub>2</sub> and cost reduction possible beginning in 2011. Innovative experiments in this area have been carried out in the area of "co-logistics" (in the United Kingdom and Japan) and computer-aided optimization of commercial routes.

**Packaging:** reduction of carbon intensity was 6% from 2009 to 2010 (*see detailed description in the packaging section.*)

**Cold chain:** the CO<sub>2</sub> impact of the cold chain is estimated at around 10% of the total for a product's life cycle, and includes two key areas: in-store storage (58% of the total) and transport (19%). The impact from the group's production plants is estimated to be 13% of the total: Danone's industrial facilities mainly operate using natural refrigerants with a low carbon footprint. A plan for reducing the impact of Danone's refrigeration fleet was begun in 2008 ("Bcool"), and partnerships between distributors and refrigerator manufacturers, particularly in Spain, are showing promising results. Danone has also committed to the Consumer Goods Forum recommendation of having entirely converted its refrigerators fleet to natural refrigerants before end of 2015, to contribute to the emergence of disruptive solutions.

**Milk:** once the tool for measuring milk's footprint was in place, Danone began in 2009 to develop a tool to help reduce cattle-generated methane, "COW2." This tool is now certified by an international panel of dairy experts. It can be used to extrapolate the methane emitted by cattle from a simple milk composition analysis, and is currently being deployed in nine pilot countries.



The tool offers farmers the means to reduce methane emissions while also improving their milk's nutritional profile, with a focus in particular on cattle feed.

**Mobilizing suppliers:** the group pursued the “**Carbon Pact**” begun in 2009 as a way of **mobilizing suppliers** (three-year measurement and reduction plan). Half of all packaging and raw materials procurement for the Dairy products division is now covered by this pact (+13 points compared with 2009). Its successful rollout has begun in the Baby nutrition division (37% of procurement), but results are slower than expected due to the time-consuming nature of training and motivating suppliers in this area. This pact and its implementation will be a particular focus in the 2011/2020 plan, and will be extended to other environmental issues.

- **Offset** – There is an emerging consensus that simply reducing CO<sub>2</sub> emissions will not be enough to prevent climate change, and that we also need to increase the carbon absorption capacity of our planet. The group has therefore invested in carbon offset projects in the framework of the **Danone Fund for Nature** (created in 2008). Danone has committed, with external partners such as the **UICN** and **Ramsar**, to co-develop carbon offset programs related to its businesses’ upstream activities (the water cycle, agriculture, etc.). In 2010, Danone continued its project in Senegal by planting 60 million mangroves in partnership with Voyageurs du monde (for a total of 100 million planted in two years). It also launched five new programs, notably in India with a project for mangrove restoration in the Ganges delta at Sunderbans and an agroforestry project in the Araku valley. In Africa, Danone invested in an agroforestry program on the Bateke plateau in the Democratic Republic of the Congo. From 2008 to 2011, the Evian CO<sub>2</sub> plan reduced carbon intensity for the brand by around 40%. By end-2011, what has not been reduced will be completely offset.

**Outlook:** since mid-2010, Danone has been working on a “carbon plan 2.0” as well as on new objectives regarding the use of renewable resources. Approval of the plan is underway for completion in 2011.



Feed the soil to feed people,  
with the creation of a carbon sink

In 2010, 30 villages in the Araku valley in India planted 700 hectares of fruit trees with high nutritional value, thanks to an agroforestry program financed by Danone and the Naandi foundation. These trees will generate new resources for the local communities, while also diversifying their nutrition and creating a carbon sink. Ultimately, 300 villages will plant trees on 6,000 hectares.

## Nature

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### 2. Water: Protect our water resources, particularly where they are scarce, and use them in harmony with local ecosystems and communities.

The group's strategy focuses on four areas: **Protecting** the resource (protecting our springs and reintroducing clean water into the environment after its use in our sites), **reducing** our water consumption, contributing to **restoring** the global water cycle and facilitating **access** to water.

**Priority objectives and results:** reduce water consumption in our industrial processes by 30% between 2000 and 2010 and protect our springs. At end-2010 this objective had been exceeded, for a reduction of 41% (an additional 11 points of reduction since 2009).

- **Measure** – The group measures, audits and sets objectives for water consumption at its sites since 2000, as well as for the quality of water that reenters circulation after use (rate of organic components in the water, etc.). The Danprint tool introduced in 2008 measures our products' water consumption across an extended scope including production plants, packaging and transport. For the first time in 2010 Danone began implementing its "DROP" global water footprint tool developed in collaboration with Quantis, and shared notably with the Water Footprint Network. This global tool includes not only water use throughout the entire value chain, but also the negative and positive impacts on the water cycle, which will ultimately allow water to be managed using the same methods as carbon.
- **Protect our springs and our water supply** – The protection of springs began in the Waters division in 1992 with the creation of the Association for the Protection of rainwater catchment for Evian mineral waters (**APIEME**) was extended to the rest of the world with the group's "Ground Water Policy" introduced in 2004. It is based on local management of the resource: respect for natural cycles (not removing more water than can be replenished by nature), protection of rainwater catchment areas and of their ecosystems in collaboration with all local players. Deployment of the SPRING tool in 2009 made it possible to define management standards for each source of spring water bottled by the group. In 2010, the tool was used by 100% of Country Business Units (CBUs).

Danone Waters division also established national and regional mapping of water resource availability in 2010, to identify priority action areas.

Evian, first brand to measure its water footprint



In the other divisions, protection of resources is managed by controlling the quality of waters released into circulation after use (investments in wastewater treatment centers or treatment agreements with local authorities). For the indirect portion of our impact, the primary response is the promotion of integrated agriculture, in particular through the FaRM program. Concerning fruit procurement, Danone favors the development of agricultural practices that conserve water, such as in Morocco with the transition of nearly all suppliers from traditional to drip irrigation, which has radically reduced water consumption. In 2011, the transition to automated drip irrigation will lead to further improvement of these results.

- **Reduce water consumption** – All Danone CBUs have quantitative water reduction objectives per kilogram of product manufactured at group sites. In 2010 Danone reduced its water consumption (in industrial processes) by 11%, bringing the overall reduction since 2000 to 41%.
- **Contribute to protecting our water supply around the world** – Since 1998 Danone has been a signatory of the Ramsar international convention for wetlands protection, that promotes the conservation and wise use of water resources. Finally, the Danone Fund for Nature’s offset initiatives contribute to restoring wetlands in Africa (in Casamance and the Congo basin) and the Ganges delta in India.

**Outlook:** the group will test the new “DROP” tool in 2010 in its other divisions, and map available water resources for all divisions in order to adapt action plans.

### 3. Packaging: turning waste into resources and developing renewable materials

Danone has always sought to reduce the environmental impact of its packaging based on a 360° end-to-end view, for example creating Vacances Propres (Clean Vacation) in 1971 to combat litter and raise consumer awareness. In 1992 the company helped create the Eco-Emballages organization in France, which defines the principle of the producer’s extended responsibility and which model has been spread to now organize waste collection in 33 countries around the world. The group published a packaging eco-design guide in 2000. Since 2008, Danone measures the CO<sub>2</sub> emissions of its packaging across the chain to monitor carbon reduction.



rPET

- Startup of the first rPET production lines in our partnerships with France Plastique Recyclage and Artenius.
- **Goal:** ensure 50% of rPET supply for Evian Volvic World
- First 100% rPET bottle launched in Mexico.

## Nature

**Priority objectives and results** – The goal of the 2000/2010 plan (-10% pack ratio) has been met. The carbon intensity of packaging decreased by 6% in 2010 compared with 2009.

- **Reduce** – Global life cycle analysis for packaging helps optimize its shape, its weight and its end-of-life. Thus, the weight of an Actimel bottle has decreased by 50% since its launch and that of an Evian bottle by 40% since 1995 (a further 12% in 2010). For yogurt pots, the Foam project (new technologies for plastics with less density, generating a 19% gain in terms of CO<sub>2</sub>) rolled out on 40 production lines in 2009 was extended to 55 lines at end-2010. Progress is slower than initially planned, because the older production lines are harder to convert, but a savings of 40,000 metric tons of CO<sub>2</sub> has already been achieved since 2008. Fifteen additional lines will be converted in 2011. Danone also eliminated the outer cardboard packaging for its yogurts, in the United States and the Canary Islands in 2009, and in France in 2010. These initiatives will continue in 2011.
- **Develop recycling** – For all of its businesses, the group supports improved collection of materials used in its products' packaging, as well as the development of downstream recycling activities. When collection exists, the group focuses its efforts on supporting waste transformation activities. Where collection does not exist, the group invests through the Danone Ecosystem Fund in projects to improve waste collection that also have a positive social impact. In 2010, three projects were deployed in Argentina, Mexico and Indonesia. Danone also encourages local initiatives to expand sorting of uncollected materials (in France and the United States).

The group is also increasing its use of recycled packaging: the rate of recycled cardboard used is now 85%. In the Waters division at end-2010, the average rate of use of recycled PET ("rPET") was 10% (8% in 2009), with a minimum target of 20% at end-2011. Overall progress is slower than expected, because investments to secure reliable supply are taking place in phases, with the final goal of achieving a 50% rate. Certain brands such as Evian are already at 35% to 50% depending on format. The Bonafont brand in Mexico launched the first 100% recycled PET bottle at end-2009.

### Developing rPET collection while creating social value

By creating 15 recycling centers based on communities of waste pickers (the *Pemulungs*) in seven Indonesian cities, Danone, Ashoka and a network of local Indonesian NGOs have improved their living conditions. Danone also ensures its supply of recycled PET.





- **Develop renewable materials** – Two major innovations took place in 2010 to replace traditional plastics with plant-based plastics. Volvic launched Europe’s first plant-based bottle in France, Germany and the United Kingdom, and Stonyfield (leading organic yogurt brand in the United States) launched a pot made of corn-based plastic. Other major initiatives will take place in 2011. The group has defined a very precise charter to ensure that these materials comply with strict ethical and environmental criteria (principle of absolute priority of food cultivation, employment policies for upstream agriculture, multi-criteria impact studies, etc.).
- **Involve the consumer** – Specific communication on packaging in collaboration with national collection agencies helps promote proper sorting of packaging waste.

**Outlook:** the year 2011 will witness new launches in the area of renewable materials and expansion of the medium-term strategy of organizing collection.

First plant-based bottle on the French market

The Volvic 50 cl bottle is now manufactured using second-generation plant-based plastic (20% content), along with a 25% composition of recycled PET plastic.



## Nature

### 4. Agriculture: support competitive agriculture that creates social value, respects natural ecosystems and generates better nutritional balance

Danone initiates actions to reduce the environmental impact of its dairy business with farmers and agricultural organizations, even though the group generally does not control upstream milk production and is not the sole decider; it is also a minor player in the market overall (less than 1% of global milk supply, less than 5% in the largest countries).

- **Commit to joining with other companies to promote agriculture that is more respectful of the environment** – Danone joined the FARRE (Forum for integrated agriculture that respects the environment) in 1999. In 2002, the group co-founded the SAI (Sustainable Agriculture Initiative) with Nestlé and Unilever. Danone participated in the benchmark “Global Dairy Agenda for Action on Climate Change” agreement in 2009, with the aim of developing good agricultural practices and reducing methane emissions.
- **Invent tomorrow’s sustainable dairy in partnership with farmers – FaRM program** – The group joined this audited good agricultural practices charter in 2004, with ten environmental criteria that particularly concern farming practices. This program was extended in 2010 (around 100 technicians and more than 3,300 audits carried out) and renamed “FaRM” (Farmer Relationship Management). It already covers more than half of milk supply. This program is implemented through intensified relationships between Danone and its livestock farmers in France, the Czech Republic and Portugal.

The group also supports the spread of innovative good practices, such as methanization (“pilot” projects with 200 “methanizers” in Indonesia) or reduced use of fertilizers and pesticides. Danone is also active in the organic sector (world leader for organic yogurts with a 7.4% market share, primarily due to its US subsidiary Stonyfield) and supports the development of this business through the Danone Ecosystem Fund, particularly with its Molay-Littry plant in France (Reine Mathilde project).



“Acteurs pour un lait durable”  
(Actors for a sustainable milk):  
Starting to reconnect upstream  
and downstream

In 2010, Danone France and its 3,300 partner livestock farmers joined together to recreate a long-term partnership of mutual benefit to Danone and the farmers, and which includes environmental and nutritional facets.

**A long-term research and development plan** – Since 2002, Danone has been active alongside many scientific partners (Inra, Vallorex, etc.) and has participated in various experiments (addition of flax to feed) to research the connection between cows' diet, reduced methane emissions and the nutritional quality of their milk. In 2010 the group published the first studies establishing the link between biodiversity in grazing fields and milk composition, and began a ten-year program to identify innovative new developments in feed, probiotics and animal health.

**Outlook:** in 2010 the group launched a broad examination of agriculture together with various international experts, to contribute to reinventing more meaningful agriculture that feeds the planet and its future nine billion inhabitants while including the four dimensions of Health, Economy, Nature and Social. This new vision and an agriculture plan will be finalized by 2012.

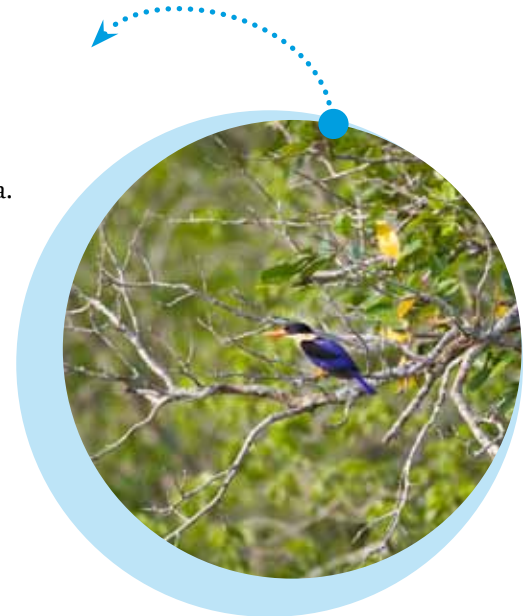
The group is also committed to 100% of its palm oil supply (23,000 metric tons, or less than 0.1% of total procurement) being RSPO (sustainable origin) certified by the end of 2014.

#### 5. Biodiversity: Protect our sites' biodiversity throughout the life cycle and all around the world

Defending biodiversity is at the heart of our resource conservation strategy in the Waters division.

**Priority objectives and results:** the absence of widely accepted biodiversity indicators makes it difficult to precisely measure Danone's progress in this area. All of the mineral water catchment areas promote practices to maintain biodiversity, and more than 100 million mangroves have been planted by the Danone Fund for Nature.

- **At Danone sites** – Several of the group's sites apply best practices in terms of biodiversity: for example, in the Dairy products division, the Molay-Littry plant in France was designated a Natura 2000 zone. In Argentina, the Villavincencio mineral water plant has developed a natural reserve of more than 72,000 hectares that is home to a rare species of wild llama.



## Nature

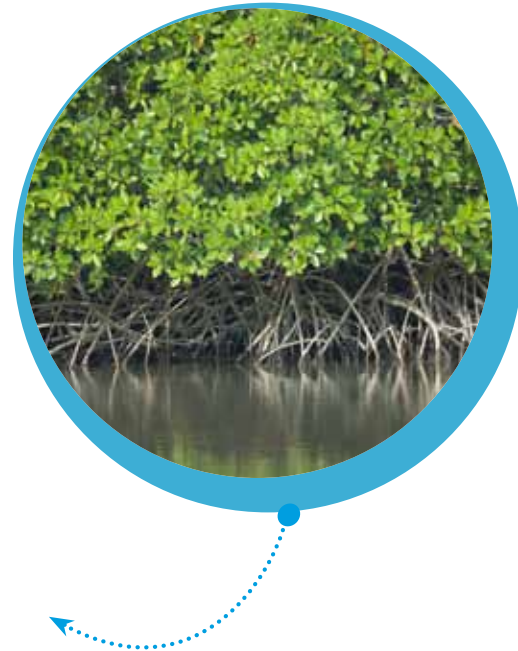
- **Throughout the product life cycle** – The protection of mineral water catchment areas by the Danone Ground Water Policy, together with the promotion of pesticide-free agriculture, supports the biodiversity of local plants and animals. In Evian, for example, restored wetlands once again provide natural shelters for foxes. These are natural predators of voles, and have helped avoid the use of pesticides that threaten biodiversity. The Evian site was classified a Ramsar zone in 2009. In the Klaten catchment area in Indonesia, rainwater draining initiatives have helped reconstitute local trees in a forest. In the Dairy products division, the group contributes to developing best agricultural practices for conserving biodiversity, in collaboration with the **SAI** (Sustainable Agriculture Initiative).
- **In the rest of the world** – Finally, the **Danone Fund for Nature** chose to address the challenge of “preventing biodiversity loss” in 2008, together with the UICN and Ramsar. Since its creation, the fund has already contributed to replanting more than 100 million mangroves on 5,000 hectares of land, thus helping to restore the mangrove swamps that are a key source of biodiversity. Five additional projects are being developed in Africa and India.

**Outlook:** measuring biodiversity performance is extremely difficult. To be able to measure the progress achieved through its many initiatives in support of biodiversity, the group will work with external partners to develop a measurement tool by 2013.

## Governance: changing organizations and internal procedure

### Organization, internal procedures

To achieve its new goals, Danone has transformed its organization: appointment of two Nature sponsors to the group’s Executive Board; creation of a central Nature department (with a General Manager from the business side) reporting directly to the group’s Executive Board; addition of Environment directors in each business; creation of a Finance Nature department; creation of a community of 110 “Carbon Masters” (to promote the carbon reduction plan in the different Country Business Units (CBUs)).



The Nature plan is now steered by a twice-monthly (committee held once every two months) group Nature Committee responsible for defining strategies and monitoring policy. Finally, the CO<sub>2</sub> indicator is integrated into the company's major decision-making processes (such as in the investment and innovation committee, etc.).

An internal policy on environmental claims and a “responsible nature communication” guide were drafted with the assistance of the British agency Futerra in 2010. A new decision-making process based on these two guides will be implemented throughout the organization in first-half 2011.

All Country Business Unit (CBU) General Managers and corporate directors now have a carbon footprint reduction goal as part of their bonus determination.

### Reporting and rating of environmental criteria

For the second consecutive year in 2010, Danone was recognized by the DJSI (Dow Jones Sustainability Index) as a benchmark company in the agri-food sector in the area of environmental reporting, as well as for its environmental management systems, packaging, and raw materials procurement methods. Danone's Vigeo rating also rose significantly (Environment score of 56, up nine points compared with 2008). Danone gained 39 points in the Carbon Disclosure Project (CDP) rating, and entered the CDP panel of companies most committed to reducing carbon intensity.

### Conclusion

Respect for the environment is, naturally, in Danone's DNA. It is now being integrated into our corporate strategy. This progressive approach is moving forward swiftly today, and is based on the group's historic foundations and policies: co-development with external partners and full integration of environmental, economic and social issues. The challenge of achieving radical mobilization around carbon reduction is not just to reduce the carbon footprint, but also and above all to profoundly change the company's practices and develop projects with a positive impact on our planet, while also creating a competitive advantage for our brands. This will ensure the sustainability of change and the group's long-term success and economic performance.

Danone will announce its new commitment to long-term Nature plan during 2011.



## People



**2010 was a year of transformation for the People focus area:** the many projects begun in 2009 as part of the 2009-2011 Human Resources strategic plan were widely implemented, resulting in a significant impact on Danone's employees and ecosystem.

### Strengthen employee fundamentals

#### **Making the safety of employees and subcontractors a daily priority**

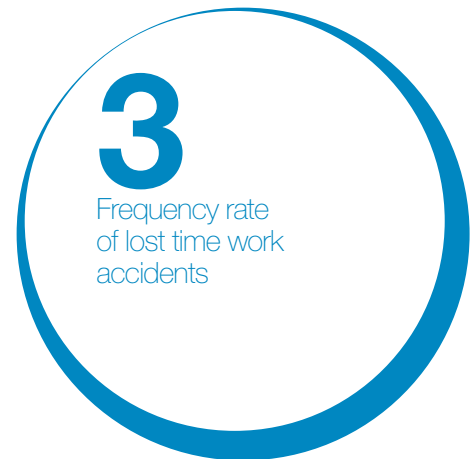
**2009-2011 Goals:** Danone has the same frequency rate of lost-time work accidents than its competitors and includes its subcontractors in its safety policy.

The **WISE** program, which reduced Danone's frequency rate of lost-time work accidents by 50% from 2004 to 2008, continues to bear fruit: after having reduced the lost-time work accidents frequency rate by 24% in 2009, Danone did it again in 2010 (more than 20% down from 2009), achieving for the first time a frequency rate of three accidents per million hours worked.

2010 made its mark with special action plans developed for six countries vulnerable to major road-safety risks – Saudi Arabia, Russia, China, Indonesia, Mexico and Argentina.

Moreover, the subcontractors' safety policy is systematically audited by the Group's 137 Safety Department internal auditors as well as Du Pont de Nemours auditors, who conduct some 100 audits each year at the various Danone locations.

Danone's objective is to continue rising to the level of benchmark companies by establishing a sustainable safety culture, with the aim of achieving a frequency rate of 2 per million by the end of 2012.



## Improving health and well-being at work

**2009-2011 goals:** raise Danone employees' awareness about health issues through specific programs. Employees benefit from a basic health insurance.

- **Provide minimal medical insurance and other benefits to all employees over time.**

Danone believes that its health objectives must first be achieved within the Group. As such, the Executive Committee supports a program called **Dan'Cares**, which aims to provide employees with medical insurance offering affordable, quality healthcare with reasonable deductibles and copays in the areas of hospitalization, surgery, maternity care, basic office visits and pharmacy services.

Following an audit in the Group's 15 largest countries, which represent 85% of employees and 56 Country Business Units (CBUs), 10 countries were selected to set up this program in 2011 with the aim of improving medical coverage by 2013 (Argentina, Saudi Arabia, Brazil, China, Spain, Indonesia, Mexico, Poland, Russia and Turkey).

In addition to its health program, Dan'Cares falls perfectly in line with Danone's dual economic and social purpose because it seeks to share any value created with all its employees, to create new social fundamentals and expand them within the Group, and to improve workplace performance and well-being – largely through lower turnover and greater commitment.

- **Prevent stress at work, and improve well-being and working conditions.**

A Group-wide agreement for France was signed with the labor unions on March 11<sup>th</sup> 2010. This ambitious agreement followed in-depth negotiations conducted with the unions since 2008. At each French company, labor and management entered into negotiations, with the involvement of all other stakeholders, for the purpose of taking concrete measures at Danone sites.

In 2010, the companies also entered into negotiations with IUF (International Union of Food Workers), leading to a global framework agreement on health, safety, working conditions and stress.



## People

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The framework agreement, currently undergoing approval by the unions and Danone's management, is set to be signed at the Information and Consultation Committee meeting in October 2011.

- **Ensure employees health and well-being**

Consistent with its objective to “Bring health through food to as many people as possible”, Danone continues to pursue its initiatives at both its headquarters and Country Business Units (CBUs). Through its “**Health@Work**” program, the Group seeks to promote good health among its employees based on good nutrition and healthy lifestyles. In 2010, 28 CBUs presented programs on this subject and three were nominated for internal challenge “Dan’Awards”: Danone Bulgaria, Stonyfield US and Dumex China. Bulgaria won the award for a five-part program: workplace health for all Danone employees; a healthy diet; education and training; on-site exercise and sports; and promotion of healthy lifestyles.



### **Strengthen dialogue with employees worldwide**

**2009-2011 goals:** expand international employee dialog to countries outside Europe. Numico's European Works Council joins Group bodies involved in international employee dialogue. The negotiation of a new agreement with **IUF** is on the way.

A trailblazer in international employee dialogue, begun in 1972 (see **2009 Sustainability Report**), Danone had experimented in 2009 with expanding and furthering various fields of international employee dialogue, including:

- expanding the Information and Consultation Committee (ICC) to representatives from countries outside Europe (Asia, North and South America, Africa);
- furthering dialogue by creating Business Line Committees (Dairy products, Waters, Baby nutrition and Medical nutrition), bringing together General Management and the employee representatives concerned, for the purpose of discussing the business line's strategy, structure, HR policy and main Group-wide projects.

An enhanced program took place in 2010, with time set aside for delving more deeply into a specific HR issue and for sharing the different countries' best practices. In 2010, the topic of discussion was safety and working conditions.



Furthermore, Numico's European Works Council (Baby & Medical EWC as from 2008) was dissolved at year-end 2010, and the Medical nutrition and Baby nutrition divisions joined the Waters and Dairy products divisions to create a single international employee dialogue body, the Information and Consultation Committee.

### Improve employability for all Danone employees

Continually improving staff employability is a priority for Danone: Maintaining significant training budgets, ensuring that all employees are regularly trained, setting up employee participation programs with more opportunity to acquire qualifications and developing autonomy are all performance tools to both enhance employees' skills and maintain their competitiveness on the job market.

- **Expand Danoners' access to training (all Danone employees)**

In 2010, indicators showed constant growth in Danone's training program:

- the average number of training hours per employee was 31 hours (compared to 28 hours in 2009);
- the total number of hours rose 17% on a like-for-like basis, representing an increase of 382,689 hours over 2009, 296,970 hours of which were provided to the WETS category (Workers, Employees, Technicians and Supervisors);
- the number of employees trained rose by 7%, reaching 99% in 2010.

- **Have in-house trainers conduct operational training that brings together staff from different countries and Country Business Units (CBUs)**

- the "**Danone Leadership College**" (see pages 110-111 of the [2009 Sustainability Report](#) for more information), seeks to train 15,000 team leaders by the end of 2011 (by year-end 2010, 11,500 employees had been trained, including 8,400 team leaders); sessions are conducted by 300 in-house trainers;
- the "**Dream Store College**" training-action program designed for Danone sales staff and led by the line managers themselves (110 in-house trainers and 4,900 salespeople were trained in 11 CBUs in Asia, the Middle East, Latin America and Eastern Europe);
- training by business line (marketing, finance, human resources, procurement, etc.) and management training for all managers, as well as the "**Danone Learning Solutions**" ready-to-use training packages tailored to each country's requirements.



## People

- **Moreover, with a view to measuring the results of its efforts on behalf of all its employees, Danone oversaw the creation of a “personal development” indicator called the “Great Place to Grow Index.”**

This indicator is broken down into two equal parts:

- the results of four basic issues: employees’ advancing through the “glass ceiling” to become managers (10%); internal promotion rate for managers and senior executives (10%); training hours per employee (10%); and the work accident frequency rate/hours worked (20%);
- employees’ opinion about these basic issues based on an internal opinion survey, which first became an annual survey on this occasion.

In comparison to 2009, the 2010 results are very encouraging and indicate progress in most of the items tracked.

### Increase Danone employees’ autonomy and efficiency

#### **CODE: leadership attitudes and the Danone Leadership College (DLC)**

Danone’s leadership program, called the Danone Leadership College, (*for more information, see pages 110-111 in the 2009 Sustainability Report*) is growing at a faster rate to support Danone’s “transformation.”

The Danone Leadership College does much more than provide training, it also seeks to create the conditions for transforming Danone based on three objectives:

1. develop the leadership skills of all team leaders based on the “**CODE**” leadership attitudes
2. help improve business performance
3. help employees grow and make all “Danoners” aware of their responsibilities

Since mid-2009, some 110 Group Country Business Units (CBUs) have embarked on this adventure worldwide using a top-down process, first gaining the commitment of the executive committees’ members, then gradually moving on to all team leaders. Overall, nearly **8,400 Team Leaders** had participated to the transformation process by the end of 2010.

One of **Danone Leadership College’s** major features, which distinguishes it from a conventional training program, is that it involves employees in developing and implementing the company’s business strategy.



For example, at **Dannon US**, the DLC supports the goal of tripling revenue by involving and developing all employees. In addition, the company has started to involve customers and preferred suppliers in this program in order to create new partnership models and give them more say in the process.

**Manufacturing employees in southern Europe** have been using leadership development to improve both manufacturing performance and workplace safety.

At **Danone Waters China**, the goal is to develop leaders capable of reaching ambitious and long-term results at all levels of the organization, including the sales force and plant personnel.

In 2011, the goal is to continue this “transformation” by transitioning from the **Danone Leadership College** (DLC) to a Danone Leadership Culture. This will largely be achieved by extending the DLC to all 15,000 Team Leaders and expanding the program to a larger number of Danoners, especially those who work in manufacturing and sales.

### **Expanding diversity by capitalizing on CODE**

Diversity takes on added importance in tight markets. By exposing people to different cultures and ways of thinking, it fosters creativity and innovation and helps forge close ties with consumers and society.

Danone has decided to focus on two diversity priorities at the global level.

- **Increase gender parity at all levels of the company**

Danone strives to develop the careers of all its employees, both women and men, especially since women account for 43% of managers. Yet an in-depth study on women’s careers conducted for the **Second Women’s Leadership Lab** in June 2010 showed that only 37% of senior management positions are women. To ensure that the proportion of women at the highest levels matches their numbers in the organization, an overall action plan was developed and presented to all General Managers.

Two new working groups were also created:

- One group on flexible career paths, with the aim of rethinking career planning, such as remaining longer in a certain job if necessary, breaking out of insulated groups, removing age barriers, and acknowledging longer life expectancies and generation Y expectations.
- A second group on **work-life balance** open to all employees, with the goal of exploring the many opportunities available, such as telecommuting, made possible by “new ways of working”.

In tandem with these internal initiatives, 2010 also saw the creation of the **EVE seminar**, a continuation of Danone’s in-house seminars on women’s leadership. Held jointly with various partners in Evian in December 2010, this first event attracted 230 business people, giving them an opportunity to share their many experiences in developing women’s leadership skills.



## People

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- **Increase recruitment of individuals from different socioeconomic backgrounds**

1. Give top priority to personality during the recruitment process (“something special inside”) rather than academic degrees by revising the recruitment methods:
  - to identify personality types, use an observation matrix for Danone leadership qualities (CODE - Committed, Open, Doer, Empowered);
  - continue experimenting with “hiring without a résumé”;
  - take advantage of the presence of the group on Facebook (Danone is the largest HR community on Facebook in France) to try a different approach to hiring.
2. Work with partners to change the way of recruiting.
3. Develop special “emerging country” assignments for Danone employees as a recommended stage in their career

In 2011-2012, Danone’s goal is to create diversity governance committees to implement and coordinate action plans and turn them into Human Resources policies at a faster pace.

- **Encourage a responsive culture supported by new working methods**

In 2010, **Danone’s 2.0** corporate plan reached a new threshold, with over 35,000 Danone employees registered online. The widespread use of our new communication tools shows just how deeply these new ways of working have become ingrained in our daily lives.

The program aims to:

- Link up Danoners so they can identify people with specific expertise, experience and interests.
- Increase cooperation between Danoners as a way to foster the development of social networks and communities.
- Support innovation through the sharing of ideas, expertise and the co-development of currently non-existent solutions.

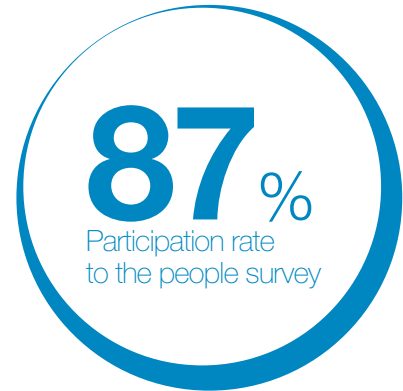
Over 250 communities have been created and nearly 2,000 Danoners use them on a daily basis.



## Continuing to create meaning in order to stand out

### Capitalizing on very strong employee commitment

The 2010 Danone People Survey mainly focused on employee development issues (a new, complete version with all the questions will be sent out in 2011). This survey of 66,000 Danoners continues to motivate employees, who participated at the exceptional rate of **86% (+4 points over 2009)**. Compared to the previous year, the results show a generally positive trend, exceeding those in the “consumer products” industry and approaching the scores of “high-performance” companies. For the first time, employees participated at a **rate higher than those in “high-performance” companies, with a remarkably high score of 87%**.



The following areas recorded the most significant gains:

- training (positive opinions +5 points);
- safety (+4 points);
- overall social and environmental responsibility (+3 points), with a remarkable score (89% positive) in response to the question: “Do you think your Country Business Unit (CBU) is concerned about protecting the environment?”.

These results clearly reflect the company’s investment in the Danone Leadership College, WISE (safety) and Nature programs.

On the other hand, scores on equal opportunity for women and older workers dropped by six points, a decline explained by greater awareness of diversity issues at Danone. What’s more, employees believe they have development opportunities at their CBU (73% positive), but work remains to be done on career path visibility, with a score four points below that of “high-performance” companies (69% positive).

Finally, employees continue to have high expectations regarding local responses to social responsibility issues.

## People

### Creating meaning through Danone's social initiatives

Staff (Danoners) commitment is based on several factors: culture and values, a sense of responsibility and the autonomy that make up Danone's leadership model.

Its new community initiatives also foster a sense of meaning.

### Motivating the community with danone.communities

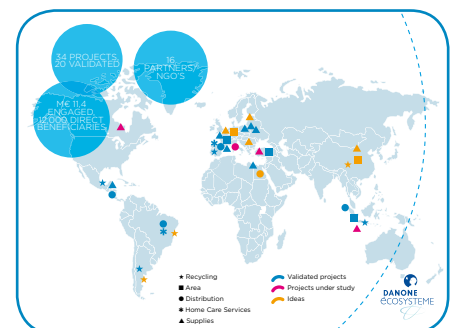
In addition to managing projects, danone.communities seeks to bring together the various project stakeholders (Danone employees, key contributors, partners, NGOs, etc.). It also jointly participates with others in coordinating communities attracted by social business issues through a new type of partnership with social entrepreneurs and NGOs.

On top of other Danone projects that incorporate economic and social criteria in their definitions and actions, promoting and coordinating communities help strengthen Danoners' commitment. In 2010, over 400 Danone employees subscribed to the danone.communities FCPE (mutual fund), an increase of 19% over 2009. The total number is now 2,276 Danone employees in France, or more than one in four employees, who have chosen to give meaning to their savings.

In addition, participation in university chairs in social entrepreneurship, case studies written about danone.communities projects at Harvard, HEC, ESSEC and other business schools, knowledge-sharing initiatives (online conferences, growth circles, international gatherings), and more skills-based volunteering all demonstrate the strong interest of the various communities. They also help create a distinctive image for Danone in the outside world, especially among young people.

### The Danone Ecosystem Fund

Approved by the Danone Annual General Meeting held in April 2009, the **Danone Ecosystem Fund**, managed under the rules governing endowment funds, aims to create jobs. (For more information, see page 115-118, [2009 Sustainable Report](#)).



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The Fund has both an economic and social purpose, aiming to support, strengthen and develop local players in Danone's ecosystem who contribute or can contribute to its CBUs business, including small farmers, suppliers, subcontractors, transport and logistics operators, distributors and the communities in which our factories are located. Its mission is to support the business development of small and medium-sized enterprises with the ultimate goal of creating jobs, improving employability and developing initiatives that foster microentrepreneurship. (<http://ecosysteme.danone.com>)

Created by Danone CBUs, Ecosystem projects are conducted all over the world, in both developed and emerging countries. To date, the Fund has approved **20 projects** in **5 major focus areas**:

1. **Responsible sourcing:** locate and secure Danone supplies by developing partnerships with small producers.
2. **Recycling:** collect PET plastic by helping organize the work of rag picker communities and improving their social conditions.
3. **Personal services:** enhance the professionalism of players in the personal services sector, with a focus on nutrition.
4. **Distribution:** create new distribution channels, especially in marginalized areas, and help people in difficulty enter the workforce.
5. **Factory sites:** help develop employment in the communities where the group's factories are located through local economic development programs.

#### **The Fund 18 months after its creation**

Now that 20 approved projects worth 11.4 million euros are currently reaching 12,000 people, the Danone Ecosystem Fund can draw its first conclusions in order to better fulfill its mission. The CBUs' strong interest in co-development projects and the quality of the original idea are catalysts we need to capitalize on. The partners in the non-profit sector generally support the Fund's approach and are involved in the co-development and co-management process. This improves the perception of social responsibility at CBUs and helps transform practices in the areas of procurement, distribution and the product offering.

## People

Based on this promising beginning, the challenge is to now ensure the initiatives' medium-term impact (*see indicator S01 on page 211 in this report on assessing the impact*). Company and NGO co-management create new forms of project governance that should be mastered.

### **2011 outlook: expand the impact of Danone Ecosystem Fund.**

For 2011, the Danone Ecosystem Fund reaffirms the Group's ambition to serve as a transformative tool for economic practices. The objective is to help create projects with real impact based on each Country Business Unit' (CBU) sustainable development strategy. It means, of course, to ensure the success and long-term viability of projects that are already underway. Now that the Fund has operated for a year and a half, an internal and external communications challenge related to its projects is taking shape. It will need to address this challenge using the indicators selected for each project. Internal communications will allow to take on new projects, while external communications will let discuss best practices and the issues raised by these "laboratories" with the various communities involved in those focus areas (*to learn more about the initiative, see <http://ecosysteme.danone.com>*).



### Horizon 2015

#### **Social environment**

The French dairy market is evolving, with structural changes that will impact dairy farmers in the coming years.

#### **The project**

- Develop advanced farm management skills with a tailored program of support;
- Nurture farmers' thinking about changing agricultural practices and farming models.

#### **The goal for Danone Dairy France**

Concretely implement the "Agents for sustainable dairy" approach that aims to strengthen dairy farmers' economic competitiveness by developing rural practices that are respectful of environmental balance and biodiversity.

#### **Social goals**

Train 350 producers over two years in the Southwest pilot region, and prepare to roll out the system on a national scale.

#### **Partners**

The "Institut de l'élevage" (Livestock Institute), a research and development institute that supports livestock farming and herbivore branches.

**Fund contribution:** 350,000 euros for the pilot phase.



## Danone Supporting Life

Danone Supporting Life comprises the various community outreach initiatives created by our Country Business Units (CBUs). It is a network that enhances staff professionalism in terms of building and managing a community program. These initiatives are based on a triple-win concept that must contribute to: the CBU's business growth, the motivation of Danone employees by way of their involvement, and local community growth in areas related to the group's expertise (nutrition/health, partnership with nature, access to food and water, and support for the well-being of children and the elderly).

### 2010 Dan'Awards for social innovation

In 2010, **29 Danone Supporting Life projects** participated in the in-house "Dan'Awards" contest, which recognizes the best "triple win" projects, up from 21 in 2009. Most of the projects originated in Europe (62% of projects) and 41% from the Dairy products division.



Restaurants du cœur  
(a charitable food aid  
organization):  
a 2<sup>nd</sup> successful year!

Danone's 2010 partnership with Restaurants du cœur in France was a real success. This year's program drew 1,124 Danoners, who spent two days collecting food in the stores of another partner, Carrefour, up from 1,054 in 2009. They collected 1,500 metric tons of products.

What's more, one million meals were funded by Danone, Carrefour and customers thanks to the special promotion of four products purchased = one meal at Restaurants du cœur.

Finally, the partnership, which also relies on people volunteering their skills, bore fruit in two ways: the goal to enhance professionalism became reality with eight programs designed for volunteers. In addition, assistance for Restaurants du cœur clients led to internships at Danone Dairy products France, which resulted in the hiring of two people.



## *People in 2010*

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### As a conclusion for the “People” stream

2010 marked the success of the 2009-2011 Human Resources (HR) strategic plan. The 2012-2014 strategic plan will be developed during 2011. The plan will be based on HR objectives 10 years out, which were developed then shared in 2010 with over 200 people in the department.

The HR plan aims to boost Danone’s growth and cultivate a unique culture in which individuals, teams and partners can grow and make a difference for the purpose of nurturing the Group’s mission.

The 2020 HR objectives will support **three major “transformations”**:

- **determine the appropriate organizational** models acting upstream of organizational change and build the necessary capacities to boost Danone’s growth during an early stage of the organizational change process;
- **develop skills as well as managers, staff and Dan’Affiliates**, i.e. partners (farmers, distributors, subcontractors, etc.) who operate in its ecosystem;
- **expand the scope of its dual economic and social initiative** by opening it up to community concerns and involving all stakeholders in creating and sharing value.

## Dashboard: 2010 stakeholder commitments and outlook

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EMPLOYEES	74



## Consumers

OUR STAKEHOLDER COMMITMENTS	2010 GOALS AND OBJECTIVES	PERFORMANCE 2009
<b>CONSUMERS</b>		
<b>Monitor the evolving consumers' health and dietary needs</b>	<ul style="list-style-type: none"> <li>Establish and update mapping of nutritional and health issues (NutriPlanet) in countries where Danone operates (bibliography, expert opinion on dietary intake, regulations and guidelines, prevalence of dietary deficiencies and food-borne illnesses, etc.).</li> <li>Conduct epidemiological studies to determine dietary intake and any local deficiencies, if necessary.</li> </ul>	<ul style="list-style-type: none"> <li>+ 2 Nutripacks</li> <li>26 countries participating at year-end 2009</li> </ul>
<b>Develop and offer products having appropriate nutritional profiles that meet consumer needs</b>	<ul style="list-style-type: none"> <li>Regularly evaluate the nutritional quality of Danone's products compared to the health authorities' recommendations and competing products (NutriProgress program) and develop reformulation objectives, if necessary (such as reducing sugar, fat and salt content and adding vitamins and minerals, etc.).</li> </ul>	<ul style="list-style-type: none"> <li>67 Business Units: Dairy products + Baby nutrition</li> <li>91% of net revenue from Dairy products</li> </ul>
<b>Develop new products with health benefits that meet consumer needs and appropriate nutritional profiles</b>	<ul style="list-style-type: none"> <li>Expand existing product lines and create new ones.</li> </ul>	
<b>Demonstrate product health benefits with convincing scientific evidence</b>	<ul style="list-style-type: none"> <li>Conduct clinical trials and publish the results.</li> </ul>	<ul style="list-style-type: none"> <li>120 clinical studies</li> </ul>
<b>Provide transparent and practical nutritional information</b>	<ul style="list-style-type: none"> <li>Provide consumers with nutritional information for products not subject to labeling regulatory requirements (dairy products, drinks).</li> <li>In European Union countries, provide Guideline Daily Amounts (GDA) per serving for calories, protein, carbohydrates including sugars, and fat including saturated fat, fiber and sodium.</li> </ul>	<ul style="list-style-type: none"> <li>98% of eligible revenue in EU countries</li> </ul>
<b>Include reliable health claims on product benefits using consumer-friendly language.</b>	<ul style="list-style-type: none"> <li>Ensure that all product health claims are easy for consumers to understand (accurately reflect the product benefits demonstrated by the scientific evidence) and reliable (reflect the level of scientific evidence).</li> </ul>	
<b>Limit advertising to children (&lt;12 years) to products whose nutritional value and portion sizes meet children's needs, and do not advertise in schools.</b>	<ul style="list-style-type: none"> <li>Implement the self-restriction on advertising in EU countries (in line with the E.U. Pledge - 27 countries), the USA (in line with the CFBAI Pledge) and Brazil (in line with the Brazilian Pledge).</li> <li>Expand our commitments to other countries outside the EU.</li> </ul>	<ul style="list-style-type: none"> <li>Expansion to Brazil</li> </ul>
<b>Develop nutritious new products with good nutritional profiles that are affordable for low-income people</b>	<ul style="list-style-type: none"> <li>Expand the reach of existing programs, launch new programs.</li> </ul>	

2010 PERFORMANCE  
AND NOTEWORTHY ACHIEVEMENTS

2011 COMMITMENTS AND  
SHORT-RANGE OUTLOOK

<ul style="list-style-type: none"> <li>+ 20 additional Nutripacks; 34 participating countries.</li> <li>Program expanded to 8 additional countries: Austria, Switzerland, Lebanon, Malaysia, Vietnam, Japan, Ivory Coast, Morocco.</li> <li>Broader population analyzed: babies (&lt; 3 years) in 11 countries, seniors (&gt;45-65 depending on the country) in 3 countries (France, Germany, Spain).</li> <li>More data analyzed (sociological data): 3 countries (Algeria, USA, France).</li> <li>Provision of data in real time on the NutriPI@net intranet for all functions.</li> </ul>	<p>2013 Objectives</p> <ul style="list-style-type: none"> <li>Create Nutripacks for the 10 largest Dairy product Business Units.</li> <li>Create Nutripacks for all Baby nutrition Business Units.</li> </ul>
<p><b>79% of net revenue from analyzed eligible products</b></p> <p><b>Dairy products</b></p> <ul style="list-style-type: none"> <li>20 countries conducted a nutritional analysis of products representing 80% of net revenue, or 72% of the division's volume; 1,470 Danone products and 2,000 competing products were analyzed. 63% of Danone products analyzed met nutritional standards in terms of protein, fat, sugar and calcium, a 30% increase over 2009 due to reformulation programs (reduced sugar and fat);</li> <li>In Germany, local authorities consider Fruchtzwerge (Danonino) soft white cheese for children as part of a balanced snack (called Optimix).</li> </ul> <p><b>Baby nutrition products / growing-up milk</b></p> <ul style="list-style-type: none"> <li>100% of the division's products (infant formula, second-stage formula, growing-up milk, wet foods) were analyzed in 2010;</li> <li>93% of wet foods (prepared foods, compotes, desserts, cereal) comply with existing dietary standards. Stricter nutrition standards (sugar, fat, sodium) were set in 2010. The division improved the nutritional quality of its entire line of infant formula and milk in 2010 by adding essential fatty acids (in addition to required ingredients).</li> <li>6,500 kg of sodium was eliminated from all prepared foods.</li> </ul> <p><b>Drinks</b></p> <ul style="list-style-type: none"> <li>Seven countries conducted a nutritional analysis of aquadrinks representing 71% of net revenue; 57 Danone products and 431 competing products were analyzed.</li> </ul> <p><b>Other products</b></p> <ul style="list-style-type: none"> <li>Bottled waters and Medical Nutrition products (17% of Danone's volume) are not affected by reformulation issues as they are subject to regulation.</li> </ul>	<p>2012 Objectives</p> <p><b>Dairy products</b></p> <ul style="list-style-type: none"> <li>Systematize the annual analysis in the 18 major countries and continue the dietary improvement programs.</li> </ul> <p><b>Baby nutrition products</b></p> <ul style="list-style-type: none"> <li>Systematize the annual analysis of the entire product portfolio.</li> <li>Establish a roadmap on complementary products in the five major countries (France, UK, Poland, Netherlands, Italy).</li> </ul> <p><b>Aquadrinks</b></p> <ul style="list-style-type: none"> <li>Develop nutritional standards (sugar, sodium) and launch reformulation programs to reduce the amount of sugar, if necessary.</li> </ul>
<p><b>Daily food items</b></p> <ul style="list-style-type: none"> <li>Launch of: Taillefine Stevia in France (natural food sweetener), Ser Calci + in Argentina (50% of calcium daily requirements for women 45 and older), C-Optima fruit smoothie in Belgium (100% of daily requirements in vitamin C), Activia Fresh in Russia (mix of fermented Activia milk and fruit juice), Activia Pouring in the UK (fermented milk for use with breakfast cereal).</li> </ul> <p><b>Occasional food items</b></p> <ul style="list-style-type: none"> <li>Launch of: Bonafont Levite in Mexico (beverage with natural food sweetener), Fantasia in France (yogurt &amp; topping to be mixed together).</li> </ul> <p><b>Food items for specific needs</b></p> <ul style="list-style-type: none"> <li>Launch of: Nutilis Aqua in Europe (thickened water for elderly people who have trouble swallowing), Nutrinidrink Smoothie in Germany, the Netherlands and the UK (fruit purée for malnourished children), HI-Q1 in Thailand (growing-up milk combining prebiotics and probiotics), Acidified Nutralin in Russia (fermented and acidified milk for babies), Gallia Grosse in France and Aptamil Pregnancy and Breastfeeding food supplement in Ireland (milks and food supplement to pregnant and breastfeeding mothers).</li> </ul>	<ul style="list-style-type: none"> <li>Expand existing product lines and create new ones.</li> </ul>
<ul style="list-style-type: none"> <li>108 clinical trials underway in 2010 for all Danone divisions.</li> <li>140 scientific publications in peer-reviewed journals.</li> <li>43 patents filed in 2010, bringing the portfolio to 448.</li> </ul>	<ul style="list-style-type: none"> <li>Conduct clinical studies and publish/publicize the results.</li> </ul>
<ul style="list-style-type: none"> <li>98% of eligible revenue in EU countries.</li> <li>For products with no nutrition labeling requirements (dairy products, drinks): provide nutritional information online (Business Units and/or brand websites) for products (in the form of GDAs for EU countries); this information was available for 67% of EU products listed at year-end 2010.</li> </ul>	<p>2013 Objective</p> <ul style="list-style-type: none"> <li>Disseminate nutritional information on packaging and online for 95% of products (based on GDAs for EU countries and at least calories and protein, fat and carbohydrate content per 100g for the rest of the world).</li> </ul>
<ul style="list-style-type: none"> <li>All claims are covered by Danone's internal process of validation (local, division and corporate levels).</li> </ul>	<ul style="list-style-type: none"> <li>Continue and expand Danone's policy by producing and disseminating its best practices guide.</li> </ul>
<ul style="list-style-type: none"> <li>Compliance with commitments in EU countries (analyzed in line with EU Pledge monitoring), the USA (analyzed in line with monitoring conducted by the Center for Science in the Public Interest (CSPI)).</li> <li>Compliance with the Mexican code, Publicidad de Alimentos y Bebidas No Alcohólicas dirigida al Público Infantil (PABI), analyzed by the Mexican government.</li> </ul>	<p>2012 Objective</p> <ul style="list-style-type: none"> <li>Expand the commitments to other countries (Mexico, Turkey, South Africa, etc.).</li> </ul>
<ul style="list-style-type: none"> <li>Extension of the roll-out and distribution of the Gizikita product line launched in 2009 in Indonesia, of Shoktidoi in Bangladesh etc.</li> <li>Initiation of new projects in Senegal (Lemateki : children's product with milk and local cereals), and in Algeria (Sahazine: children's product covering 30% of GDAs of iron) to be launched in 2011.</li> <li>Expansion of the roll-out of Gran Compra in Argentina with the launch of yogurts sold at 0,95\$ per pot.</li> </ul>	<p>2013 Objectives</p> <ul style="list-style-type: none"> <li>Expand the reach of existing programs.</li> <li>Launch new programs.</li> </ul>

## Communities and Suppliers

OUR COMMITMENTS TO STAKEHOLDERS	2010 GOALS AND OBJECTIVES	2009 PERFORMANCE
<b>COMMUNITIES</b>		
<b>CREATE VALUE IN THE COMPANY AND LOCAL COMMUNITIES</b>		
<b>Strengthen Danone's ecosystem</b>	<ul style="list-style-type: none"> <li>Involve Danone stakeholders in creating economic, social and environmental value through the company's daily activities and specific community projects.</li> <li>Contribute to the development of the global ecosystem to which the company belongs.</li> <li>Focus on three areas: creating jobs, improving employability and promoting micro-entrepreneurship.</li> </ul>	<ul style="list-style-type: none"> <li>Launched the Danone Ecosystem Fund, approved by the Annual General Meeting of Shareholders in April 2009, with a grant of 100 million euros.</li> <li>Two projects approved in December 2009.</li> </ul>
<b>Encourage and replicate community projects initiated by Danone employees worldwide (Danone Supporting Life)</b>	<ul style="list-style-type: none"> <li>Develop initiatives based on the «triple win» concept:                             <ul style="list-style-type: none"> <li>- a Country Business Unit (CBU) business development challenge;</li> <li>- a Danone staff motivation challenge by involving employees;</li> <li>- a local growth challenge in areas related to Danone's expertise (nutrition/health, environmental management, access to food and water, support for the well-being of children and the elderly).</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>47 "triple win" projects from the Danone Supporting Life initiative.</li> <li>21 Country Business Units (CBUs) entered the in-house "Dan'Awards" contest, which rewards community initiatives.</li> </ul>
<b>SCIENTIFIC COMMUNITIES AND HEALTH PROFESSIONALS</b>		
<b>Foster the advancement and exchange of scientific knowledge</b>	<ul style="list-style-type: none"> <li>Support nutrition research through grants, awards, university chairs and partnerships.</li> <li>Foster exchange through symposia and conferences, etc.</li> </ul>	
<b>Promote nutrition training for health professionals</b>	<ul style="list-style-type: none"> <li>Publish newsletters, organize seminars and training programs, provide e-learning tools, etc.</li> </ul>	
<b>Support initiatives undertaken in the fight against obesity</b>	<ul style="list-style-type: none"> <li>Develop learning tools to promote healthy lifestyles.</li> <li>Award Danone Next Generation Nutrition Grants each year (4 grants worth a total of USD120,000 per year).</li> </ul>	<ul style="list-style-type: none"> <li>4 grants.</li> <li>85,000 euros</li> </ul>

<b>THE SUPPLIERS</b>		
<b>Support Danone's suppliers in rolling out their Corporate Social Responsibility (CSR) policies</b>	<ul style="list-style-type: none"> <li>Include the Fundamental Social Principles and/or the Sustainable Development Principles in 100% of contracts/general terms of procurement.</li> <li>Implement an assessment of the CSR performance of Danone's suppliers, raise their awareness of the topic if necessary, and identify at-risk suppliers.</li> <li>Carry out CSR audits of suppliers identified as at-risk. In the case of significant non-compliance issues, carry out follow-up audits after implementation of appropriate action plans.</li> </ul>	<ul style="list-style-type: none"> <li>Around 70% of suppliers have signed the Fundamental Social Principles and/or the Sustainable Development Principles in their contracts and/or general terms of procurement.</li> <li>Launch of registration of Danone's suppliers on the SEDEX platform, around 300 suppliers registered in 2009.</li> <li>56 suppliers audited by Danone, based on an in-house CSR benchmark, including 3 follow-up audits.</li> </ul>

2010 PERFORMANCE  
AND NOTABLE ACHIEVEMENTS

OUR 2011 COMMITMENTS AND OUTLOOK

- 11.4 million euros were invested.
- 34 projects in the portfolio, 20 of which are underway in 2010.
- 16 civil society partners, including NGOs.
- 12,000 potential beneficiaries.
- The projects are divided into five categories called “clusters”: supply, distribution, recycling, personal services and challenges related to factory sites.

- 29 Danone Supporting Life projects participated in “Dan’Awards”: 62% of the entries came from the European region and 41% from Dairy Products division

- Ensure that projects begun in 2009 and 2010 are well executed.
- Create new opportunities with a program designed for CBUs based on the five clusters.
- Assess the projects’ impact using “baseline surveys” and anthropological/ ethnographic studies.
- Increase the level of shared expertise in the areas of co-development and co-management.
- Try out new purchasing, micro-retail and personal services practices.

- Continue to coordinate the community projects network.
- Encourage the sharing of best practices.
- Increase staff professionalism.

- 60 grants/awards (total of 1 million euros) by Danone Institutes.
- 8 Nutricia Research Foundation grants (400,000 euros).
- First “Microbes for Health” symposium at Pasteur Institute in Paris: 366 participants from 27 countries.

- More than 1,400 seminars organized by Baby Nutrition division, reaching more than 100,000 health professionals and Danone Institute publications (Foods & Drugs, are there complementary beneficial effects for health?; Guia de alimentacion para las personas mayores; Magazine pédagogique sur l’alimentation des jeunes enfants et adolescents etc.)

- 4 grants worth a total of 85,000 euros awarded in the United States.
- Development of learning tools for children in partnership with local organizations (Zdrava Abeceda in the Czech Republic; Eat like a champ in the UK).

- Foster the advancement and exchange of scientific knowledge.

- Promote nutrition training for health professionals.

- Launch the “Bon Appétit Bouge ta Santé” program in Belgian schools.
- Continue and expand the roll-out of existing programmes (“Faut que ça bouge dans les écoles” and “Ensemble surveillons sa corpulence” of Danone Institute France, the Danone Nations Cup etc.).

- Around 80% of suppliers have signed the Fundamental Social Principles and/or the Sustainable Development Principles in their contracts and/or general terms of procurement.
- 1,282 suppliers registered on the SEDEX platform.
- 103 suppliers audited by third parties, based on an external CSR benchmark (SMETA), including 15 follow-up audits.

- 90% of suppliers will have signed the Sustainable Development Principles in their contracts and/or general terms of procurement.
- 100% of major suppliers will be registered on the SEDEX platform.
- Eventually, 100% of suppliers considered to be at-risk based on SEDEX input will have been audited.

## Environment

OUR COMMITMENTS TO OUR STAKEHOLDERS	2010 GOALS AND OBJECTIVES	2009 PERFORMANCE
<b>ENVIRONMENT</b>		
<b>Managing the fundamentals</b>	Number of ISO 14001-certified sites (% of production plants):	85 (51%)
	Number of GREEN (Global Risk Evaluation for Environment) sites, Danone audit method certified by ERM:	78 (48%)
	Recovery of production plant waste (% of weight):	86%
<b>Contributing to prevention of global warming</b>	<b>MEASURE</b>	
	Expansion of the DANPRINT tool (Danone's carbon footprint measurement tool) - % of volume of products sold by our CBUs that deployed the tool:	95%
	Percentage of volume of products sold by CBUs that have implemented the Carbon Footprint module (co-developed with SAP):	0%
	<b>REDUCE</b>	
	Energy consumption (total kwh/t):	-12%
	Reduction of carbon intensity (kg eq CO <sub>2</sub> /kg) in Danone's scope of responsibility (production plants, packaging and end of life, transport and storage) – %	-8,2% <sup>(1)</sup>
	Carbon Pact committing our "Raws and Packaging" suppliers:	
	• Number of pacts with suppliers for the Dairy products division:	NA
	• Number of pacts with suppliers for the Baby nutrition division:	NA
	<b>OFFSET</b>	
	Co-development of carbon offset programs with high social and biodiversity value (number of programs):	1
	Partnerships supporting projects with high social and environmental value generating certified carbon credits:	0
<b>Supporting the development of an agriculture that is more respectful of the environment</b>	Deployment of the sustainable milk management model (FaRM) with farmers (% of the number of farms in direct contact with Danone):	70%
	COW2 program (measurement of the carbon footprint arising from livestock methane emissions). Number of countries involved in the program:	-
<b>Redesigning packaging to ultimately turn waste into resources</b>	<b>REDUCE</b>	
	Reduction of the "package weight/product weight" ratio (pack ratio) in the Waters and Dairy products divisions:	-2%
	<b>RECYCLE</b>	
	Increase in the "bottle to bottle" recycling rate – rate of rPET in water bottles (% weight):	8%
	<b>USE RENEWABLE MATERIALS</b>	
	% of packaging based on renewable materials (volume):	-
<b>Protecting our springs, reducing our water consumption and helping to protect water resources around the world</b>	Reduction of water consumption in our plants (l/kg of product):	-11%
	Reduction of the impact of industrial activities – reduction of pollutant load (COD/kg of product):	-5%
<b>Contributing to protecting biodiversity at our locations around the world</b>	Protection of our springs' rainwater catchment areas (% of sites applying the Danone charter and its guidelines):	90%

(1) This figure corresponds to the result published for the year 2009 (-6.1%) after application of the new consolidation rules defined in 2010.



2010 PERFORMANCE	LONG TERM OBJECTIVES		CUMULATIVE PERFORMANCE	OUR 2011 COMMITMENTS AND OUTLOOK
88 (56%)		-	NA	2012 goal: 100% of strategic sites ISO 14001 certified.
85 (54%)		-	NA	Goal: 100% of strategic sites audited in 2012. Rollout of GREEN Light to at least 20 sites in 2011.
86%		-	NA	Redefine the Indicators in the long-term plan (2011-2020).
97%			NA	This tool will progressively be replaced by the Carbon Footprint module (co-developed with SAP).
6%	2012	100% of SAP CBUs	NA	Integrate Danprint into one of the group's information system modules. Goal: 100% of CBUs with the SAP system in 2012.
-2,7%	2000-2010	-20%	-42%	Renew the long-term energy reduction plan (2011-2020).
-9%	2008-2012	-30%	-22%	Define a 2020 long-term plan based on the experiences of 2008-2011.
66			66	Extend the Carbon Pact to the Waters division. 2012 goal: 100% of strategic suppliers.
33			33	
3			NA	Evian brand is neutral in 2011 (est. 150 kt eq CO <sub>2</sub> after 40% carbon intensity reduction).
2			NA	
78%		100%	78%	2011 goals: >85% with at least three new countries participating in the approach. Final goal: 100% coverage of farms directly supplying Danone.
9				Define a 2011-2020 long-term sustainable dairy plan and pursue our progress based on research and co-development with the agricultural and scientific sectors.
	2000-2010			
-2%	2000-2010	-10%	-10%	Define new packaging indicators for the long-term plan (2011-2020).
10%	at end 2011	20% to 30%		Ultimate goal of an average of 50% rPET per bottle.
-				2011: define a quantified goal for each division and the 2011-2020 long-term plan.
-11%	2000-2010	-30%	-41%	Renew the long-term plan for water consumption in our plants (2011-2020). Implement a water footprint pilot measurement in collaboration with Quantis in the Waters and Dairy products divisions.
-12%	2000-2010	-	-29%	Define new indicators for industrial impacts for the long-term plan (2011-2020).
100%	2000-2010	90%	90%	Define a biodiversity measurement tool for the group by 2013 and continue Danone Fund for Nature policies to protect biodiversity (goal of 5-10 programs by 2012).

NA: information not available

## Employees

OUR STAKEHOLDER COMMITMENTS	2010 GOALS AND OBJECTIVES	2009 PERFORMANCE
<b>EMPLOYEES</b>		
STRENGTHEN SOCIAL FONDAMENTALS FOR ALL		
<b>Making the safety of employees and subcontractors a daily priority</b>	<ul style="list-style-type: none"> <li>By 2011, reduce the frequency rate of lost-time accidents to approach best-in-class levels: 2.5.</li> <li>Develop a general framework to enable the divisions and CBUs to set standard guidelines and procedures.</li> </ul>	<ul style="list-style-type: none"> <li>Reduced frequency rate: 3.9 in 2009 vs. 5.2 in 2008.</li> <li>Set up WISE program at Baby and Medical divisions and conduct audits at all industrial sites.</li> <li>4 standards (Accident Investigation, Driving Safety, Contractor Management, "Lock Out Tag Out") to be implemented no later than December 31, 2010 after approval by the Safety Steering Committee.</li> </ul>
<b>Provide minimal medical insurance and other benefits for all employees and improve working conditions</b>	<ul style="list-style-type: none"> <li>Support a minimum level of medical insurance and other benefits for all employees based on an audit of existing systems in 15 countries representing 85% of Danone employees.</li> <li>Prevent stress at work and improve working conditions.</li> <li>Create a health awareness/training program for Danone staff: "health induction" and "health at work" programs.</li> </ul>	<ul style="list-style-type: none"> <li>Mapped out the situation in each country, taking into account various criteria (general level of insurance coverage, employer/government split of insurance costs, risks covered, cost of plans, deductibles/co-pays, etc.).</li> <li>Set up an exploratory group on stress in cooperation with French unions representing the various Danone companies in France on April 7, 2008.</li> <li>Set up OMSAD, a program that monitors stress, anxiety and depression, at five pilot sites, including corporate headquarters, with the support of IFAS.</li> <li>3 pilot "Health Induction" programs were conducted in Spain, the United States and Argentina in 2009, attracting 100 people.</li> <li>Set up about 15 hands-on training programs in the workplace on the importance of a balanced diet and physical activity and provided practical help: conducted workshops and presentations on good nutrition, sleep, etc.</li> <li>Provided fitness rooms; offered optional checkups; and conducted screening and prevention campaigns.</li> </ul>
<b>Strengthen the international social dialog</b>	<ul style="list-style-type: none"> <li>Include representatives from Asia and North and South America while maintaining majority European representation (the Information and Consultation Committee - CIC - acts as the European Works Council).</li> <li>Implement the Danone/IUF agreements in all Group countries.</li> </ul>	<ul style="list-style-type: none"> <li>New CIC's first pilot project: opened up to employee representatives from CBUs in Asia, North America, Latin America and Africa.</li> <li>Set up Business Line Committees on issues relating to Dairy and Waters divisions products, with involvement of the division's General Managers.</li> <li>Made joint IUF/Danone visits to five countries (Germany, Argentina, Russia, Czech Republic, Poland) to promote the IUF/Danone agreements, assessed the local versions of the agreements and described the international bodies that handle social dialogue.</li> </ul>

2010 PERFORMANCE  
AND NOTEWORTHY ACHIEVEMENTS

2011 COMMITMENTS  
AND SHORT-RANGE OUTLOOK

<ul style="list-style-type: none"> <li>Objective exceeded, with a lost-time frequency rate of 3 (down by more than 20%). Set up a special action plan for countries vulnerable to road safety risks (Saudi Arabia, Russia, Mexico, Indonesia, China, Argentina) and developed structural measures (example: GPS, Danone-certified licenses after specific training, etc.). Results: reduced frequency rate by 29% in these countries</li> </ul>	<p>Establish a sustainable safety culture and sustainable safety performance throughout the Group:</p> <ul style="list-style-type: none"> <li>2011 Objective: frequency rate of 2.6 (down 14% over 2010) and frequency rate of 2 in 2012;</li> <li>Sales department: action plan and department's involvement;</li> <li>Action plan for priority CBUs (France, Mexico, Argentina);</li> <li>Set new 2-year objectives and include them in 2012 plans and budgets.</li> </ul>
<ul style="list-style-type: none"> <li>Implemented the 4 standards by including them in the Danone Way indicators for the 2011 campaign.</li> <li>Checklists for CBU self-assessments on the 4 standards.</li> </ul>	<ul style="list-style-type: none"> <li>Set other standards for deployment in 2011.</li> </ul>
<ul style="list-style-type: none"> <li>Launched "Dan'Care" plan: 10 countries selected, 55,000 employees, with the objective of a minimum level of medical insurance for CBUs (in-patient, maternal care, outpatient) by 2013.</li> </ul>	<ul style="list-style-type: none"> <li>Support countries and CBUs that have decided to join in 2011 (Poland, China, Spain, Russia, Mexico, Indonesia); prepare plans for 2012.</li> </ul>
<ul style="list-style-type: none"> <li>Group-level agreement in France signed in March 2010; company-level negotiations being finalized.</li> <li>Negotiated a global framework agreement on health, safety, working conditions and stress with IUF (International Union of Food Workers): draft agreement being finalized at year-end 2010.</li> </ul>	<ul style="list-style-type: none"> <li>Sign and implement a global agreement; launch right after initial human feasibility studies (HFS) and just before organizational changes.</li> </ul>
<ul style="list-style-type: none"> <li>In 2010, the "health induction program" was carried out at 10 CBUs in 8 different countries.</li> </ul>	<ul style="list-style-type: none"> <li>2011 Objective: 100% of CBUs conducted the training program and developed active, ongoing programs to improve employees' health.</li> </ul>
<ul style="list-style-type: none"> <li>Managed the integration of the Baby and Medical European Works Council (EWC) into the CIC: included Baby nutrition and Medical nutrition representatives on the Danone/IUF Steering Committee and negotiating team.</li> <li>Expanded the current Steering Committee.</li> </ul>	
<ul style="list-style-type: none"> <li>Joint visits were made to Italy, Belgium, Turkey, Hungary and Brazil, with a focus on safety and conditions at work (visit to Brazil + Danone/IUF Steering Committee visit to Spain to analyze the safety program).</li> </ul>	<ul style="list-style-type: none"> <li>Continue joint visits in the following countries: United Kingdom, Ireland, Netherlands, Mexico, Algeria, Romania, Bulgaria.</li> <li>Launch a world survey on staff representation in Danone companies.</li> </ul>

## Employees

OUR STAKEHOLDER COMMITMENTS	2010 GOALS AND OBJECTIVES	2009 PERFORMANCE
<b>EMPLOYEES</b>		
STRENGTHEN SOCIAL FUNDAMENTALS FOR ALL		
<p><b>Improve the employability and skills of all our employees</b></p>	<ul style="list-style-type: none"> <li>• Increase access to training for all employees.</li> <li>• Continue the VAE program in France (accreditation of prior experiential learning).</li> <li>• Hire young people for the apprenticeship program and help them gain the necessary qualifications.</li> <li>• Develop sales training methods tailored to the characteristics of local cultures.</li> </ul>	<ul style="list-style-type: none"> <li>• Rise in the average annual number of training hours per employee from 24 to 28.</li> <li>• Increase in the number of training hours (up 16%) and number of employees trained (up 7%).</li> <li>• 1,082 VAE graduates at year-end 2009 since the beginning of the project compared to the 2009 objective of 1,100 employees.</li> <li>• 47 new employees entered the program in 2009. This figure has been consolidated since the program began in April 2004 and includes the 261 employees in the French Biscuits business (sold in 2007).</li> <li>• Conducted a pilot project in one of Danone's "Pays de Bray" plants to give unqualified young people the skills they need to earn a CAP (vocational aptitude certificate) in shipping and receiving, with the assistance of regional players.</li> <li>• Created the "Dream Store College," a special training module designed to meet the performance needs of the sales staff in the Africa Middle East region.</li> <li>• First implementation with 2,800 Dairy product salespeople in the Africa Middle East region in 2009. Results: a 20 to 30% increase in revenue.</li> </ul>
<p><b>Ensure compliance with fundamental sustainable development criteria by all CBUs (Danone Way)</b></p>	<ul style="list-style-type: none"> <li>• Improve implementation of the 16 Danone Way fundamentals by increasing the number of participating CBUs, particularly Baby nutrition and Medical nutrition.</li> <li>• Raise the level of sustainable development standards required for Danone Way.</li> </ul>	<ul style="list-style-type: none"> <li>• Scope 2009: 77 CBUs representing 89% of Group net revenue compared to 58 CBUs representing 76% of net revenue in 2008.</li> <li>• Integrated the 10 new CBUs into Danone Way in Dairy and Waters divisions, 14 new CBUs in Baby and 1 new CBU in Medical.</li> <li>• Percentage of CBUs rated lower than 3 stars: 17% in 2009 (like-for-like basis) compared to 33% in 2008.</li> <li>• Percentage of 5-star CBUs: 13% in 2009 (7 CBUs) compared to 5% in 2008.</li> </ul>

2010 PERFORMANCE  
AND NOTEWORTHY ACHIEVEMENTS

2011 COMMITMENTS  
AND SHORT-RANGE OUTLOOK

- The average number of training hours per employee rose from 27 hours in 2009 to 31 in 2010 (vs. 24 hours in 2008).
  - The number of employees trained, across all categories, rose from 75,000 to more than 83,000.
  - Overall, the number of training hours per employee climbed an average of 29% in two years.
- 65 new employees entered the program, i.e. a total of 1,149 graduates. End of program as such, since its goal was to reach 1,000 employees in training.
- As part of the French government's Youth Employment plan, set up a pilot project to create a more diverse group of apprentices (currently 70%: high school diploma + 2 years of higher education) in order to accommodate those without diplomas in the pre-qualification period, in cooperation with local partners (employment agencies, non-profit and training organizations). This will enable them to earn their vocational aptitude certificates or BEP (vocational proficiency diploma).
  - 144 contracts signed in 4 regions in France, 11 Danone sites and at our suppliers' and subcontractors' companies.
  - Over 95% of young people were confirmed after the pre-qualification period.
- 4,900 salespeople were trained in 11 CBUs in Asia, the Middle East, Latin America and Eastern Europe.
- 112 CBUs representing over 94% of Danone's revenue were analyzed as part of the Danone Way program.
  - 14 CBUs audited by external companies.
- Percentage of CBUs rated lower than 3 stars was 17% in 2010, i.e. 12 CBUs (like-for-like basis with 2009).
  - Percentage of 5-star CBUs was 9% in 2010 (7 CBUs).

- 2012 Objective
- No longer allow employees to go without training for 3 years and no job change for 5 years.
- End of program.
- 2011-2012 Objective
- Sign 200 additional contracts in 2011 to bring in a total of 500 young people in 2012.
- Objective at year-end 2012
- 10,000 salespeople trained.
- Revise the guidelines for the 2012 campaign, especially regarding business and project changes, and types of CBUs.
- Objective
- All CBUs at the 3-star level at the end of their 3<sup>rd</sup> self-assessment process.

## Employees

OUR STAKEHOLDER COMMITMENTS	2010 GOALS AND OBJECTIVES	2009 PERFORMANCE
<b>EMPLOYEES</b>		
ENCOURAGE RESPONSIBILITY AND AUTONOMY AMONG ALL EMPLOYEES		
<b>Increase Danone employees' autonomy and efficiency</b>	<ul style="list-style-type: none"> <li>Increase Danone employees' autonomy and efficiency.</li> </ul>	<ul style="list-style-type: none"> <li>Definition of CODE (Committed, Open, Doer, Empowered), Danone leadership attitudes based on its values.</li> <li>These attitudes have been translated into 30 languages and incorporated into all HR processes (recruitment, assessment, training, career development, identification of leadership potential), with pilot projects conducted in several CBUs.</li> <li>30% of CBUs have launched the Danone Leadership College (DLC).</li> </ul>
<b>Expanding diversity by capitalizing on CODE</b>	<ul style="list-style-type: none"> <li>Conduct the 1<sup>st</sup> Danone Women's Leadership Lab with 70 participants, facilitating the transition to multiple forms of leadership, with progress in gender parity at all levels of the company.</li> <li>Set Open Sourcing priorities that promote the global diversity agreement signed in 2007 and give everyone the opportunity to join Danone and advance their careers.</li> <li>Set up inter-company diversity networks in a number of European countries in cooperation with the "Diverseurop" network.</li> <li>Sign agreements with unions on issues specific to seniors in the Group's French companies.</li> </ul>	<ul style="list-style-type: none"> <li>Conducted 1st Danone Women's Leadership Lab in March 2009, with 73 people, 80% of them women, and Danone's CEO and several Executive Committee members in attendance.</li> <li>Involved Executive Committee members in mentoring young women and set up 2 women's networks.</li> <li>Offered women's leadership training to women managers and general managers in the Group training catalog.</li> <li>The strategic priorities selected were "Upward Social Mobility" and "New Business Models/New Profiles."</li> <li>Danone Italy signed the Diversity Charter adopted by the Italian government for the Diverseurop network's companies.</li> <li>Danone Spain signed the Diversity Charter adopted by the Spanish government.</li> <li>Continuation of the Spanish network.</li> <li>Conducted research concerning senior employment in the Group's French companies.</li> </ul>

2010 PERFORMANCE  
 AND NOTEWORTHY ACHIEVEMENTS

 2011 COMMITMENTS  
 AND SHORT-RANGE OUTLOOK

- Recruitment guide, including a Danone leadership attitudes observation matrix, currently being distributed.
- Assessment of managers and senior executives using CODE leadership attitude standards, with an impact on compensation.

- Revise training programs for all employees to reflect CODE leadership attitude standards: management fundamentals, training for human resources managers.

- 11,500 employees trained, including 8,400 “Team Leaders” and 300 in-house trainers

- 15,000 employees trained at year-end 2011; follow-up and training-practice sessions, designed to develop coaching attitudes in managers.

- Gender parity: 2nd year of Danone Women’s Leadership Lab in June 2010, with presentation of results to all general managers during their annual meeting.
  - Action plans adopted for Sales, Industrial and Procurement departments as well as for the Southern Europe and France regions.
  - Mentoring programs expanded: over 80 women enrolled.
  - Women’s leadership training: over 200 women trained (100 in France and 100 worldwide).
- Creation of the EVE seminar with partner companies, a continuation of Danone’s in-house seminars on women’s leadership. The first seminar, which took place in Evian in December 2010, drew 230 women and men. Focusing on the theme, “Take action by daring to be yourself,” the seminar is designed to develop individuals capable of transforming organizations.

- Develop indicators for measuring women’s progress in moving up the corporate ladder.
- 2 new working groups on flexible career paths modularity and work-life balance.
- Plan for tracking careers of women with leadership potential per division.

Recommendations from “Open Sourcing” laboratories in November 2010:

- Introduce a new bonus criterion for managers (access for all employees to an individual career development and internal promotion plan);
- Add a CODE (leadership attitudes) observation matrix to our recruitment methods (identify leadership potential);
- “Hiring without a résumé” pilot projects, partnerships with universities and non-profit organizations (HR Mozaik, for example);
- Develop special “emerging country” assignments for Danone employees as a recommended stage in their career.

- Develop indicators for measuring progress in diversifying candidate pool during recruitment process (socioeconomic background, experience and education).

- Diversity policy/organization: produced and distributed a manual to CBUs to share best practices and to formally lay the groundwork for a shared needs assessment.

- Set up a diversity structure supported by the various Danone divisions and regions.
- Create a network of diversity representatives in the CBUs.

- All French CBUs are now covered by an action plan or senior employee agreement and achieved specific objectives in the areas of job retention, training, and flexible working conditions and transition-to-retirement arrangements.

- Sign 2 additional agreements and achieve objectives set by each CBU in its action plans.

## Measuring progress and performance throughout the value chain

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## Danone Way

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### Danone Way methodology

For more information about Danone Way's methodology, *see pages 52-56* in the [Danone 2009 Sustainability Report](#).

#### Change in methods in 2010

Since the new version of Danone Way was introduced in 2007, the Group has sought to maintain consistent guidelines to ensure a clear understanding of the Country Business Units' (CBUs) progress over a period of several years. At the same time, the Group must make occasional changes in response to developments in the five topic areas, in terms of level of requirements, changes in strategy (New Danone in 2009) and integration of the Baby nutrition and Medical nutrition divisions' new CBUs.

In 2010, Danone Way changed its methodology as follows:

- implemented the Danone Way program in all Baby nutrition division CBUs and seven pilot Medical nutrition division CBUs;
- created a version called "Danone Way Light" for 10 CBUs that incorporates the five major Danone Way fundamentals (one per topic): Safety at work, Working hours, Environmental footprint, Consumer quality management, and Business conduct policy;
- improved the quality assessment of the CBUs' efforts with a more objective evaluation of the required criteria;
- raised the standards for suppliers' CSR Performance fundamental after implementation of the Sedex platform (*see page 94*);
- strengthened the Local Communities fundamental by requiring the implementation of a large-scale community program (modeled after the Danone Ecosystem or Danone Supporting Life initiatives, *see page 65*) to achieve the highest rating (level 4);
- eliminated questions (fundamental or indicator) considered non-applicable to a specific CBU in the calculation of its final score;

## *Danone Way*

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### **External audits to certify an internal program**

To demonstrate the objectivity and reliability of the Danone Way program to the Group's stakeholders, the program has been audited, since 2002, by an independent firm (KPMG since 2007).

Conducted jointly with external auditors (KPMG) and Danone, these audits have three objectives:

- ensure the reliability of information originating from Country Business Units (CBUs);
- increase the CBUs' familiarity with Danone Way in terms of the process, expected standards and understanding of the guidelines;
- highlight to Danone Way's corporate staff the best practices developed by the CBUs and the guidelines' smooth implementation in the daily work routine in order to advance the Danone Way program as much as possible.

14 CBUs representing 17% of Danone's revenue were audited between November 2010 and March 2011. Combined with the audit of the central consolidation method applied to all CBU results, KPMG thus certifies the entire Danone Way program at Danone Group level.

The resulting opinion is published *on pages 124 to 126 in this report.*

## 2010 Results

### Scope of assessment

In 2009, 77 Country Business Units (CBUs) participated in the Danone Way self-assessment, representing 89% of the Group's revenue. In 2010, in a continuation of the process begun in 2009, 35 new CBUs in the Baby nutrition and Medical nutrition divisions joined the Danone Way program, which now accounts for **94% of the Group's revenue**. Out of the **112 CBUs** that have joined, 10 have conducted a self-assessment based on the "Danone Way Light" guidelines.

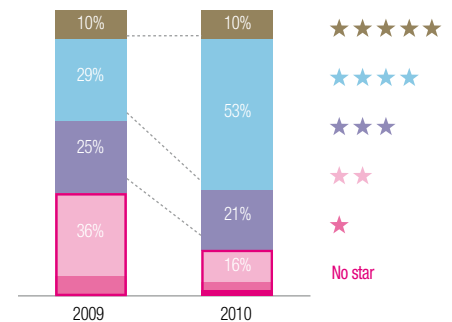
### Detailed results

**Methodological note:** All of the results presented below show the trend from 2009-2010 on a like-for-like basis (2009) to make it easier to understand the Danone Way results. Moreover, the 2009 and 2010 results are based on the 2010 calculation method, i.e. an indicator not applicable to a specific CBU is not included in the CBU's final score, whereas it was considered non-compliant in 2009 (and thus resulted in a loss of points).

#### 1. Star Challenge

The chart on the right shows the breakdown of CBUs based on the number of stars awarded. There has been a continuing trend towards a general improvement in results, and the effort to focus on CBUs scoring under the three-star threshold has been bearing fruit. In fact, the proportion of CBUs under this minimum acceptable performance level has dropped from 36% to 16%. There has even been a very strong trend of CBUs jumping from three to four stars.

Star Challenge  
Distribution of Country Business Units according to the number of stars obtained.



# Danone Way

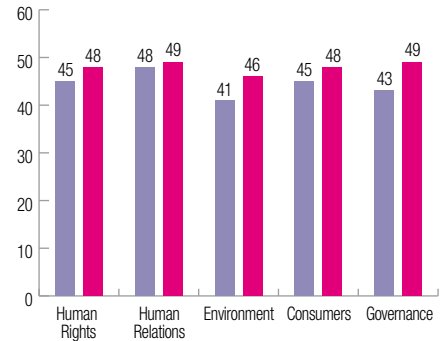
## 2. Topics and Fundamentals

In 2010, the five areas had higher scores, with a particularly significant increase in the following areas:

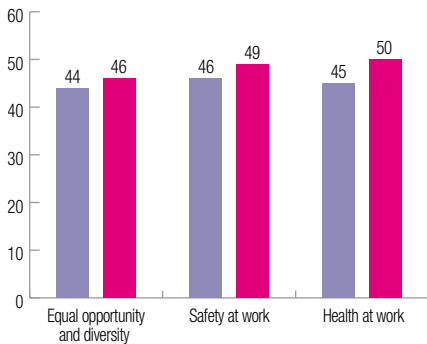
- **Environment:** largely due to efforts to improve the safe use of raw materials: FaRMS in the Dairy products division (*see page 178 in this report*) and SPRING in the Waters division (*see page 46 in this report*), included in the Raw Materials Impact fundamental. In addition, the GREEN initiative plays an important role in verifying the Environmental Risks fundamental (*see page 42 in this report*).
- **Governance:** due to strengthening knowledge of the CBU regarding their local communities.

It's also worth noting that the Compensation & Benefits fundamental (Human Relations topic), after a year of decline in 2009 due to much tougher standards, started rising again (see below for more information on all the fundamentals).

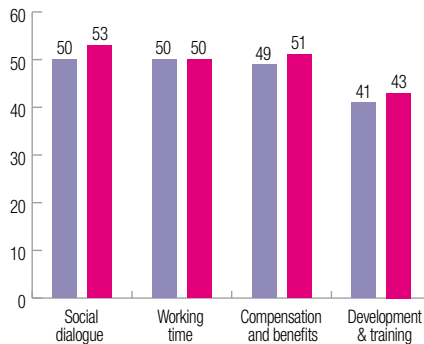
Change in the average score for CBUs (policies and indicators total) for each of the 5 Danone Way topics from 2009 to 2010.



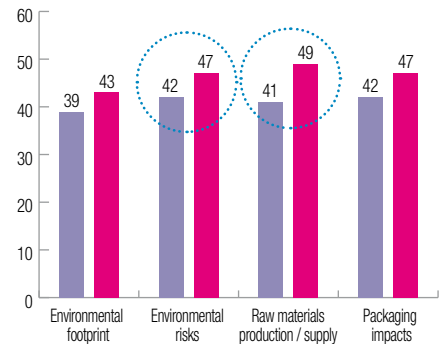
### Human Rights



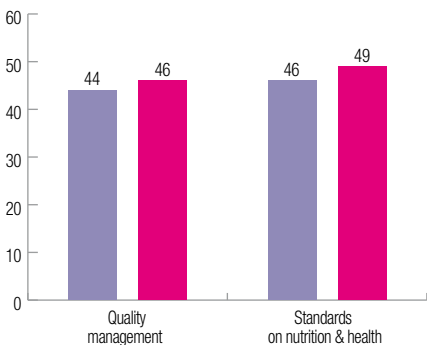
### Human Relations



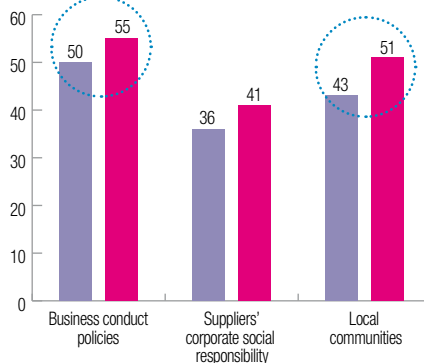
### Environment



### Consumers



### Governance



■ 2009  
■ 2010

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## Danone Way in 2011 and outlook

In the future, there will be a considerable increase in the number of innovative sustainable development projects initiated by the Country Business Units (CBUs). As a result, Danone Way will have more responsibility than ever for ensuring the robustness of the Social Responsibility fundamentals. Danone Way will thus be facing two challenges: adapting both the guidelines' content and the coordination process within the Group.

First, in terms of process, the higher number of CBUs participating in Danone Way will require providing more assistance through intermediaries in divisional and regional organizations, particularly by using more targeted and inter-CBU audits conducted jointly by KPMG and experienced "Danone Walkers."

Finally, adapting the guidelines will have to allow for the integration of the Medical nutrition division's newest CBUs as well as the need to establish sufficiently ambitious standards for the most mature CBUs and to maintain consistency between policies and performance indicators on the one hand and Danone's four strategic priorities on the other.

## Respect

### The RESPECT program

The year 2009 was one of strong forward movement due to:

- the integration of the Fundamental Environmental Principles and Principles of Business Ethics into procurement contracts and general terms of procurement, in addition to the Fundamental Social Principles integrated since 2001. Together these form the Sustainable Development Principles;
- the extension of the approach to the Baby nutrition and Medical nutrition units;
- the shift from internal audits based on primarily social criteria to external so called “SMETA” audits including the four pillars: Health and safety, Employment law, Environment and Business ethics.

The RESPECT approach benefited from this strong forward movement, which led to registration of **1,282 suppliers** on the Sedex platform in 2010, all divisions combined, covering 50% of raw materials and packaging suppliers as well as the major service suppliers for all group Country Business Units (CBUs).

Zone	Waters	Baby & medical nutrition	Dairy products	Total
Africa	0	0	14	14
Americas	97	45	117	259
Asia	135	134	19	288
Europe	153	267	302	722
<b>Total</b>	<b>385</b>	<b>445</b>	<b>452</b>	<b>1 282</b>

This table shows the breakdown of the number of supplier sites that have completed the self-evaluation questionnaire on the SEDEX platform by geographic area and division.

Based on the self-evaluations of these 1,282 suppliers, 103 were identified for SMETA audits by external auditors, a **60% increase** over the number of audits in 2009, with considerable strengthening of environmental and business ethics criteria.

Zone	Waters	Baby & medical nutrition	Dairy products	Total
Africa	0	0	2	2
Americas	13	1	13	27
Asia	17	4	29	50
Europe	4	8	12	24
<b>Total</b>	<b>34</b>	<b>13</b>	<b>56</b>	<b>103</b>

This table shows the breakdown of the number of supplier sites that have completed a SMETA audit by geographic area and division.

## Results in 2010

Most of these audits were carried out in Asia and South America, regions viewed as at-risk with regard to Corporate Social Responsibility (CSR) practices. The external audit results are as follows:

Topic	Percentage of non-compliance issues
Health & safety	31%
Working hours	23%
Wages	16%
Forced labor	6%
Freedom of association	6%
Child labor	4%
Discrimination	3%
Environment	3%
Other	8%

This table shows the breakdown of non-compliance issues identified by the audits.

## *Respect*

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Results in 2010 were comparable to those in 2009: health and safety, working hours and wages remain the areas in which the most non-compliance issues were detected. These audits led to implementation of corrective action plans with suppliers.

### **RESPECT outlook**

The program's aim and objectives were set at end 2010 by the RESPECT Committee and Danone's top management. The primary 2011 objectives are to:

- further promote supplier registration (to reach 100% by end 2011) and the number of audits completed (eventually covering 100% of at-risk suppliers);
- continue to structure tools and processes to support the RESPECT approach, and work together with other FMCG (Fast Moving Consumer Goods) sector companies to promote the necessary standardization of these processes and tools;
- strengthen buyers' skills in terms of educating suppliers with regard to topics identified as at-risk.





## Danone's evaluation by social responsibility rating agencies

### Dow Jones Sustainability Index Rating – October 2010



The Dow Jones Sustainability Index (DJSI) is a major global index that evaluates the sustainable development performance of the 75 best-performing companies (chosen from a total pool of 1,400 companies), according to social, environmental and economic criteria. These criteria have become stricter over the years and companies need to continuously improve to remain in the index. Danone has been in this index since its creation in 1999, with a score of 74% (compared with 73% in 2009), and is part of a panel of the nine best companies worldwide in the agri-food sector in the 2010 index.

#### Economic dimension

Danone's economic performance is rated average for the sector, with a score down by five points due to the relative drop in Danone's rating for three items: corporate governance, innovation management and nutrition/health. At the same time, Danone progressed in other areas, such as emerging markets strategy and risk and crisis management, where Danone has almost the best rating.

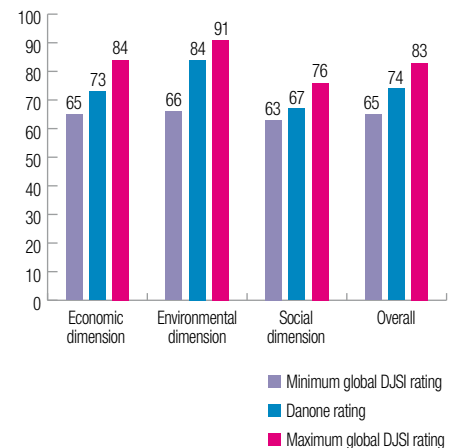
#### Environmental dimension

Danone is clearly positioned as an agri-food sector leader in the environmental area, with a three-points increase in the index in 2010, following a five-point rise in 2009. Of the seven environmental evaluation criteria, Danone is rated a benchmark company (highest rating) in four areas: environmental reporting, environmental management systems, packaging, and raw materials procurement methods.

#### Social dimension

Danone's performance in the social dimension is stable. The company's key strengths are in labor practices and social reporting, and areas for progress include the corporate citizenship and philanthropy criteria (due to the lack of consolidated reporting of budgets for these items in 2010), as well as health and safety, despite strong progress.

Danone rating in the DJSI in 2010



## Danone's evaluation by social responsibility rating agencies

### VIGEO Rating - March 2010



The European leader in social responsibility ratings, Vigeo measures the social responsibility performance of European, American and Asian companies in the DJ Stoxx 1800 Global in six evaluation areas (*see table*).

Danone was evaluated in March 2010 with a panel of 19 companies in the agri-food sector, and has achieved an overall score of 60/100. Vigeo noted in its report that “the group is aware of the opportunities and threats arising from the integration of Corporate Social Responsibility principles, and these are a significant component of its business strategy.”

March 2010 evaluation of Danone in the six rating areas, and 2008 comparison

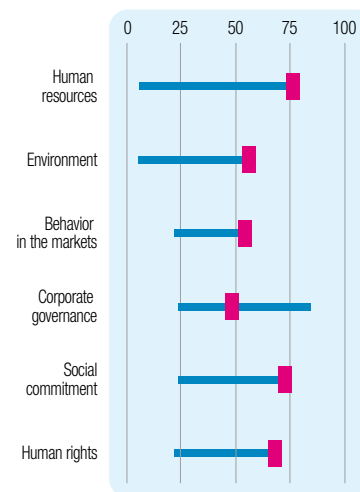
Evaluation areas	03/2010 rating	03/2010 rank	04/2008 rank
min - / max ++			
Human resources	76	++	++
Environment	56	++	+
Behavior in the markets	54	+	+
Corporate governance	48	=	-
Social commitment	72	++	+
Human rights	68	++	++

Danone has made significant progress since the last evaluation in 2008, with a higher rating for all indicators, notably Human resources and Social commitment.

Danone is also positioned as the **agri-food sector leader in three areas:**

- Human resources;
- Social commitment;
- promoting and respect of Human rights.

(*see rating in the tables opposite*).



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**Danone's Human Resources** (HR) policies are recognized as ambitious and dynamic, and as presenting a competitive advantage for the group in the following areas in particular:

- promoting labor dialogue;
- employment forecast management and ongoing skills and employability improvement for employees;
- implementing joint approaches for managing corporate restructuring.

The **fundamental social principles** (respect for freedom of association and the right to collective bargaining, promoting non-discrimination in the group, etc.) remain at the heart of Danone HR policies.

In terms of **social commitment**, Danone is the leader in the sector with extensive policies in the areas of:

- economic and social development of the regions and countries in which it does business;
- development of products and services to reduce obesity and cardiovascular disease.

Danone is also the **second-leading company in terms of behavior in the markets and environmental performance**.

Danone is recognized for its advanced environmental strategy that includes quantified objectives for all relevant challenges in the sector, and for the publication of adequate periodic reporting indicators.

Finally, the group's performance in terms of **corporate governance** is now rated as average for the sector, after significant progress made in 2010.

## Other ratings

Danone is also present in the **ASPI and Ethibel** sustainable development indices, which highlight the company's performance in terms of social responsibility and respect for the environment at European level. The Aspi Eurozone index includes the 120 best-rated listed companies in the euro zone based on Vigeo ratings for their environmental and social performance. The Ethibel index offers potential investors an overview of the leading companies in the areas of sustainable development and social responsibility.

## A social approach built on Danone's unique feature

SOCIAL INTEGRATION TOOLS IN THE COMPANY'S BUSINESS **93**

STAKEHOLDERS AT THE HEART OF THE DIALOGUE **97**

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NUTRITION AND HEALTH GOVERNANCE **106**



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## *Social integration tools in the company's business*

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### **Danone Way: the fundamental sustainable development principles in Danone's Country Business Units (CBUs)**

Launched in 2001, the Danone Way program is based on the fundamentals of Danone's sustainable development strategy. In 2010, 112 CBUs, representing 94% of Group revenue, assessed their performance in five areas based on guidelines covering policies and indicators that concretely convey Danone's key Corporate Social Responsibility (CSR) criteria.

This program meets stakeholders' CSR expectations and drives **efficiency and progress at all CBUs**. Danone Way enables:

- Danone to provide guidance to startup CBUs, particularly in emerging countries;
- Danone to instill its corporate culture in newly acquired, but already structured, CBUs;
- each CBU to compare its performance to that of its fellow CBUs and learn ways to improve.

As evidence that Danone Way has become deeply rooted in the corporate culture, the 2010 participation rate and the results have significantly increased. This demonstrates that CSR performance is viewed as a leverage for setting the Group apart and transforming the business during a period of economic crisis.

For more information about Danone Way's history, *see pages 52 to 56 in the [Danone 2009 Sustainability Report](#).*

For detailed 2010 results, *see pages 83 and 84 in this report.*

## Social integration tools in the company's business

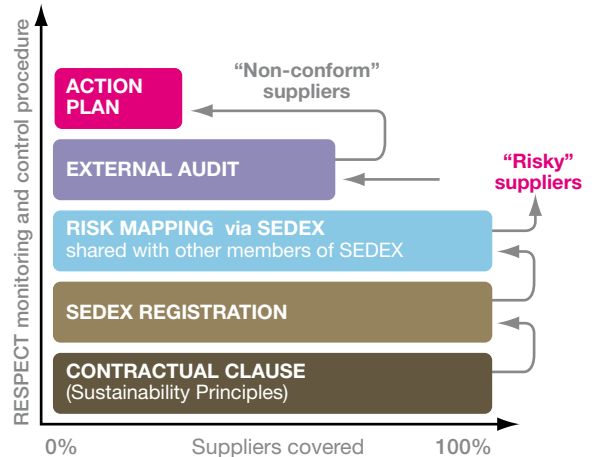
### RESPECT: Monitoring the suppliers' Corporate Social Responsibility

Due to Danone's relationships with thousands of suppliers around the world, a significant portion of its environmental and social impact takes place within these companies that evolve in partnership with the group. A direct reflection of Danone's "dual economic and social project", the RESPECT approach launched in 2005 consists in extending this vision to the group's entire supply chain, except milk producers, following a specific process:

- contractualizing suppliers' Corporate Social Responsibility (CSR) performance with the signature of Sustainable Development Principles and their integration into general terms of procurement;
- exchanging information through self-declarations by suppliers concerning their CSR performance, on the Sedex platform connecting players in the FMCG (Fast Moving Consumer Goods) sector;
- external CSR auditing of suppliers viewed as at-risk based on this information exchange, with a view to implementing an appropriate action plan (*see diagram*).

For more details on the RESPECT methodology, see the [2009 Danone Sustainability Report](#), pages 63 to 69. The detailed results for 2010 are presented on pages 86 to 88 of this report.

In taking this proactive approach to CSR issues with its suppliers, Danone supports its partners' sustainable business methods and thus its own sustainable development. RESPECT also represents significant change in business relationships, in terms of comprehensiveness and transparency of information to be documented and shared. Well aware of the efforts required from suppliers in this context, Danone, together with other companies in the AIM-PROGRESS-SEDEX group, has taken on the responsibility of promoting change in commercial practices to support more sustainable development of the agri-food industry.



## A bonus system that integrates social performance since 2008

The social dimension is a powerful force to bring meaning and commitment to Danone's employees. Since 2008, criteria used to evaluate the performance of the company's 1,400 managing executives are based on a **three-part bonus system**:

- 1/3 for economic objectives,
- 1/3 for social and environmental objectives,
- 1/3 for individual performance objectives.

More specifically, in 2010, management'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 together with the supervisor's assessment**, in three areas:

1. **The group's economic objectives and published market data:**
  - Net revenue, Operating Profit, Operating Free Cash Flow (OFCF) for the manager's scope of responsibility;
  - Earning per Share (EPS) applied across Danone.
2. **Danone's social objectives**, which are divided into two areas:
  - the **“Social Fundamentals”**: Workplace Safety including accident frequency rate and implementation of specific action plans for the CBUs identified by the group's Safety Committee; the **“Great Place to Grow Index”** as an indicator of HR progress, which has been tested for the Dairy products division and includes data and resources (employee training hours, part of management positions held by non-managers, internal promotion rate for all open positions, accident frequency rate); and employees' perception of these topics, measured by the external Towers Watson agency opinion poll;
  - **the New Danone strategic priorities:** for the Nature priority: reduction of carbon dioxide (CO<sub>2</sub>) emissions, and for the People priority: talents development plan or “Danone Leadership College” rollout plan.
3. **Specific individual objectives within the scope** of each manager and consistent with the group's strategy, in some cases with a specific objective concerning the New Danone Health priority.



## *Social integration tools in the company's business*

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Danone's unique approach in this area is based on its three-part short-term variable compensation structure, which makes it possible **to manage the group's economic and social strategy as precisely as possible.**

The system for setting objectives and managing performance continued to prove its effectiveness in 2010:

- the group's economic objectives are aligned with published market data;
- social results (reduced accident frequency rate, measurement and reduction of CO<sub>2</sub>, Danone Leadership College launch, talent development and the Great Place to Grow Index dedicated to employees development, etc.) meet or exceed stated objectives.

Beyond these results, this bonus system for the group's 1,400 managers and executives serves to reinforce the dual economic and social project that has motivated Danone teams for almost 40 years, for the benefit of Danone employees as well as its ecosystem.





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## *Stakeholders at the heart of the dialogue*

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### **Danone's approach toward stakeholders: from dialog to co-creation**

In keeping with the spirit of its dual economic and social project, Danone believes that the relations it has developed with its stakeholders are part of its business model. The Group has established processes and applications to organize this dialog with public and private sector institutions outside the company.

For Danone, **the main challenge involves “co-creation”** i.e. creating shared value to benefit both the company and its stakeholders. Danone's approach is therefore separate from the traditional view of philanthropy, which is generally distinct from the company. Danone is convinced that its interaction with partners who have gained experience and skills complementary to its own can serve as powerful means for transformation and innovation both for the company and society. More than mere “dialog,” Danone's actions are all about creating “solutions.”

One of Danone's action principles is to work toward developing partnerships concluded at corporate level with suitable partners and preferably based on projects and local situations. Danone's Country Business Units (CBUs) therefore have considerable leeway in each country to develop partnerships with those organizations offering the greatest synergies.

The Group's role is to provide guidelines for selecting partners and to encourage the CBUs and its partners to share information and capitalize on their respective best practices. Information-sharing platforms have been established on the Group's intranet networks. Each year, the **Danone Social Innovation Lab** brings together all the organizations active in business and social innovation. In July 2010, more than 200 participants from 30 different countries spent two days working on specific innovation projects related to general health and nutrition, reducing environmental impacts, sustainable agriculture, etc. Some 50 organizations outside of Danone (non-governmental organizations, research and development centers, public-sector associations, etc.) participated in the Social Innovation Lab.

## *Stakeholders at the heart of the dialogue*

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While the impetus for these projects is local, **they are governed by the Group** at several levels:

- Each of the Funds created on Danone's initiative has governance bodies composed mainly of people from outside the company. Thus the Board of Directors of **danone.communities** is co-chaired by Professor Muhammad Yunus and includes representatives from civil society such as Jean-Michel Sévérino, the former Director General of the French Development Agency; Jay Naidoo, Chairman of the Global Alliance for Improved Nutrition; Maria Nowak, Chairwoman of the microfinance association ADIE. The Steering Committee of the **Danone Ecosystem Fund** is co-chaired by Martin Hirsch, the former Commissioner for Active Solidarity of the French government, and Pascal Lamy, the Director General of the World Trade Organization (WTO); other members include: Bill Drayton, Chairman of the social entrepreneurs movement Ashoka; Esther Duflo, founder of Poverty Action Lab; Ron Oswal, General Secretary of the International Union of Food Workers (IUF). The Executive Committee of the **Danone Fund for Nature** is co-chaired by Anada Tiega, General Secretary of the Ramsar Convention on Wetlands and Julia Marton-Lefèvre, Director General of the International Union for the Conservation of Nature (IUCN).
- The **Social Innovation Committee** is responsible for validating projects that have been previously analyzed by teams dedicated to the various funds. The Committee decides on the financing to be allocated to the projects, which it then monitors. It also plays a broader role of initiating and proposing social innovation themes to the Group's Executive Committee. The Committee consists of some 10 members: General Managers of the regions, representatives from the various divisions and heads of corporate functions. It is chaired by Muriel Pénicaut, the Head of Group Human Resources and led by Bernard Giraud, Vice-President responsible for Sustainable Development.
- The **Social Responsibility Committee** is a committee of the Board of Directors charged with keeping the Board informed on all of these matters. Comprised of Group directors, the Committee gives an opinion of overall orientations, projects and their impact while paying close attention to potential conflicts of interest.

## People

A forerunner in the area of **international social dialog**, Danone distinguished itself very early on by signing the first international framework agreements with the International Union of Food Workers (IUF). Eight framework agreements were signed, with Danone and the IUF jointly responsible for their promotion and assessing their implementation in the Country Business Units (CBUs) in several countries.

Following the October 2009 meeting of the Information and Consultation Committee, a new international framework agreement on health, safety, working conditions and stress is currently being negotiated and should be signed in 2011. In order to accurately reflect the actual conditions, the negotiators traveled together to inspect several plants, notably in Spain and Brazil, and finalized the draft agreement in late 2010.

Danone takes part in several **initiatives aimed at stimulating local employment**, particularly in France through the Initiative 500 program, which strives to promote access to skills training for low-skilled youths through a preliminary training period of at least four months, including one-third provided at the company. At the end of this preliminary training period, the youths are typically able to participate in an apprenticeship training program that includes qualifications ranging from the French professional aptitude certificate (CAP) to the French baccalaureate (Bac). Working with institutional organizations at local level (French Regional Councils, DDTEFP, local youth advice centers, the French employment agency, ADAPT, etc.), as well as subcontractors to bring these youths into the company, Danone has also used instructors from the preliminary training stage with special training.

Moreover, since its launch in late 2009, the **Danone Ecosystem Fund** has made it possible to finance some 20 projects related to “upstream” agriculture, the collection and recycling of used packaging, local distribution, etc. The principle of the Fund is that each project be initiated and led by a Danone CBU in partnership with one or more non-profit organizations. These organizations may be purely local NGOs or local branches of international NGOs.



## *Stakeholders at the heart of the dialogue*

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The following are examples of projects financed by the Fund in 2010: the development of a social business involved in local distribution in Mexico with Ashoka and local NGOs; the creation of cooperatives with small dairy producers in Ukraine along with Heifer; a program to develop small-scale producers in Egypt with CARE and in Mexico with Technoserve; the conversion of dairy farms to organic milk production in France with the Institut de l'Elevage; a program to collect and recycle plastic packaging in Indonesia with Ashoka and local NGOs, etc.

In each of these cases, an agreement defines the project's economic and social objectives, measures their impact and the action plans to be implemented, the special resources to be made available to the partners and the project governance.

### **Nature**

The development of the strategic focus on Nature requires dialog with several different stakeholders depending on the topics addressed. This dialog involves consultations with the stakeholders to assess the challenges and impacts of choices that will be made or to explore new areas where Danone would like to make progress.

In 2010, these **consultations in several countries** and at corporate level focused primarily on new packaging materials, impacts on biodiversity, the supply of agricultural-based commodities, notably with respect to the challenges involving palm oil and GMOs. Organizations such as WWF, IUCN, the Nicolas Hulot Foundation and the Ramsar Convention are involved in these consultations.

In addition to the consultations, Danone is developing several joint initiatives under major programs dealing with environmental challenges, particularly the link between agriculture, food and climate change. Danone is therefore working with the French National Institute for Agricultural Research and SAP to develop an information and decision-making system that integrates CO<sub>2</sub> impacts and financial indicators.



To complement the actions aimed at reducing CO<sub>2</sub> emissions, Danone has developed **innovative offset programs**. These programs are conducted through the Danone Fund for Nature, created in 2008 in partnership with the International Union for Conservation of Nature (**IUCN**) and the **Ramsar** Convention. All projects are implemented by local NGOs. In 2009 and 2010, the project to restore mangroves in Senegal, led by the **Senegalese** NGO **Oceanium**, led to planting 100 million mangrove trees, which will sequester more than 500,000 metric tons of carbon and help to reestablish biodiversity and fish stocks, thereby improving the food security of the villages. In 2010, two other carbon offset projects with major social and environmental impacts were launched in **India**, one with the NEWS non-governmental organization to restore mangroves in the Sundarbans (Western Bengal) and another with the **Naandi Foundation** to plant fruit trees with the Adivasi communities in the Araku valley. The success of these projects conducted in 2009 and 2010 has encouraged Danone to step up this innovative carbon offset approach.

## Health

To implement its mission of “bringing health through food,” **Danone’s teams work in each country and at corporate level with the public health authorities** responsible for defining food and health priorities. Ongoing dialog is organized with the Ministry of Health, agencies specialized in nutrition and public health and nutrition experts. This dialog allows us to understand the major nutritional issues in the various countries where Danone operates and to co-develop solutions (products and services) offering the greatest potential benefits.

Since 2002, Danone has further enhanced its understanding of local environments through the establishment of Nutripacks, i.e. summaries of nutrition challenges in the various countries. This approach, which demonstrates a strong commitment toward developing increasingly relevant products, is further enhanced by a component on dietary practices, dietary behavior and food claims in a given country. Partnerships such as the one concluded with the **International Nutrition Foundation**, which is a benchmark for nutrition in the emerging market countries, also bolster Danone’s expertise and commitment to openness and co-construction.



## *Stakeholders at the heart of the dialogue*

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Through these actions, Danone's team members all work closely with nutrition experts, sociologists, doctors, etc.

This work with stakeholders is also reflected at the scientific level through cooperation which goes beyond the products. Thus Danone recently created the **ANCA (French acronym referring to diet, nutrition and dietary behavior) Company Chair** with AgroParisTech school in Paris. The purpose of this chair is to create new knowledge (research, training, events) in the area of nutrition science, technology and sociology in order to offer dietary and dietary behavior solutions, help raise awareness and educate all walks of civil society. A partnership has also been established with **Tufts University in Boston**, the leading U.S. university in the area of nutrition.

The **Danone Institutes**, non-profit independent organizations, which bring together scientists and nutrition experts from some 20 countries, also promote dialog and information-sharing. Each year, the Institutes provide up to €1 million in financial support to research efforts on the link between diet and health. In 2010, the Institutes provided financial backing for some 60 research studies focused on intestinal microflora, nutrition, obesity prevention and nutritional status among other topics. Teaching tools have also been developed to help teachers work with children. In the Czech Republic, the Healthy Alphabet program based on the preschool General Education Curriculum was launched. This program also provides teachers with well-researched thematic learning modules and seminars on dietary education accredited by the Czech Ministry of Education. This program was implemented by a multidisciplinary team: members of the Danone Institute, experts in the areas of physical education, nutrition, mental health and the environment, NGOs, teaching specialists and preschool teachers.

Danone's dialog with stakeholders in the health and nutrition fields is not limited to scientific research or education. Danone also works closely with other food industry players to develop solutions aimed at helping consumers make well-informed and healthy food choices. That approach applies in particular to providing consumers with nutritional information on the products and ensuring responsible marketing and advertising practices.

## For all

To develop models that allow us to bring health through food to as many people as possible, Danone works with several **large international partners such as the Global Alliance For Improved Nutrition (GAIN) and numerous local private and public organizations** depending on the projects. After an initial step consisting in understanding local nutritional situations and needs, so-called immersion projects are designed and implemented with NGOs or universities in the respective countries. Thus in 2010, Danone's Base of the Pyramid teams worked in India with several organizations, notably Drishtee, an Indian NGO that develops local services in rural areas.

New products satisfying special nutritional needs of the respective populations are designed as part of a "co-development" process between Danone's Research and Development and marketing teams, NGOs and local experts. Thus in Senegal, the development of a product aimed at school-aged children was carried out in close collaboration with the team from danone.communities, Danone Research and Development experts, the Senegalese NGO ENDA, Senegal's Ministry of Education, support from a French NGO, GRET, and help from Mrs. Diouf, a restaurant owner with extraordinary knowledge of local tastes and ingredients.

In Indonesia, the design and launch of the product Gizikita aimed at complementing the diet of infants (between 6 and 36 months) and providing dietary supplements to pregnant and nursing mothers to fight against dietary deficiencies were carried out in partnership with the Indonesian Ministry of Health, the National Midwives Association and an Indonesian NGO, PKPU. Awareness raising programs for families, and notably mothers, are organized with these partners at local dispensaries.

In 2010, a company was created in India that was supported by **danone.communities** in partnership with the **Naandi Foundation** to develop access to pure water for impoverished rural populations. This Indian foundation has developed major programs in the areas of nutrition in schools, access to water and rural development. The new packaged water distribution company aims to equip 2,000 villages with water purification plants over the next three years, creating a positive impact on the health of 600,000 people in rural areas.



## Corporate governance

Sound governance is not only a management imperative but also an asset for getting through crisis situations. It is in this spirit that Danone strives to move ahead. With special attention given to strengthening the dialogue with its stakeholders and with the willingness to harmoniously fulfil its mission to bring health through food to as many people as possible. Since the mid-1990s, Danone has sought to adopt rules and processes established across the enterprise. This work was supported by the Board of Directors (*see table below*) and helped build the framework and tools for good governance in order to ensure the management of risk and compliance of the company's business activities with applicable regulations. With the advent of the two divisions of Baby Nutrition and Medical Nutrition, Danone has now become a company totally focused on healthy nutrition and diet, which has further reinforced some governance issues for the group.

Mandatory information regarding the company's governance is available in [Danone's Registration Document](#). References to the relevant pages are indicated in the GRI index *on pages 115 and 116 of this report*.

### The board of directors and its committees

#### The Board of Directors

At the time of this report, the Danone Board of Directors was composed of the following fourteen members, eight of whom are independent.

The Danone Board of Directors, meeting on February 14, 2011, approved the resolutions that will be submitted to the Shareholders' Annual Meeting on April 28, 2011.

In the framework of continuous improvement of the group's governance, and upon recommendation by the Nomination and Compensation Committee, the Board will present the Board appointments of Ms Isabelle Seillier and Mr. Jean-Michel Severino for shareholder vote at the April 28, 2011 Annual Meeting.

#### The Danone Board of Directors

- Franck Riboud
- Emmanuel Faber
- Bernard Hours
- Bruno Bonnell <sup>1</sup>
- Michel David-Weill
- Richard Goblet D'alviella <sup>1</sup>
- Yoshihiro Kawabata
- Christian Laubie <sup>1</sup>
- Jean Laurent <sup>1</sup>
- Hakan Mogren <sup>1</sup>
- Jacques Nahmias <sup>1</sup>
- Benoît Potier <sup>1</sup>
- Guylaine Saucier <sup>1</sup>
- Jacques Vincent

<sup>1</sup> Independent Director



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In this new configuration, subject to its approval by the upcoming Annual Meeting:

- members viewed as independent by the majority of institutional investors will comprise 50% of the Board (seven members out of 14); and
- the ratio of women on the Board will rise from 7% to 14% (two of the 14 members).

The Board will thereby improve its ratio of independent and of female members.

The Board restates its intent to continue to pursue improved governance in terms of independence and participation of women in the future in proposals submitted to the Annual Meeting.

### **The Audit Committee, Nomination and Compensation Committee and Social Responsibility Committee**

Complete descriptions of the Audit Committee, Nomination and Compensation Committee and Social Responsibility Committee are available in the Danone [Registration Document](#) (see respectively chapters 6.2 page 163, 6.3 page 165 and 6.4 page 168).

**The governance of the following funds:** danone.communities Fund, Danone Fund for Nature and Danone Ecosystem Fund, is detailed on *page 98 of this report*.

**The internal control and risk management procedures** applied by the group are described in the [2009 Sustainability Report](#) on pages 33 to 39.

## *Nutrition and Health governance*

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### **Danone's Nutrition and Health governance**

Health and nutrition are at the very heart of Danone's mission, and therefore also of the corporate governance. To create a Health and Nutrition strategy in line with its mission, Danone has created Nutrition and Health governance structures that meet very stringent criteria. These structures are based on principles, mechanisms, commitments and evaluation methods that allow Danone to meet its commitments and fully express its values of social involvement and responsibility in action.

#### **Principles**

##### **1. A rigorous scientific approach**

The first core principle is to apply a rigorous scientific approach to developing products and demonstrating their nutritional and health benefits. This pillar is based on Danone's unique Research and Development expertise, as well as ongoing and open communication with the scientific community through public and/or private partnerships, meetings of experts and seminars. This scientific approach uses internal reference tools (*described in the 2009 Sustainability Report*) to ensure project relevance (selected nutritional/health objectives, food involved, proposed nutritional responses, etc.) and provide convincing science-based evidence of products' effectiveness.

##### **2. Self-discipline that goes beyond official regulations**

Danone's Nutrition and Health governance also seeks to establish rules that are stricter than existing regulations with the aim of raising up the products' relevance and ensuring greater trust and transparency in Danone's communications. This approach is based on several internal tools (*see Sustainability Report 2009 for a description*) and on national, regional and/or international codes of best practice such as the International Chamber of Commerce code of Responsible Marketing Communication of Food and Beverages.

##### **3. A consistently collaborative approach with many stakeholders at national, regional and international levels**

Danone supports national, European Community and international collaborative efforts involving both industrial players and civil society, particularly those that seek to promote clear consumer information or foster responsible health and nutrition behaviors.

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## **Mechanisms**

The health and nutrition facets of Danone's corporate governance are managed by the Global Nutrition and Health Policy Committee. Chaired by a member of Danone's Executive Board, this committee includes executives responsible for the main nutrition and health related functions, such as Research and Development, Regulatory affairs, Health and medical affairs, Quality and External relations. The committee meets every two to three months to discuss emerging topics, evaluate potential impacts and define appropriate positions and commitments. It also formulates concrete action plans, directives, guidelines, benchmarks and tool kits, and monitors their rollout in the Danone business units.

## **Danone's commitments**

Ensuring safety and quality from production to the end consumer is Danone's primary responsibility. Beyond this core duty, the Global Nutrition and Health Policy Committee has defined five fundamental health and nutrition commitments targeting the major food-related public health issues of today and tomorrow:

1. Propose nutrition solutions continuously tailored to nutritional needs and recommendations, tastes, and incomes,
2. Develop products with relevant, scientifically proven health benefits,
3. Inform consumers clearly and factually and advertise responsibly,
4. Promote healthy diets and lifestyles,
5. Address major health and nutrition related societal challenges.

## **Evaluation of Danone's commitments**

Implementation of the Food, Nutrition and Health Charter, and compliance with its commitments, are the responsibility of every one of Danone's business units. They carry out a self-assessment of their Nutrition & Health policy every year as part of the Danone Way approach, under the supervision of the Labor Relations and Social Responsibility department and verified by independent auditors. This approach ensures that Danone's responsibility to support people's social, economic and environmental well-being remains at the heart of its commitment to health and nutrition.

## Historical approach and highlights

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REFERENCE DOCUMENTS **109**

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HIGHLIGHTS AND  
KEY DATES 1972-2010 **110**

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## Reference documents

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- **Antoine Riboud's speech in Marseille** (1972) constitutes the group's cultural heritage. It was formalised in 1974 in the economic and social dual project.
- The **Fundamental Social Principles**, based on the standards defined by the International Labour Organisation, provide the basis to be respected by all companies within the group, Country Business Units, partners and suppliers.
- The **joint conventions signed with the International Union of Food (IUF)** since 1988, which include the **World Convention on Diversity**, signed on June 8, 2007, serve as the reference for international trade union dialogue within the group.
- The **Environmental Charter** (1996) commits the group from the design of products right through to the recycling of the packaging to a management approach that is more environmentally-responsible.
- The **Bledina Charter for breast milk substitutes** (2005) relates to the marketing of baby products.
- The **Danone Business Conduct Policy** (1997, revised in 2001, 2005 and 2009) details the behaviour expected of managers on issues such as corruption and conflicts of interest.
- The **group's Values**, formalised in 1997: openness, enthusiasm, humanism and proximity.
- The **Food Nutrition and Health Charter** (2005, revised in October 2009) formalises Danone's commitments. The 5 commitments of the new charter represent a response to the concerns of authorities regarding public health issues related to food.
- The **Global Policy on the Protection of Underground Water Resources** (2005) commits Danone to ensuring the sustainable management of its sources.
- **Franck Riboud's speech** (of December 2008) for the launch of the Chair in "Social Business / Enterprise and Poverty", in partnership with HEC, reaffirms the economic and social dual project supported by Danone.
- **CODE**: an initiative launched in 2009 aimed at formalising and developing the leadership style and attitudes expected of all employees, in close alignment with the Danone values.
- The **Danone Inside Pack**: created and distributed in 2009 to all employees and all new arrivals. This is the reference document on: the history and background, the Danone values, areas of strategic focus, managerial attitudes (CODE), the Danone Way initiative and the Business Conduct Policy.

## Highlights and key dates 1972-2010

### 2010

Launch of the Dan Cares program to bring minimum medical coverage to all employees in every geographic region.

The first EVE seminar, a women leadership program created on Danone's initiative in partnership with other companies, uniting 230 women led by the common topic "Dare to be yourself to act".

84% of Danone products have been assessed in terms of nutritional profile.

Final integration of the former Numico subsidiaries in Danone processes.

Deployment of the Danone Inside Pack in most of the CBU's (document including Danone Way's history, values, strategy and approach, Business Conduct Policies, etc).

### 2009

Creation of the Danone Ecosystem Fund approved at the Annual General Meeting of Shareholders.

First carbon offset project with the Danone Fund for Nature: the restoration of mangroves in Senegal in partnership with a local NGO, Oceanium.

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

Safety Charter signed by all General Managers.

The Employee Barometer survey is sent for the first time to all employees.

Enlargement of the International Consultation Committee outside Europe.

CODE launching: corresponds to the formalizing of the leadership styles and attitudes.

### 2008

Creation of the Danone Fund for Nature with the International Union for the Conservation of Nature, this coming after 10 years of partnership with Ramsar (International Convention on the Protection of Wetlands in the World).

Launch of the Chair "Social Business/Enterprise and Poverty" in partnership with the HEC school.

Danone commits to reduce its carbon footprint by 30% between 2008 and 2012.

### 2007

Creation of the Danone Communities Fund.

World Convention on Diversity signed between Danone and the International Union of Food (IUF).

Danone completed the sale of its Biscuits and Cereal Products division and took over control of Royal Numico N.V. specialized in baby Nutrition and Medical Nutrition.

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

Hosting an internal global network: more than 150 people participated in the "Social Innovation Labs" which also helped establish contact and relations between members of NGOs from several countries and Danone teams.

### 2006

Creation of the company Grameen Danone Foods Limited.

Danone refocuses its mission around health: "Bringing health through food to as many people as possible".

Deployment of the sustainable procurement (RESPECT) initiative in all Country Business Units of the group after a pilot phase between 2003 and 2005.

**1999**

Creation of the Managers' barometer, an opinion survey for 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.

**1997**

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

Business Conduct Policy.

Group's values formalizing: Openness, Enthusiasm, Humanism, Proximity.

**1996**

Appointment of Franck Riboud as CEO of Danone.

Environmental Charter.

Creation of Danone Conseils, consumer relations department in France.

**1992**

Creation of the 1<sup>st</sup> network for collection and recycling of packaging, Eco-Emballages.

**1991**

Creation of the Danone Institute.

**2005**

Food, Nutrition and Health Charter.

Comprehensive global policy on protection of underground water resources.

Integration of the Fundamental Social Principles in conventions that were revised and re-signed with the IUF.

Blédina charter about commercialization of Baby nutrition products.

**2003**

Membership of the Global Compact of the United Nations. Danone a founding member of the "Sustainable Agriculture Initiative".

Danone's commitment to the Global Compact was reconfirmed in 2009.

**2001**

Launch of DANONE Way.

Formalisation of the Fundamental Social Principles.

**1985**

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

**1977**

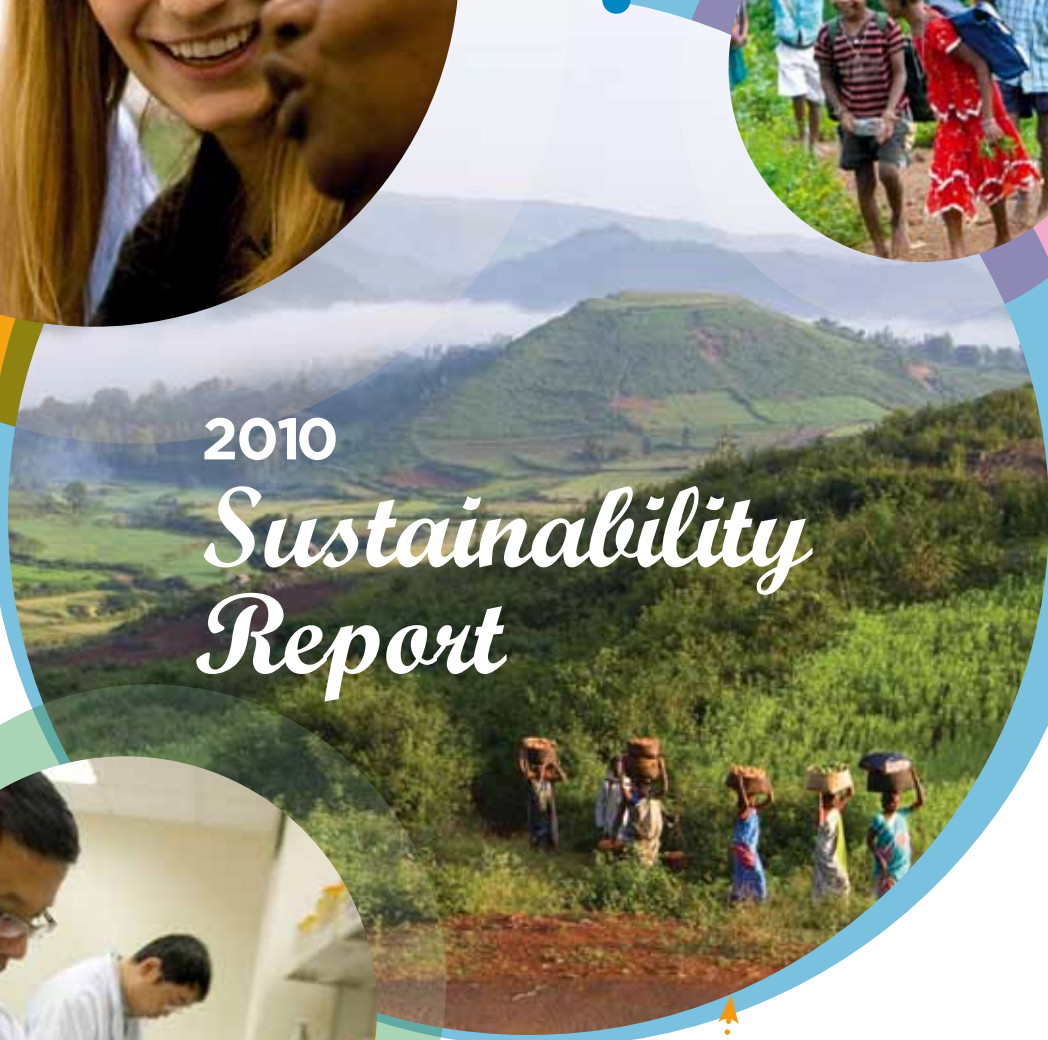
Creation of employment offices in charge of supporting restructuring.

**1972**

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

**2000**

Over 70% of group employees outside of Western Europe.



2010  
*Sustainability  
Report*





# Performance

114  
GRI INDEX<sup>™</sup>



<sup>™</sup> Self-evaluation of the application of GRI according to version 3.0 guidelines for the GRI with approval by KPMG Audit.



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## GRI index and content

	Report Page	Scope - Boundary	Chapter and/or page of DDR
<b>1. STRATEGY AND ANALYSIS</b>			
1.1 Statement from the most senior decisionmaker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy	4	F	
1.2 Description of key impacts, risks, and opportunities	128 - 131	F	
<b>2. ORGANIZATIONAL PROFILE</b>			
2.1 Name of the organization		F	p. 5
2.2 Primary brands, products, and/or services		F	ch. 2.2, 2.3
2.3 Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures		F	p. 109 à 116
2.4 Location of organization's headquarters		F	p. 5
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. 3.2 et p. 5
2.6 Nature of ownership and legal form		F	p. 5
2.7 Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)		F	p. 108
2.8 Scale of the reporting organization		F	ch. 3.2, 7.1
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	133	F	
<b>3. REPORT PARAMETERS</b>			
<b>Report Profile</b>			
3.1 Reporting period (e.g., fiscal/calendar year) for information provided	133	F	
3.2 Date of most recent previous report (if any)	133	F	
3.3 Reporting cycle (annual, biennial, etc.)	133	F	
3.4 Contact point for questions regarding the report or its contents	back cov.	F	
<b>Report Scope and Boundary</b>			
3.5 Process for defining report content	133 -139	F	
3.6 Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	133 -139	F	

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	Report Page	Scope - Boundary	Chapter and/or page of DDR
3.7 State any specific limitations on the scope or boundary of the report	134 -139	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	135 -136	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	133 -139	F	
3.10 Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods)	133 -139	F	
3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	133 -139	F	
<b>GRI Content Index</b>			
3.12 Table identifying the location of the Standard Disclosures in the report	114 -123	F	
<b>Third party validation</b>			
3.13 Policy and current practice with regard to seeking external assurance for the report	124 -126	F	
<b>4. GOVERNANCE, COMMITMENTS, AND ENGAGEMENT</b>			
<b>Governance</b>			
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	197	F	ch. 6, 11.2
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. 6.5
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	
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. 6.10, 8.5
4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided		F	ch. 6.1 p. 157, 160, 163
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. 6.2, 6.3, 6.4

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## GRI index and content

		Report Page	Scope - Boundary	Chapter and/or page of DDR
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		F	ch. 6.4
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	93 -96	F	
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
<b>Commitments to External Initiatives</b>				
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	142	F	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	142	F	
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations	143	F	
<b>Stakeholder Engagement</b>				
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	144	F	
4.15	Basis for identification and selection of stakeholders with whom to engage	97 et 144 - 145	F	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	97 et 144 - 145	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	144 - 145	P	
<b>5. MANAGEMENT APPROACH AND PERFORMANCE INDICATORS</b>				
<b>5.1. ECONOMIC ASPECT</b>				
<b>Economic Performance</b>				
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	147	F	ch. 4.1, 5
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	147 - 149	F	

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		Report Page	Scope - Boundary	Chapter and/or page of DDR
EC3	Coverage of the organization's defined benefit plan obligations	149	F	
EC4	Significant financial assistance received from government	150	NR	
<b>Market Presence</b>				
ADD EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	150	F	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	151	NR	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	151	F	
<b>Indirect Economic Impacts</b>				
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, inkind, or pro bono engagement	153	P	
ADD EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	154 - 155	P	
<b>5.2. ENVIRONMENTAL ASPECTS</b>				
<b>Materials</b>				
EN1	Materials used by weight or volume	160	P	
EN2	Percentage of materials used that are recycled input materials	160	P	
<b>Energy</b>				
EN3	Direct energy consumption by primary energy source	161	P	
EN4	Indirect energy consumption by primary source	161	P	
ADD EN5	Energy saved due to conservation and efficiency improvements	162	P	
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	163	P	
ADD EN7	Initiatives to reduce indirect energy consumption and reductions achieved	163	F	

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## GRI index and content

		Report Page	Scope - Boundary	Chapter and/or page of DDR
<b>Water</b>				
EN8	Total water withdrawal by source	164	P	
ADD EN9	Water sources significantly affected by withdrawal of water	165	P	
ADD EN10	Percentage and total volume of water recycled and reused	165	F	
<b>Biodiversity</b>				
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	166 - 167	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	168	F	
ADD EN13	Habitats protected or restored	169	NR	
ADD EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	169 - 170	P	
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	170	NR	
<b>Emissions, Effluents and Waste</b>				
EN16	Total direct and indirect greenhouse gas emissions by weight (t CO <sub>2</sub> eq)	171	P	
EN17	Other relevant indirect greenhouse gas emissions by weight (t CO <sub>2</sub> eq)	171 - 173	P	
ADD EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	173 - 174	P	
EN19	Emissions of ozone-depleting substances by weight	174	P	
EN20	NO, SO, and other significant air emissions by type and weight	175	P	
EN21	Total water discharge by quality and destination	175	P	
EN22	Total weight of waste by type and disposal method	176	P	
EN23	Total number and volume of significant spills	176	F	
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	176	NR	
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	176	P	

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		Report Page	Scope - Boundary	Chapter and/or page of DDR
<b>Products and Services</b>				
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	177 - 179	P	
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	179	P	
<b>Compliance</b>				
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	180	F	
<b>Transport</b>				
ADD EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	181	F	
<b>Overall</b>				
ADD EN30	Total environmental protection expenditures and investments by type	182	F	
<b>5.3. SOCIAL ASPECTS</b>				
<b>Employment</b>				
LA1	Total workforce by employment type, employment contract, and region	185 - 189	F	
LA2	Total number and rate of employee turnover by age group, gender, and region	190	P	
ADD LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	190	NR	
<b>Labor/Management Relations</b>				
LA4	Percentage of employees covered by collective bargaining agreements	191	P	
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	191	P	

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## GRI index and content

		Report Page	Scope - Boundary	Chapter and/or page of DDR
<b>Occupational Health and Safety</b>				
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	192	P	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of workrelated fatalities by region	192	P	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	193	P	
ADD LA9	Health and safety topics covered in formal agreements with trade unions	193	P	
<b>Training and Education</b>				
LA10	Average hours of training per year per employee by employee category	194 - 195	F	
ADD LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	195	F	
ADD LA12	Percentage of employees receiving regular performance and career development reviews	196 -197	P	
<b>Diversity and Equal Opportunity</b>				
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	198 - 199	P	
LA14	Ratio of basic salary of men to women by employee category	200 - 201	F	
<b>5.4. HUMAN RIGHTS ASPECTS</b>				
<b>Investment and Procurement Practices</b>				
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	203 - 204	F	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	204 - 205	F	
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	205	F	

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Report Page	Scope - Boundary	Chapter and/or page of DDR
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<b>Non Discrimination</b>			Report Page	Scope - Boundary	Chapter and/or page of DDR
HR4	Total number of incidents of discrimination and actions taken		206	F	
<b>Freedom of association and collective bargaining</b>					
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		206	F	
<b>Child Labour</b>					
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor		207	F	
<b>Forced and Compulsory Labour</b>					
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		207	F	
<b>Security Practices</b>					
ADD HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations		208	F	
<b>Indigenous Rights</b>					
ADD HR9	Total number of incidents of violations involving rights of indigenous people and actions taken		208	NR	

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## GRI index and content

		Report Page	Scope - Boundary	Chapter and/or page of DDR
<b>5.5. SOCIETY ASPECT</b>				
<b>Community</b>				
S01	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	211 - 214	F	
<b>Corruption</b>				
S02	Percentage and total number of business units analyzed for risks related to corruption	214	P	
S03	Percentage of employees trained in organization's anti-corruption policies and procedures	215	P	
S04	Actions taken in response to incidents of corruption	215	F	
<b>Public Policy</b>				
S05	Public policy positions and participation in public policy development and lobbying	216	F	
ADD S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	216 - 217	F	
<b>Anti-Competitive Behavior</b>				
ADD S07	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes	217	F	
<b>Compliance</b>				
S08	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	217	F	
<b>5.6. PRODUCT RESPONSIBILITY ASPECT</b>				
<b>Consumer Health and Safety</b>				
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	219 - 222	F	
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	222 - 223	P	

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Report Page	Scope - Boundary	Chapter and/or page of DDR
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<b>Product and Service Labeling</b>			Report Page	Scope - Boundary	Chapter and/or page of DDR
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements		223 - 224	F	
ADD PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes		224	P	
ADD PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction		225	P	
<b>Marketing Communications</b>			Report Page	Scope - Boundary	Chapter and/or page of DDR
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship		226 - 228	F	
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		228 - 229	P	
<b>Consumer Privacy</b>			Report Page	Scope - Boundary	Chapter and/or page of DDR
ADD PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		229	P	
<b>Compliance</b>			Report Page	Scope - Boundary	Chapter and/or page of DDR
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services		230	F	

## Validation of the report by an external third party




### Danone

Head Office: 17, boulevard Haussmann  
75009 Paris

### Limited assurance report on the Danone Way initiative results and a selection of environmental and social indicators of Danone for 2010.

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

- The results of the Danone Way initiative (“the Results”) presented *on pages 83 and 84* of the Sustainability Report for 2010;
- The environmental<sup>(1)</sup> and social<sup>(2)</sup> indicators for 2010 (“the Data”) selected by the group and indicated by the symbol  presented *on pages 156 to 201* of the Sustainability Report for 2010.

This information was prepared under the responsibility of the group’s Social Affairs and Social Responsibility Department, in accordance with the internal methodological protocol “Danone Way Fundamentals” (“the Protocol”), which is available on request from that department.

The methodological note “Report Parameters” presented *on pages 134 to 139* provides further details on the consolidation scope, and on the definitions and methods used to collect data and calculate the indicators.

It is our responsibility, based on the work performed, to express a conclusion on the Data and on the Results of the 2010 Danone Way initiative.

The conclusions below only relate to this information, and not to the whole Sustainability Report 2010.

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

<sup>(1)</sup>Total production, Total number of ISO 14001 certified sites, Thermal energy consumption, Electricity consumption, Water consumption, Total CO<sub>2</sub> emissions, Final ejection of COD and Total quantity of waste generated (except for sludge from sewage plants).

<sup>(2)</sup>Total number of employees at 31<sup>st</sup> December, Average number of hours’ training per employee, Total employees trained, Frequency of work accidents and Number of accidental deaths.

Limited assurance report on the Danone Way initiative results and a selection of environmental and social indicators of Danone for 2010.

### **Nature and scope of our work**

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

For the selected information, we:

- Assessed the Danone Way Protocol with regard to its relevance, reliability, neutrality, understandability and completeness;
- Conducted interviews with the persons responsible for implementing the Protocol in the group Human Resources, Social Affairs and Social Responsibility, and Nature Departments;
- Conducted interviews and carried out surveys on the implementation of the Protocol in fourteen Country Business Units<sup>(3)</sup> for social data and the Danone Way initiative, and in twenty-seven sites<sup>(4)</sup> within these Country Business Units for environmental data; the choice of the sample was based on their contribution to the group consolidated data, their activity, their location and on the results of our work carried out last year;
- Conducted consistency tests on Data consolidation and on the Results of the Danone Way initiative;
- Reviewed the work performed by the internal audit relative to the Danone Way initiative.

The contribution of the selected entities represents:

- between 14% and 38% of environmental Data, or an average of 23%,
- between 23% and 39% of social Data, or on average 33%,
- and 17% of the turnover for the Danone Way initiative Results.

<sup>(3)</sup> Danone Tikvesli, Danone Hayat, Danone Argentina, Aguas de Argentina, Danone Poland, Zywiec Zdroj, Nutricia Opole Baby, Sari Husada, Nutricia Indonesia Sejahtera Baby, Danone Indonesia, Aqua, Robust, Dumex and HOD Mexico.

<sup>(4)</sup> Luleburgaz, Gonen\*, Bolu, Adana-Pozanti\*, Antalya\*, Hendek\*, Izmir\*, Chascomus, Villaviciencio\*, Longchamps, Varsovie, Bierun\*, Jeleśnia, Ciecina\*, Mirosławiec\*, Opole, Krotoszyn\*, Sari Husada, PT NIS, Pandaan I, Zong-Shang, Shanghai, Toluca (HOD), Ochsenfurt, Hagenow\*, Rosenheim\*, Rotselaar.

\* For these sites, we did not perform any on-site work. Our audit was performed at Country Business Unit level.

## Validation of the report by an external third party

Limited assurance report on the Danone Way initiative results and a selection of environmental and social indicators of Danone for 2010.

### Comments on procedures


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

- A deeper involvement of the reviewed Country Business Units in the Danone Way initiative and a better understanding and implementation of the protocol;
- The stronger involvement of the environmental directors of each division and of the human resources intermediaries enabled to improve the internal control regarding the environmental and social data consolidation at group level.

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

- The calculation methods and definitions should be clarified further, in particular the indicators relating to the “Waste” and to the “Number of training hours”, to ensure more homogeneous Danone reporting practices;
- The internal control system on environmental and social data should be reinforced further:
  - having a better implementation of the controls procedures at each level of collection,
  - implementing additional controls in the reporting tool for the safety data.
- The criteria and definitions of some Danone Way initiative fundamentals should be clarified and more suitable to take into account the specificities of the recently integrated entities.

### Conclusion

Based on our review, we did not find any material misstatements that could call into question the fact that the environmental and social Data examined presented *on pages 156 to 201*, identified by the symbol , and the Danone Way initiative Results presented *on pages 83 and 84* of the Sustainability Report for 2010 were prepared, in all material respects, in accordance with the above-mentioned Protocol.

Paris La Défense, April 8<sup>th</sup>, 2011  
KPMG Audit - Department of KPMG S.A.

### Philippe Arnaud

*Partner*

*In Charge of the Sustainability Services & Climate  
Change Department*



## *Upstream and downstream impacts and responsibilities*

The following are potential accidental risks stemming from Danone's direct activities:

- water pollution (primarily organic and biodegradable pollution);
- risks associated with refrigeration (ammonia and other refrigerants);
- risks associated with the storage of raw materials and hazardous products, (acids or bases for cleaning and disinfecting facilities);
- risks associated with on-site electrical installations.

In addition to these accidental risks, the group's daily activities also have various impacts on the environment, which are identified and managed at each stage of the value chain, from upstream to downstream.

The group responds to each environmental impact by making responsible decisions. The following is an overview; for more detailed information, see the sections on the Nature Strategy (*pages 40 to 53*) or the Danone Way (*page 81*) and Respect programs (*page 86*).





1

## SUPPLY OF RAW AND PACKAGING MATERIALS



### Impacts

- Economic impact: In 2010, Danone purchased 4.5 billion euros worth of raw and packaging materials, including:
  - 2.8 billion euros worth of raw materials, with milk accounting for the major share. The milk comes from one million cows belonging to 24,000 producers in 30 countries.
  - 1.7 billion euros worth of packaging divided among the Dairy products (59%), Waters (31%) and Baby nutrition and Medical nutrition divisions (10%).
- Agriculture's main environmental impacts: pollution from fertilizers and pesticides and methane emissions from cattle (methane is a greenhouse gas). Rising farm productivity and related standardization measures lead to pressure on the natural environment and a reduction in biodiversity.
- Packaging's main environmental impacts: consumption of nonrenewable resources (petroleum for plastic) and renewables (wood, recycled paper for cardboard) and greenhouse gas emissions related to suppliers' activities.
- Mineral waters' main environmental impacts: mineral waters come from natural reserves, which the group has the exclusive right to operate.
- Danone also has a social impact on all of its suppliers, whatever they do, and especially milk producers.

### Responsibilities

- Purchase raw materials at prices that are sufficiently profitable for producers and suppliers and provide a quality and competitive supply to our plants, while ensuring respect for our partners' basic social rights.
- Ensure the safety, quality and traceability of raw materials.
- Be familiar with working conditions and the environmental impact of farm production while working to improve them.
- Ensure the long-term viability and protection of the water reserves the group operates.
- Reduce packaging without affecting the services they provide, including food and transportation safety, preservation and consumer information.

2

## INDUSTRIAL PRODUCTION



### Impacts

- Economic impact: Danone produces locally for local markets: 186 production sites, with 100,995 employees (including Unimilk and 220 sites other than plants, head offices, warehouses, etc.) at end-December 2010.
- Sites' main environmental impacts: energy and water consumption, waste emissions, wastewater discharges, storage of potentially hazardous products, noise pollution, and greenhouse gas emissions from all of these activities.
- Social impact on 100,995 employees as well as companies and other public and private organizations affected by Danone owing to their location near one of the group's sites.

### Responsibilities

- Ensure compliance with basic social rights and promote efforts to further social progress at group sites.
- Contribute to local communities' economic and social development.
- Control the plants' environmental impact and related industrial risks.
- Promote working methods (business travel, etc.) that minimize employees' environmental impact.

## Upstream and downstream impacts and responsibilities



### SHIPPING

#### Impact

- Subcontractors transport nearly all products, which are shipped by road, rail, sea and air (minimal). In Europe, trucks carry 95% of dairy products freight, while 55% of water is shipped by truck and 45% by train.
- Main environmental impacts: energy consumption, greenhouse gas emissions, air pollutants, biodiversity and noise.
- Social impact on providers of these various forms of transportation.

#### Responsibilities

- Minimize the impact from shipping products and raw materials by limiting the distances traveled and encouraging the use of rail transportation.
- Ensure compliance with the cold chain and product traceability.
- Encourage compliance with the basic rights of transportation service providers, particularly in the road transportation industry.



### SALES

#### Impact

- Economic impact: with commercial operations in 130 countries, Danone generated 17,010 million euros in revenue in 2010. Products are sold through a variety of distribution channels, including supermarkets, superstores, convenience stores, hospitals and drugstores.
- Major environmental impacts: energy consumption and greenhouse gas emissions from refrigeration equipment and customer travel to retail outlets.

#### Responsibilities

- Ensure compliance with the cold chain and product traceability.
- Ensure that the products are physically accessible, especially in emerging countries.
- Ensure the safety of people handling Danone products by incorporating appropriate design features.



5

## CONSUMPTION

### Impacts

- Economic impact: four business divisions in 2010: Dairy products (57% of revenue), Waters (17%), Baby nutrition (20%) and Medical nutrition (6%).
- Main environmental impacts: energy consumption and greenhouse gas emissions from refrigeration of fresh dairy products and shipping of products to places where they are consumed.
- Social impacts: product quality and safety, impact on eating habits, product availability and affordability by expanding distribution in emerging countries and by adapting products prices and conception to economic and social levels of local populations.

### Responsibilities

- Ensure product quality and safety.
- Foster the development of healthy eating habits and meet local nutrition needs both quantitatively and qualitatively.
- Provide transparent information to consumers, act responsibly in communicating with children and promote consumer dialog.



6

## END OF PRODUCT LIFECYCLE

### Impacts

- Product consumption generates packaging waste, which is then recycled, landfilled or incinerated depending on locally available options.
- Main environmental impacts: ground, air and water pollution, which varies depending on the waste treatment method.
- Social impact of populations dedicated to managing packaging waste.

### Responsibilities

- Reduce packaging's end-of-lifecycle impact by considering these concerns right from the design stage.
- Participate in the growth of public or private waste collection organizations.
- Foster the development of recycling resources for packaging waste.

PERFORMANCE **Company profile  
and report  
parameters**

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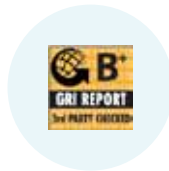


## Company profile

The 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 *on pages 114 to 123* of the current report.

This report covers Danone's economic, social and environmental performance for the period from January 1 to December 31, 2010. The indicators and management systems described in this report were prepared in compliance with the guidelines of the **Global Reporting Initiative (GRI 3)**. These provide a balanced and reasonable presentation of the group's economic, environmental and social organization. The indicators are presented using the **GRI 3** references (e.g. EC2. Financial implications and other risks and opportunities for the organisation's activities relating to climate change).

In compliance with the GRI criteria, Danone gave itself a rating of B+.



The indicators also meet the information requirements of article 116 of the French "New Economic Regulations" (NRE) law of May 15, 2001 and its implementing decree of February 20, 2002 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 portion of the employment and environmental data published in this document was verified by KPMG Audit with an opinion published *on pages 124 to 126*. The previous report covering the period from January 1 to December 31, 2009 was published for the Shareholders' General Meeting on April 22, 2010.

The figures and data 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 complementary Registration Document and Economic and Social Report are available for download at <http://www.danone.com>.

## Awards received during the reporting period

- In March 2010 Danone was awarded the French Order of Statutory Accountants' prize for **best Sustainable Development Report** for the April 2009 edition. This prize aims at rewarding companies that have implemented relevant, transparent and reliable sustainability strategy. [www.experts-comptables.fr/csoec/Le-7-mars-vous-etiez-nombreux-a-assister-a-la-1e-ceremonie-de-remise-du-Trophee-de-la-Qualite-des-informations-environnementales-et-sociales](http://www.experts-comptables.fr/csoec/Le-7-mars-vous-etiez-nombreux-a-assister-a-la-1e-ceremonie-de-remise-du-Trophee-de-la-Qualite-des-informations-environnementales-et-sociales).
- Danone was included in the **Dow Jones Sustainability Index (DJSI)** for the twelfth consecutive year.
- Danone is also included in the major sustainable development indices: **Ethibel Sustainability Index** and **ASPI Eurozone**. Detailed results of Danone's performance in 2010 in the major indices are presented in this Report, *on pages 89 to 91*.



## Report parameters

This section of the report corresponds to GRI indicators 3.1 to 3.11 (*see GRI index on pages 114 and 115 of the Report*).

### Consolidation scope

The financial data included in this report corresponds to consolidated historic data from the **2010 Registration Document**. It has been prepared in compliance with IFRS accounting standards as adopted by the European Union on December 31, 2009.

**The workforce** at 12/31/2010 includes all globally consolidated Danone Country Business Units (CBUs), whatever their activity (production sites, research sites, logistics bases, administrative headquarters, etc.). In 2010, social indicators are reported without Unimilk, Yocream and Womir SPA subsidiaries recently acquired, leading to a coverage rate of 98% ; except for indicators related to head-counts on 2010, December 31<sup>st</sup>, for which the coverage rate is 100%.

**Safety indicators** also cover all globally consolidated Danone CBUs except certain entities which were not yet integrated into safety reporting in 2010, which gives a coverage rate of 81% of the head-counts on 2010, December 31<sup>st</sup>.

**The environmental indicators** only cover the impacts of production plants, with the exception of Unimilk due to its acquisition in December 2010, which gives a coverage rate of 98% of the 2010 turnover and 94% of production sites. The environmental impact of the administrative headquarters and logistics bases are not included in the consolidation scope (except for certain indicators, when the logistics bases are adjacent to an industrial site).

For this scope, employment, environmental and safety datas are 100% integrated (complete integration of data).

In order to allow for disparities in data reporting, a coverage rate is calculated for each indicator published.

### Variations in scope

Scope variations arise from CBU creations, acquisitions, disposals or liquidations. The following rules have been established for financial, social and environmental data:

- **acquisition:** data for the acquired entity is included in the consolidation scope from the date the group took control;
- **creation:** the entity's data is included in the scope from the date of creation;
- **disposal/liquidation:** data for the relevant entities is withdrawn from the consolidation scope at the effective disposal or liquidation date in the current financial year.

Concerning social indicators, "like-for-like basis" indicates that data from the previous year has been restated based on the consolidated scope at December 31, 2010 in order to allow comparison between this year's data and that of the previous year on a consistent scope.

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## Selection of indicators

The employment indicators presented:

- correspond to Danone's human resources policy in terms of monitoring staff and employee management and development performances;
- take into account cultural specificities and local differences (varying national legislation, 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 reporting guidelines

To ensure the homogeneity of indicators across the reporting scope, shared data reporting guidelines for employment and environmental data are transmitted and updated each year following data consolidation and input from contributors. These guidelines specify the methodologies to use for reporting indicators: definitions, primary methodologies, calculation formulas, standard ratios, etc.

Shared data collection tools are also in place to facilitate data reporting:

- **employment data:** a specific bundle in the Magnitude financial data reporting system generally makes it possible to collect employment indicators for all Danone units. In addition, safety indicators are monitored and consolidated every month at group level in a specific format (Safety barometer).
- **environmental data:** the environmental indicators presented in this report are generally collected with the specific Enablon tool developed by ERM.

These two tools provide a systematic presentation of data from the previous year to facilitate data input and control.

## Specifications and methodological limits

The methodologies used for certain employment and environmental indicators may involve de facto limits:

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

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

## *Report parameters*

### **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).
- Short-term contracts and movements within the group are not included in the entries/exits.
- Long-term leave is not always accounted for homogeneously by the various Country Business Units (CBUs).

### **Average number of training hours / Number of employees trained**

- Training data from French CBUs includes training categorized as ongoing professional training as well as other types of training.
- Disparities in the inclusion or non-inclusion of certain training courses may remain, particularly with regard to “work station” training sessions and internal training.
- The average number of training hours per year per employee is calculated based on the number of training hours that took place during the year, divided by the average workforce (the average workforce is calculated as the average long-term and short-term workforce excluding temporary workers at the end of each month).

### **Employees with disabilities**

It should be noted that 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.

### **Frequency of workplace accidents**

The frequency of workplace accidents is the number of accidents with work stoppage of one day or more that occur over a twelve-month period, for every one million hours worked. The hours worked are real hours worked; by default, the theoretical hours worked are taken into account based on a 40-hour workweek. Indicators for workplace accidents also include accidents impacting temporary personnel working at the sites. Accidents on the way to and from work are not included in this indicator.

### **Packaging consumption**

This indicator is also estimated at the global level based on consolidated data provided by the Procurement department. Monetary data is converted into tonnage based on average prices. It includes purchases of rigid and flexible plastics, cardboard, paper, PET, lids and wrappings, which represent the majority of packaging used by Danone.

### **Recycling rate**

The rate of recycling of packaging by European end consumers is calculated based on national plastics and cardboard recycling data provided by Pro-Europe and weighted by the respective production in each country. Certain countries have a recycling rate higher than 100% because they import packaging for recycling. This explains the excellent recycling rate.



## Waste

Reporting of waste data is based on nine different categories of waste (glass, PET, various plastics, paper/cardboard, wood/pallets, mixed packaging, materials waste, non-hazardous industrial waste and hazardous industrial waste). It is possible that some waste not included in these categories is not reported. However, the quantities involved are negligible.

## Water consumption

Consumption of well or surface water may be estimated when sites have no meters. The definitions and methods for accounting for various uses of water (including runoff, i.e. water pumped into the river) are specified in the technical environmental guide and the specific software tool developed by Enablon. The calculation method used by the group is to subtract the volumes of water entering into products (particularly bottled water) from the volume of water removed from nature, but certain Country Business Units (CBUs) may still apply slightly different methods.

## Energy consumption

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

## Consumption of refrigerants

Consumption of refrigerants (CFC, HFC and HCFC) is calculated based on the quantity of gas loaded into facilities, which generally takes place every two years.

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

Atmospheric emissions of CO<sub>2</sub> (scopes 1 and 2) for 2010 are calculated using the methodology and data of the 2010 GHG Protocol Initiative.

Direct emissions (scope 1) are emissions arising from consumption of fuels or energy (coal, natural gas, propane, heating oil and fuel oil) and consumption of refrigerants (only consumption of HFCs and PFCs is included). No Danone group site uses PFCs.

Direct emissions are calculated based on emission factors<sup>(\*)</sup> per fuel and the global warming potential<sup>(\*)</sup> (GWP) of HFCs. It should be noted that a single GWP corresponding to the GWP value of the HFC gas most commonly used at group sites (R134a) is applied.

2009 data was restated based on this methodology. Emissions related to HCFC and CFC consumption are therefore not taken into account, and emission factors have been updated. Indirect emissions (scope 2) are emissions from other energy sources purchased externally (electricity and steam).

Indirect emissions from materials transport are not included in CO<sub>2</sub> emissions calculations. Danone is currently integrating emissions from owned or managed vehicles, from recently acquired sites and/or those that have no access as yet to Danone's internal environmental reporting system, as well as from offices and distribution centers.

<sup>(\*)</sup> IPCC is the Intergovernmental Panel on Climate Change. The emission factors used in calculating emissions arising from energy consumption correspond to data in the 2006 IPCC guidelines (2006 IPCC Guidelines for National Greenhouse Gas Inventories). The GWP used to calculate emissions arising from HFC consumption corresponds to data from the 2007 IPCC guidelines (Global Warming Potential Time Horizon 100 years).

## *Report parameters*

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### **Waste water**

The data presented corresponds to wastewater after internal or external treatment. If no information about external treatment is available, a purified output of 90% is applied.

### **Consolidation and internal control**

Danone's Human Resources department and the Environment department (called Nature department), respectively consolidate employment and environmental data based on the information reported from production sites and group Country Business Units (CBUs) around the world.

Employment data are collected in each CBU of the group. Reported data is generally derived from wage payment systems installed in the CBUs. Data consistency is verified and then approved by the Human Resources department in each CBU before publication in the Magnitude tool.

Data concerning safety are collected on each site of the group (production sites, headquarters, distribution sites, etc). They are consolidated by the Safety department of the group.

Environmental data is collected at each production site by the Environment manager. It is controlled and approved by the CBU's Environment coordinator before consolidation in the Enablon tool by ERM. In 2010, the Environment Directors for each division verified and approved consolidation of environmental data before its final approval by the group's Nature department.


During consolidation, data consistency is checked by the group's Human Resources and Nature departments.

These controls particularly involve comparisons with the previous year and calculation of specific ratios to detect anomalies. Any difference considered significant is investigated and if necessary corrected.

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## *External controls*

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To receive an outside opinion on the reliability and robustness of the group's social responsibility data reporting processes, KPMG Audit was mandated to verify a selection of employment and environmental indicators in the current report, identified with the following symbol: . Their audit report detailing the work undertaken and their comments and conclusions can be found *on pages 124 to 126*.

KPMG Audit also reviewed and approved the Danone group's self-evaluation of its application of **GRI** (B+ according to the version 3.0 guidelines).

### **Adjustment of previous data**

Certain reporting errors made during previous financial years may be detected during the course of the current year's reporting. If this situation arises, historic data is readjusted to allow better interpretation of results and trends. This did not occur in 2010.

# PERFORMANCE INDICATORS

## Governance, Commitments and Engagement

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## Governance

Required information on corporate governance based on the Global Reporting Initiative (GRI) Guidelines (indicators 4.1 to 4.10) is available in the Danone **Reference Document**. References to the relevant pages are indicated in the GRI index published *on pages 115 and 116* of this report.

Danone's corporate governance strategy and the highlights of 2010 are further discussed *on pages 104 to 117* of this Report (*for more information, see 2009 Sustainability Report, pages 29 to 39*).

### 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

Danone Way was developed to meet the goal of managing Danone impact and relations with the company's stakeholders, both early and late in the process (*see page 81 of the report*), including social and environmental performance policies and criteria. Many initiatives and complementary programs have been set up in the areas of environmental and social policy and supplier relations.

For more information on these initiatives, see the chapters on Environmental (*pages 157 to 183*), Human Rights (*pages 203 to 209*) and Social performance indicators (*pages 185 to 201*).

See also Nature and People strategies and dashboards of Environmental, Employee and Community commitments (*pages 72, 74 and 70*).

## *Commitments to external initiatives*

### 4.11

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

Consumer protection is based on the principle of due diligence, which is supported at Danone by a team of in-house scientific experts and an outside network of international experts. Food Safety Management Systems, based on international standard ISO 22000, ensure that measures are taken to manage related risks in all business activities. Moreover, by periodically reviewing the risks involved in key processes at each country business unit (Vestalis approach), Danone ensures that the proper precautions are taken to limit identified risks.

This question is also discussed in the PR1 indicator, relative to consumer health and safety.

### 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 the **Business Conduct Policy**, are guided by principles based on the following international documents:

- Universal Declaration of Human Rights;
- international conventions of the International Labor Organization;
- the Organisation for Economic Cooperation and Development's guiding principles for multinational corporations;
- the UN Global Compact on human rights, rights at work, environmental protection and the fight against corruption.

Danone has been a member of the United Nations Global Compact since 2003 and reaffirmed its commitment in 2009.

In 2005, 7 Fundamental Social Principles drawn from International Labour Organisation (ILO) conventions were incorporated into agreements signed by Danone and the International Union of Food Workers (IUF).

In addition to its Country Business Units (CBUs), Danone has chosen to apply these Fundamental Social Principles to its suppliers by setting up the RESPECT program. Since 2009, this program has been expanded to include the ethical and environmental principles that all suppliers must follow.

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These commitments are rooted in Danone's values and serve as the basis for the Danone Way program.

They apply to all employees of companies controlled by Danone worldwide.

Danone is committed to promoting these principles in all companies in which it holds a stake.

## 4.13

### **Memberships in associations (such as industry associations) and/or national/international advocacy organization**

Danone's policy is to hold membership in all recognized, legally constituted, national and industry-wide trade associations representing the food industry. The group encourages its managers to actively participate in these associations at both the local and corporate levels. Danone and its Country Business Units are, for example, members of all national associations representing the food industry in the European Union countries in which the group operates. Danone belongs to the Confederation of the Food and Drink Industries (CIAA), which represents manufacturers in the EU. Danone is a member of more than 100 associations of this nature.

## Stakeholder engagement

### 4.14

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

Danone Way was created in 2001 to meet the goal of managing the group impact and relations with the company's stakeholders, who were defined as such from the outset: consumers, suppliers, environmental groups, employees, shareholders and local communities (scientists, local residents, government officials and non-governmental organizations).

Danone has been actively engaged in dialog with civil society players for a number of years. The goal is not only to pay close attention to stakeholder developments and expectations, but also to involve the company in partnership programs, even a co-development partnership, as exemplified by the many initiatives undertaken in partnership with NGOs (*for further information on the Danone approach with its stakeholders, see the Strategy chapter, pages 97 of this report*).

### 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

A key aspect of Danone's sustainable development strategy is listening to stakeholders to better understand the expectations of customers, consumers, employees, suppliers, scientists, local residents, government officials and non-governmental organisations. Stakeholder expectations are the cornerstone of the Danone Way program, launched in 2001 and deeply rooted in Danone culture and society approach. Danone's stakeholder engagement strategy is discussed in greater detail *on page 97 of this report*.

Danone's approach is to foster dialog with stakeholders in the Country Business Units' (CBUs) local area; the group does not centralize all of the projects conducted by its various CBUs.

Danone has, however, developed **special discussion tools** to support CBUs as they interact with various **local** stakeholders:

- the “**stakeholders mapping**” tool helps the company identify stakeholders, analyze issues and expectations, and set communication priorities. It also presents current best practices in countries where Danone operates. Every year, all CBUs are asked to complete the “stakeholders mapping” tool, which is used to assess Danone Way (local community) fundamentals.
- in addition, plant managers take a training course on the local environment to help them explain their roles and responsibilities regarding the local environment, to identify the main stakeholders and to lay the foundations of their plant's action plans.



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**Danone Social Innovation Lab (SIL), a major event dedicated to dialogue and creation with the stakeholders**

To establish a co-development approach with a focus on dialog and to share best practices in cooperating with civil society organizations, Danone has been organizing an innovative event for four years where Danone staff meets with social change agents (NGOs, social entrepreneurs, international organizations, etc.) from all over the world.

In July 2009, the **Social Innovation Lab (SIL)** brought together 150 participants, who planned co-development projects. The SIL's goal is to take advantage of replicable models and nurture co-development expertise in Danone's Country Business Units (CBUs).

The latest event in July 2010 took a different turn. Out of a desire to spread the word over the Web about this exceptional exchange of socially innovative ideas, the SIL welcomed some 20 bloggers, opinion leaders in this field. Three of them came specially from the United Kingdom for the event. Among the participants, for example, were the managers of Ecolo info, Farming First and Agir pour la planète.

Overall, 216 guests from 30 countries came together at this fourth Social Innovation Lab to discuss the following topic: "How can we share our experiences to broaden the scope of our projects?"

This unique event gave participants an opportunity to meet and share best practices and co-development ideas. Fifty people represented partner NGOs, which included Oxfam, Naandi-India Foundation, Heifer International, CARE, Poland's Food Bank and the Algerian Red Crescent.

Forty cases were presented during the July 2010 event compared to 15 in 2009, which illustrates the SIL's growing popularity and the rising number of initiatives on various topics, such as access to healthy food, access to water, and the setting up of cooperatives for small, isolated farmers, with Danone providing stable, sustainable income.

# PERFORMANCE INDICATORS

## Economic

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## Economic performance

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### 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 relating to direct economic value generated, economic value distributed and economic value retained, refer to the *2010 Registration Document, Sections 4.1 and 5.*

### EC2

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

**Risks associated with environmental regulations**

The group's environmental policy aims to respond to the concerns of many different parties in this area, especially consumers, who are increasingly focused on the environmental impact of products, while controlling risks.

Environmental expenditures and investments are presented in the *2010 Registration Document, Section 7.5.*

The group's activities are subject to numerous laws and regulations (which mainly relate to water, air, the use of natural resources, noise and waste). They are becoming more and more stringent and are constantly evolving.

These activities are, in particular, subject to obtaining authorizations or making prior declarations:

- in Europe, pursuant to applicable legislation concerning installations classified for environmental protection and;
- in other countries, pursuant to similar regulations.

Access to water sources and resources is sometimes linked to national or local regulations. Changes in these regulations could negatively affect the availability of water intended to be bottled and marketed by Danone.

## *Economic performance*

Packaging is subject to specific regulations and in particular European Directive 94/62, as amended in 2004, relating to packaging and packaging waste, which requires reductions at the source, reductions in the toxicity of hazardous substances, recycling, and recovery. Danone's activities are in fact subject to the European Waste Framework Directive 2008/98/EC.

The group's activities are also subject to, on the one hand, the European Directive of 2003 establishing a trading system and, on the other, quotas for greenhouse gas emissions and the transpositions of the National Allocation Plans in the European Union. Four of the group's sites in the European Union are thereby subject to quotas (whose impact on the group's financial situation is not significant), while the other sites are currently below the minimum eligibility threshold. If, in the future, the group is unable to limit the emissions of these five sites and comply with allocated quotas, it will incur a fine and would have to purchase the shortfall on the market for greenhouse gas quotas.

When the group is unable to reduce its environmental impact through direct action, notably in the agricultural and water preservation areas, it undertakes to help players in various areas, such as research and education, and any other actions that favour reductions in its environmental impact. The environmental action plans are presented in *the 2010 Registration Document*, Section 7.5.

There is no significant provision for environment-related risks and liabilities in the consolidated balance sheet as of December 31, 2010.

### **Risks associated with consumers' choices, preferences or environmental considerations**

Consumers' purchasing preferences, notably in the most developed countries, are increasingly influenced by environmental concerns (in particular greenhouse gas emissions and the preservation of water resources), and such preferences are at times supported by NGOs (Non-Governmental Organizations). Distributors also pay an increasing amount of attention to the communication towards the consumers (in particular the labelling of the carbon footprint of products). If the group is unable to anticipate changing consumer preferences, in particular through the implementation of measures associated with reductions and communication on environmental consequences, its results could be negatively affected.

Consequently, the group undertakes continuous efforts to reinforce its corporate commitment and improve the management of its business activities with respect to every step of its products' life cycle. Danone carefully ensures that all environmental claims made in connection with its products are well founded.

### Other environmental risks

The principal potential other risks are water pollution (essentially organic and biodegradable pollution), risks related to cooling installations (ammonia and other cooling liquids), and risks related to the storage of raw materials or products for the cleaning and disinfection of the group's plants (acid or basic products), especially when these installations are located in inhabited areas. In the event that the group's environmental responsibility is called into question, resulting from a significant accident or case of pollution, its results could be adversely affected.

Tools and process for measuring environmental footprint are detailed in environment indicators EN16, EN17, EN18, *see pages 171 to 174*.

## EC3

### Coverage of the organization's defined benefit plan obligations

Approximately 200 executives who hold the status of Senior Manager in the group and who were covered by French pension schemes as of December 31, 2003 are, under certain conditions (particularly seniority and continuing employment conditions), eligible for a defined benefit pension plan.

This plan provides for a pension based on years of service and the amount of final salary, under the condition that the beneficiary is still in the group's employment at the time of retirement. The pension is paid after deducting certain pensions (corresponding, with respect to a first category of Senior Managers in the group, to the full amount of retirement benefits they acquired over the course of their professional career and, with respect to a second category of Senior Managers in the group, to the full amount of retirement benefits that they acquired due to the implementation of an additional retirement plan paid for entirely by the Company), and may reach a maximum of 65% of final salary. In the event of leaving the group before the age of 55 or in the event of death before retirement, the employee loses all benefits under this plan, it being specified that if the employee is laid off after the age of 55, the plan benefits are preserved, subject to the employee not taking any salaried position in the future. This pension plan was closed to new participants on December 31, 2003.

## Economic performance

The amount accrued for under this plan represents the obligation of the group as of December 31, 2010 for the payment of annuities calculated on the basis of life expectancies derived from mortality tables.

As of December 31, 2010, the portion of the total amount of the group's obligation which relates to the Company's executive directors and officers under this pension plan amounted to 40.2 million euros.

The total amount paid out by the Company with respect to this pension plan for the benefit of the members of the Board of Directors (based on the duties they have completed within the group, currently Mr. Christian LAUBIE and since the beginning of his retirement on April 1<sup>st</sup> 2010, Mr. Jacques VINCENT) amounted to 1.3 million euros in 2010.

## EC4

### Significant financial assistance received from government

This indicator is not 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

This data is taken from Magnitude, the group's HR management information system.

	Number of CBUs	Total % of employees
CBUs with a "CBU minimum wage"/"legal minimum wage" ratio <b>greater than 1</b>	123	83,3%
CBUs with a "CBU minimum wage"/"legal minimum wage" ratio <b>equal to 1</b>	24	15,3%
CBUs to which no legal minimum wage applies	17	1,4%

The reporting entity comprises 164 Country Business Units (CBUs) consolidating this data and covering 79,771 employees (14 CBUs did not consolidate this information, representing 4,626 employees).

The standard entry-level wage is higher than the local minimum wage in the great majority of our CBUs (123), employing over 83.3% of our staff. It is equal to the legal minimum wage in 24 CBUs, i.e. 15.3% of employees. Lastly, there is no legal minimum requirement for 17 CBUs.

## EC6

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

This indicator is not monitored by Danone.

## EC7

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

Danone is above all a local employer hiring 95.4% of its 13,984 managers and senior managers from the local community.

Danone's target is to reach 80% of locally-hired managing executives on all Executive Committees. At end 2010, 74.6% of our senior managers were hired locally.

	2010
<b>Total Managers</b>	<b>13,984</b>
Including international managers	649
% of international managers	4.6%
% of local managers	95.4%
<b>Executive Committee Members (excluding Executives)</b>	<b>879</b>
Including international members	234
% of international members	26.6%
% of local members	73.4%

## Indirect and economic impacts

### EC8

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

Danone is committed to public-interest projects relating to its core mission and develops partnerships with private and public organizations in the countries in which it does business to improve health through food and to combat malnutrition.

The Danone Supporting Life platform (*see page 65*) includes the Country Business Units' (CBUs) various local initiatives in support of local communities, in alignment with this commitment.

Today there are 47 initiatives in place, some of which represent a "triple win" approach combining development of the CBU's business, increased incentive for Danone employees through their commitment, and local development benefits in the areas that relate to our expertise: nutrition and health, partnership with nature, access to food and water, and promoting the well-being of children and the elderly. The goal is to move all initiatives towards this triple-win approach to maximize their impact.

A few examples:

- In the Baby nutrition and Medical nutrition divisions, a joint program was launched to improve access to medical education in South Africa, in which each Nutricia SA employee serves as a personal mentor to one student.
- In the Operations department of the Baby nutrition division, the environmental «Green Planet Happy Children» project was developed in partnership with SOS Villages d'Enfants (an association dedicated to children in France and worldwide) in Kenya, involving all employees working in operations at each plant.

#### Les Restaurants du cœur: Successful second round!

In 2010, Danone's partnership with the Restaurants du Cœur association in France was a huge success: 1,124 Danone employees participated in the food drives in Carrefour and Carrefour Market stores, compared with 1,054 in 2009. They helped collect the equivalent of 1.5 million meals. One million meals were co-financed by Danone and Carrefour after a promotional operation in stores. This partnership has also led to a skills sponsorship program with eight professionalization sessions for Restaurant du Coeur volunteers organized by Danone employees, and professional immersion experiences for Restaurant du Coeur beneficiaries at Danone French Dairy CBU. The partnership will continue in 2011.

#### Share your Meal

Share your Meal is a social program launched by Danone Poland in 2003, which took place for the eighth time in 2010. This year, children suffering from malnutrition were served one million meals, bringing the total to ten million meals since the program began.

The program is founded on a cause-related marketing approach in which consumers can help children suffering from malnutrition by purchasing Danone products. Today, 84% of Poles are familiar with the Share your Meal program thanks to communication efforts and television advertising. Danone Poland's visibility as the project organizer has grown from 44% in 2009 to 50% in 2010.





The Country Business Unit (CBU) involves various stakeholders in the project, mainly its employees, whose commitment rose from 23% in 2009 to 36% this year, contributing to the collection of 488 tons of food nationally.

### **Milky Start**

Milky Start, the first product associated with a social mission in Poland, was launched by Danone and its partners (Biedronka and Lubella, as well as the Mother and Child scientific institute) in 2006, and this year registered 10,000 portions purchased per day by the lowest-income families in the country.



This milk porridge was formulated for children in the lowest socio-economic category who often suffer from health problems caused by malnutrition. Milky Start is enriched to provide up to 25% of daily recommended values of certain vitamins and minerals. Its increased sales in 2010 (+177% compared with 2009) were made possible by key initiatives launched in 2009: improved product formulation, introduction of new flavors, as well as various advertising campaigns.

### **The Danone Institutes**

The Danone Institutes are non-profit organizations that bring together more than 250 independent experts, including scientists, physicians and food sector personalities with the goal of:

- supporting nutrition research;
- informing and training health professionals on food-related topics;
- participating in improving eating habits through education and information campaigns (to learn more, go to [www.danoneinstitute.org](http://www.danoneinstitute.org)).

Since 1991, nearly 1,000 research projects have been financed by the Danone Institutes, and more than 18 million euros distributed in the form of research awards and grants. In 2010, nearly 1 million euros were contributed to support nutrition research.

The Institutes also organize around fifteen scientific and practical conferences annually and publish numerous books and information letters to share the latest scientific advances in nutrition with practitioners, journalists and education professionals.

More information on [www.danoneinstitute.org](http://www.danoneinstitute.org)

## *Indirect and economic impacts*

### ADD EC9

#### **Understanding and describing significant indirect economic impacts, including the extent of impacts**

Danone has always had a vision of its business that integrates both economic factors (wages paid, procurement and subcontracting, local taxes, etc.) and social considerations (employment, contributing knowledge, training, support for local initiatives, support for education in its areas of expertise, partnerships around environmental causes). The company's ability to develop positive relationships with its local environment plays a significant role in its overall performance. Danone must continuously strive to find the right balance between this social commitment and the economic purpose that is its primary mission.

Danone's commitment to local communities is part of its "dual economic and social project", which involves:

- knowing the local players and developing sustainable relationships with them;
- participating in the economic and social development of its labor market;
- developing products that are affordable by the greatest number of people, and in particular low-income consumers;
- participating in maintaining local economies and employment by reindustrializing group sites that have undergone restructuring.

Danone implements numerous initiatives in its Country Business Units (CBUs) (for example, APIEME at Evian, CEPIV at Volvic, the AQUA factory in Klaten, Indonesia, etc.) to support the economic and social development of the regions where the group is present.

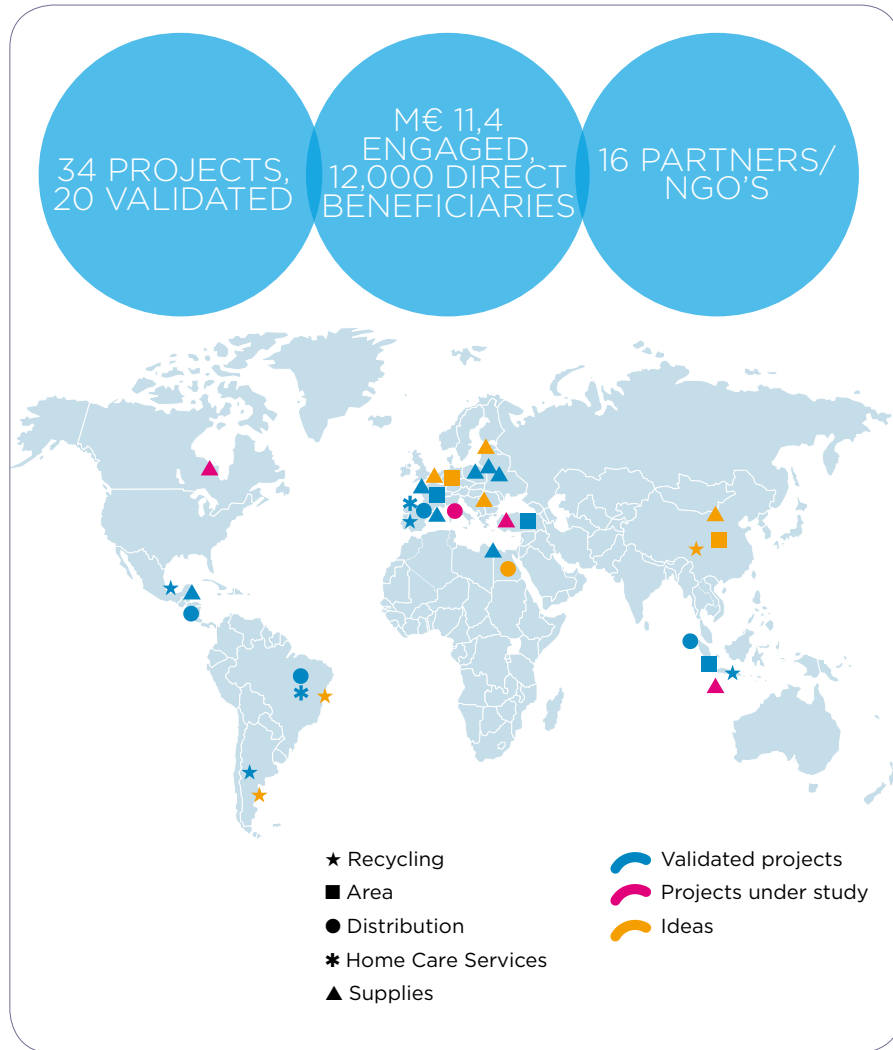
The group decided to organize these many initiatives and to expand their scope by founding the **Danone Ecosystem Fund** in April 2009 (see pages 62 to 65).

This Fund aims to expand the dual economic and social projects to strengthen and develop business for Danone's partners, which are its ecosystem: agricultural producers, suppliers and subcontractors, transport and logistics operators, and distributors.

The Fund is financed by an initial endowment of 100 million euros and an annual contribution of one percent of net profits. It supports diverse initiatives selected by the CBUs in their own regions: skills development programs for local suppliers, support for new businesses in connection with Danone's own activity (such as food distribution micro businesses), employment integration programs near the plants.

At end 2010, 20 projects had been approved, representing 11.4 million euros and 12,000 beneficiaries. The interest shown by CBUs in these co-development projects and the quality of the initial ideas are the driving factors that must be leveraged. This approach modifies the way social responsibility is perceived within the CBUs and helps to change practices in procurement, distribution and product offers.

The Danone Ecosystem Fund



# PERFORMANCE INDICATORS

## Environmental

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PRODUCTS AND SERVICES	177
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## 2000-2010 Objectives

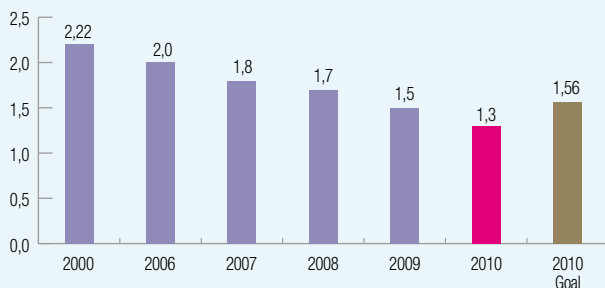
Quantitative objectives were set for the entire group in 2001 for the 2000-2010 period (“lean plant” program): 20% reduction in energy consumption, 30% reduction in water consumption, 10% reduction in packaging weight, and 80% recovery of manufacturing waste.

The reporting process was enhanced in 2010 thanks to a stronger involvement of each division to ensure that all environmental data for the group’s production plants is reported. The coverage and data reliability were also improved by better reporting preparation. Coverage of participating plants rose from 86% to 94%, leading to a change in the energy mix. The additional plants are located in particular in China, Iran, the Republic of Korea, the USA, Mexico and Denmark.

### Water consumption in our plants

Water consumption in our plants (1.3 m<sup>3</sup>/t) decreased by 11% in 2010, mainly due to good performances in the Waters and Baby nutrition divisions.

Water use intensity in the production process  
(in m<sup>3</sup>/ton of product)



**2010 goal compared with 2000 (-30%): 1,56 m<sup>3</sup>/t**

The 30% reduction goal was exceeded, reaching 41%.

### Overall consumption of thermal energy in our plants

Thermal energy intensity (in kWh/metric ton of product)



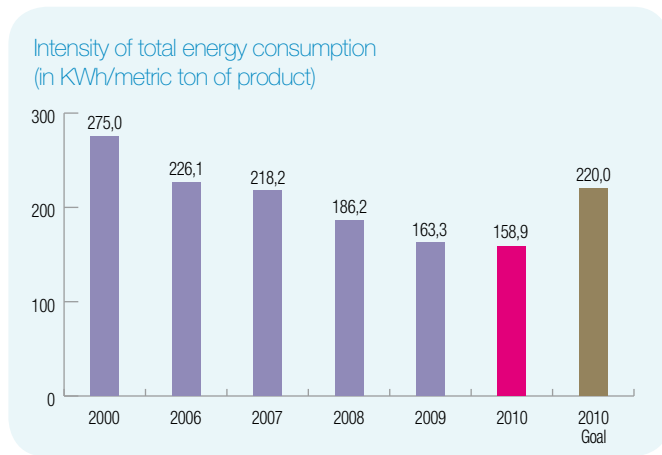
The group reduced the intensity of its thermal energy consumption to 90.0 KWh/t in 2010, a 3.9% reduction compared with 2009.

**2010 goal compared with 2000 (-30%): 118,5 kWh/t**

The 30% goal was exceeded, with a 47% reduction in intensity.

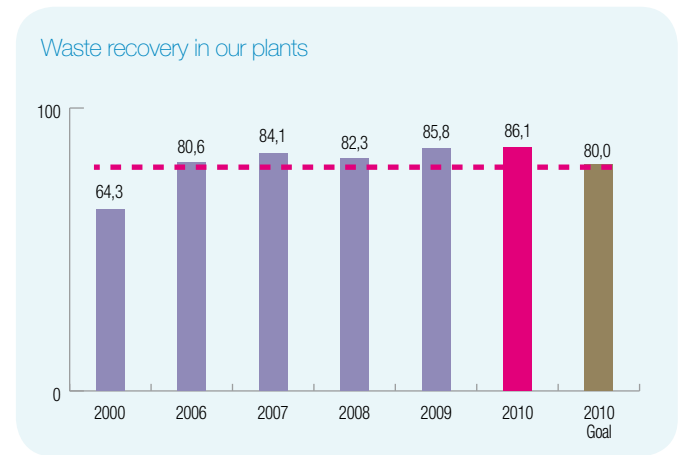
## 2000-2010 Objectives

### Total energy consumption in our plants



**2010 goal compared with 2000 (-20%): 220 kWh/t**  
 The 2008-2012 Nature Plan to reduce carbon dioxide (CO<sub>2</sub>) emissions helped propel production plants more quickly towards better energy performance. The goal of reducing energy intensity by 20% was exceeded, with a 42% decrease.

### Waste recovery in the plants



The group continued its waste recovery policy in 2010, achieving an 86.1% recovery rate. Recovery takes place through recycling, reuse of waste, composting, spreading for fertilizer, or waste-to-energy incineration.

**2010 goal: 80% recovery of production plant waste**  
 The 2010 goal was exceeded, with the recovery rate reaching 86.1% in 2010.


## Number of ISO 14001-certified sites


Danone bases its environmental management policy on the international ISO 14001 benchmark. Numerous published guidelines based on this standard help industrial sites progress towards certification. ISO 14001 certification is a prerequisite for achieving the highest performance level in the **GREEN** environmental audits carried out by ERM (*see page 42* “Manage and strengthen the fundamentals”). At end 2010, 88 of 157 plants were ISO 14001 certified.

The rate of coverage of sites reporting data rose from 86% in 2009 to 94% in 2010 (+8 points).

In the tables below, 2009 and 2010 data is historic data:

- for 2009 data, the coverage rate represents 95% of the group’s 2009 revenues;
- for 2010 data, the coverage rate represents 98% of the group’s 2010 revenues.

	2009	2010
Total number of sites	167	157
Total number of ISO 14001-certified sites	85	<b>88</b> 
Percentage of ISO 14001-certified sites	51%	56%
Coverage (percentage of sites reporting data)	86%	94%

 2010 figures have been verified by KPMG Audit.

## The continuous improvement process is supported by Danone investments

In 2010, investments targeting environmental protection amounted to 30 million euros (compared with 34 million euros in 2009 and 38 million euros in 2008).

These investments involve (in order of importance):

- energy savings and transition to renewable energies (in particular through waste processing in waste treatment facilities);
- sustainable management of water, soil, air and waste;
- eco-design of products and packaging.

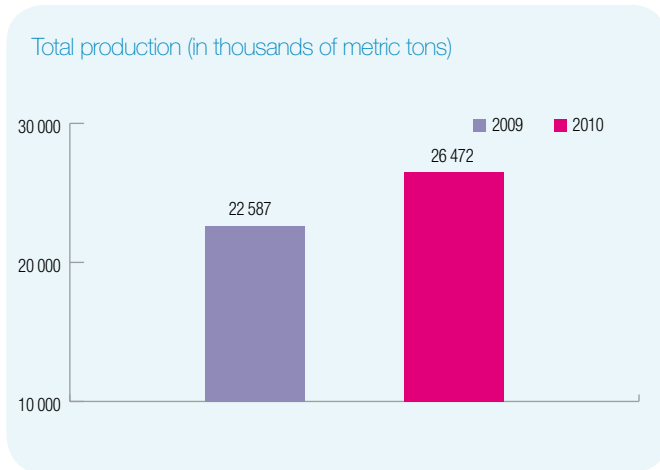
## Materials

### EN1 Materials used by weight or volume

	2009	2010	2009/2010 change
Total production (thousands of metric tons)	22 587	<b>26 472</b> ✓	+17%

✓ 2010 figures have been verified by KPMG Audit.

Total production in metric tons rose by 17%, due in particular to increased production by the Baby nutrition division.



### EN2 Percentage of materials used that are recycled input materials

Around one third of primary and secondary packaging is made from recycled materials in the Waters and Dairy products divisions. Cardboard used in the Waters division is more than 80% recycled, and this rate is 99% in the Dairy products division.

For its plastic packaging, the group is working to increase the percentage of **recycled PET** (rPET) used in its bottles. Several brands in the Waters division, including Volvic, Evian and Bonafont are already using rPET. At end 2010, the global share of rPET was 10%. For example, Evian bottles contain, depending on their format, between 35% and 50% rPET.

Waters division	2008	2009	2010	2011 goal
% rPET (g rPET/g PET)	4%	8%	10%	minimum 20%



# Energy

## EN3

### Direct energy consumption by primary energy source

MWh	2009	2010
Natural gas	1 394 304	1 502 693
Fuel oil	354 226	351 496
Heating oil	44 971	85 028
Butane/propane	81 871	71 888
Coal	183 031	243 194
Other sources	30 747	20 907
Thermal energy consumption (with steam)	2 116 476	<b>2 383 532</b> ✓

✓ 2010 figures have been verified by KPMG Audit.

The increase in volume of thermal consumption (+12.6%) was lower than the overall increase in the group's production (+17%).

This reflects improved thermal energy intensity, which measured 90.00 KWh/metric ton of product in 2010, a 3.9% improvement. This change is the result of continuous improvement plans and the implementation of more environmentally-friendly solutions.

Cogeneration is being developed to support a more favorable energy mix in our factories.

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

## EN4

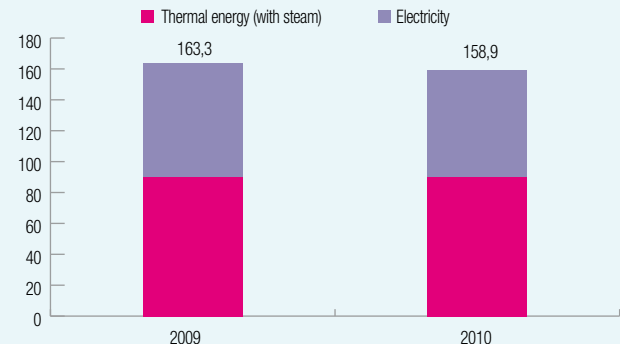
### Indirect energy consumption by primary source

MWh	2009	2010	2009/2010 change
Thermal energy (with steam)	2 116 476	2 383 532	13%
Electricity	1 573 049	<b>1 822 740</b> ✓	16%
Total energy	3 689 525	4 206 272	14%

✓ 2010 figures have been verified by KPMG Audit.

Energy efficiency continues to progress. A 2.7% improvement was registered in 2010 compared with the previous year, despite an unfavorable energy mix effect (integration of new plants into the report). See indicator EN16 for more information.

Total energy intensity (KWh/metric ton of product)



## Energy

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### ADD EN5 Energy saved due to conservation and efficiency improvements

Better management of energy was achieved through two main approaches:

- Optimizing energy production at the plants:  
For example, thermal energy efficiency improved by 9.6% in the Dairy products division.
- Optimizing energy use:  
For example, electricity intensity improved by almost 4.7% in the Baby nutrition division.

Sharing best practices and fostering emulation between plants strengthened this improvement process in 2010.

The rollout of energy training known as “Energy Campus” in the Dairy products division continues to bring energy experts into play to support implementation of best practices in all production plants. To date, this approach has helped identify 63 best practices. In 2010, seven meetings were held at various sites - in Russia, Turkey, South Africa, the Czech Republic, Spain, Canada and Indonesia - to mobilize every geographic region. At each meeting, the host site was audited and an action plan developed. This process, applied in a spirit of collaboration and cross-regional fertilization, helped connect the best practices shared through the group network to concrete efforts for improvement on the ground.

The “Energy Radar” initiative in the Baby nutrition division also aims to optimize energy consumption in production plants. An energy manager is designated at every site to identify waste and propose solutions that are more efficient and respectful of the environment. Each energy manager commits to sharing the best practices implemented at his or her site with the rest of the network, twice annually. One of the best practices identified optimizes the milk pasteurization process.

These efforts have improved total energy efficiency by more than 6% for the Dairy products division compared with 2009.

## 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**

Several sites chose to install cogeneration facilities in order to produce electricity or steam without fossil fuels. At the Bierun plant in Poland (Dairy products division), this practice prevents emission of some 5,400 metric tons of CO<sub>2</sub> each year.

In Brazil, a biomass production project to replace the fossil fuels used for electricity and heat production should be operational by 2012. This project is based on renewable biomass available in large quantities. It only uses certified sustainable natural resources and should prevent emission of 18,000 metric tons of CO<sub>2</sub>. The carbon footprint of biomass is around 15 g CO<sub>2</sub>/KWh, while that of fuel is estimated at 300 g CO<sub>2</sub>/KWh. This project also has a positive local impact by providing more secure market opportunities for local farmers.

Two similar projects have undergone advanced feasibility studies, in Ireland in the Baby nutrition division (Macroom) and in France in the Waters division (Volvic). These two projects have not yet been implemented as the conditions for economic viability are not yet in place. Two new projects are being explored.

## ADD EN7

### **Initiatives to reduce indirect energy consumption and reductions achieved**

*See indicator EN6.*

# Water

## EN8 Total water withdrawal by source

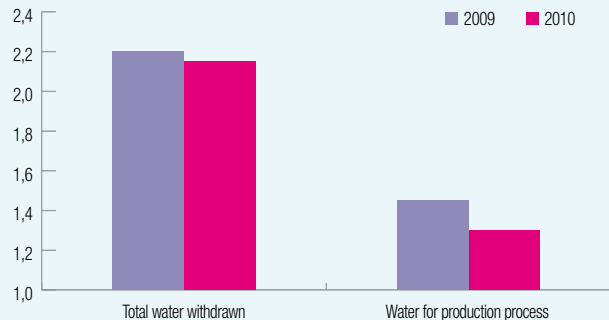
Thousands of m <sup>3</sup>	2009	2010
Total water withdrawn from the surrounding environment (Water for production and products), including:	50 204	56 253
· well water	36 526	41 366
· municipal water	10 312	11 470
· river water	3 367	3 417

Total water withdrawn includes both water used in the production process, and water used in product formulation.

Thousands of m <sup>3</sup>	2009	2010
Water consumption in the production process	33 334	34 850 <input checked="" type="checkbox"/>

2010 figures have been verified by KPMG Audit.

Water use intensity (in m<sup>3</sup> per metric ton of product)



All divisions continued policies for improved management and use of water resources. The water consumption ratio improved by 11% from 2009 to 2010 (1.3 m<sup>3</sup>/t), notably thanks to good performances in the Waters and Baby nutrition divisions.

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

In the Waters division, the water footprint measurement tool developed in collaboration with Quantis (DROP) is based on a life cycle analysis approach. It inventories consumption at each stage of production (ingredients, packaging, production), and for transport, consumer use and end of life. The impact of this consumption, whether quantitative (availability) or qualitative (pollution) is measured in m<sup>3</sup> equivalent, taking into account local “water stress” where the impacts are generated. Compensatory measures directly related to product formulation (protection policy or CSR program) are also evaluated in the form of m<sup>3</sup> equivalent credits. This new, exhaustive and regional approach to assessing the “water footprint” is part of current discussions for drafting ISO standards (which should be finalized in 2013).

This tool has already been tested for several products in France and Argentina, and will be rolled out across the Waters and Dairy products divisions in order to identify levers for improving our water footprint throughout our products’ life cycles.

## ADD EN9

### Water sources significantly affected by withdrawal of water

*See indicator EN8 for the various sources of water used.*

Of the 56 million m<sup>3</sup> of water withdrawn, Danone uses some 21 million m<sup>3</sup> for manufacturing its finished products (not including water used in production processes), mainly coming from 81 bottling sites.

The group has set a goal of ensuring the protection of the source (rainwater catchment area), 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.

Danone has drafted a charter titled “Groundwater protection policy” signed by Franck Riboud in October 2004. This policy defines our commitment to sustainable management of groundwater in terms of managing natural and heritage resources. It restates the core objective of protecting springs and describes in detail the principles for implementation by all Country Business Units around the world. These principles are systematically assessed for each spring, giving rise to specific action plans. Site evaluation is based on the SPRING tool, which defines management standards for each source of spring water bottled by the group. This tool has been rolled out in 100% of the Waters division sites.

The Waters division has established a national and regional availability map, to identify pollution risks, risks of water scarcity and priority action zones.

*See the programs for protection of biodiversity zones under EN11.*

## ADD EN10

### Percentage and total volume of water recycled and reused

Production plants use water for production line cooling systems. This water is reused in almost all cases (open cooling systems are the exception and not the rule).

Investments have been made at several plants to improve water recuperation, particularly at Bailleul in France. This plant has made changes to its CIP (Cleaning-In-Place) facility to bring consumption below the threshold of 2m<sup>3</sup> per metric ton.

## Biodiversity

Biodiversity refers to all components of living systems, at species, gene and ecosystem levels. The publication of the Millennium **Ecosystem Assessment** report in 2005, sponsored by the United Nations, highlighted the important tasks accomplished by ecosystems. The report identifies and categorizes different types of services:

- supply services (food, wood, etc.),
- regulatory services (water cycle, climate regulation, etc.),
- support services (primary production, soil, etc.),
- cultural services (education, recreation, etc.).

Danone's businesses depend directly or indirectly on these services (e.g. supply of natural mineral water, energy supply for production sites, and raw materials supply). The group's businesses are by nature interdependent with ecosystems. This is why Danone has made preserving biodiversity one of its priorities, including beyond the scope of its own production operations, through protection initiatives in partnership with numerous NGOs.

## 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, many benefit from an exceptional environment and specific protections; this is true for the Waters division sites in particular, whose rainwater catchment areas are being carefully managed. Projects begun over the past several years continue.

In France, together with the Association for the Protection of rainwater catchment for Evian mineral waters (**APIEME**), Danone has been implementing protective measures in collaboration with local partners since 1992. This strategy is not limited to Evian, but today covers 80% of the group's springs. In 2009 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. One of the key 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.

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In 2010, Evian, the **APIEME**, the council of Haute-Savoie and the Community of Municipalities of the Evian region signed a framework agreement on “Environmental management of winter road maintenance in the Evian Canton.” The agreement seeks to minimize the use of salt on the roads in wintertime, to prevent soil and water supply contamination by chloride compounds. The signing of this agreement is a concrete illustration of evolving highway management practices at local level, which will have a positive impact on biodiversity.

Along the model of the **APIEME** in Evian, the CEPIV in Volvic and the Lanjaron association in Spain, Badoit and the municipalities of Saint-Galmier, Chamboeuf and Saint-Médard-en-Forez created the “Green bubble” association in 2010. This initiative aims to implement policies to ensure the sustainability of natural mineral water resources. Several policy priorities have already been identified, in particular wastewater management and agricultural activities. Concrete achievements are expected beginning in 2011, in particular initiatives to renovate the purification network and to provide assessments of livestock farming.

In Argentina, the **Villavicencio** site extends into a nature reserve of more than 70,000 hectares. In close proximity to the Andes, the site is home to a wealth of biodiversity and initiatives have been taken to ensure sustainable management of the area and protection of water resources. Ecotourism and environmental awareness projects are developed in the reserve. In Uruguay, the **Salus** spring in the Sierra de la Coronilla is also located in a nature reserve that is very isolated and particularly well preserved.

In Indonesia, Danone, the CIRAD and a local NGO have joined together for a reforestation project using local species in the **Klaten** catchment area. In China at the **Longmen** site near Shenzhen, a pilot project was launched in cooperation with agronomy institutes, local authorities and populations to eliminate the use of pesticides by mandarin tree producers in the catchment area.

In the Dairy products division, the **Molay** plant in France was upgraded into a Natura 2000 area in 2009.

## Biodiversity

### EN12

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

To minimize our impact on biodiversity and to contribute to restoring ecosystems, Danone seeks to adhere to the precautionary principle and to collaborate with leading experts in the field.

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

Operation of a spring depends on 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 and has 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. The group relies on local and national legislation and on contractual 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 our springs. For each site under operation, replacement of the natural resource is the primary factor. We never withdraw more than what the spring can naturally produce.

The water's consistent composition is checked through regular sampling by certified independent laboratories. Bottling is carried out according to strict hygiene procedures, and water quality is monitored daily.

- **In the areas of agriculture and milk supply**, the Dairy products division launched the FaRM 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.). New biodiversity indicators were added to this approach in 2010. 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 sustainable use of pesticides and fertilizers in the fields, and more integrated (Bleu Blanc Cœur, etc.) or organic ("Les deux vaches" initiative, Stonyfield farms, etc.) agricultural models.



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## ADD EN13

### Habitats protected or restored

*See indicator EN11 concerning the groundwater protection program.*

## ADD EN14

### Strategies, current actions, and future plans for managing impacts on biodiversity

Biodiversity is one of the five strategic priorities of the group's Nature Plan.

#### **Sustainable agriculture**

Several initiatives aim to develop environmentally respectful agricultural practices, in partnership with group suppliers. Intensive use of pesticides and fertilizer has been identified as one factor in the loss of soil fertility, and also affects biodiversity. Since 2006, Danone is therefore sponsoring a thesis with the INRA on the impact of meadow land biodiversity on the micro-nutrient content of milk. This research could lead to development programs for meadow land, a biodiversity habitat.

Danone contributes to the development of organic farming through its Stonyfield CBU in the USA and in France. Stonyfield is the world-leading producer of organic yogurts.

#### **Danone Nature Fund initiatives**

To effectively implement its offset projects, Danone developed a "home made" tool in 2008, the Danone Nature Fund, in partnership with **IUCN** and the **Ramsar** convention. The fund seeks to support projects that combine water resource management, biodiversity conservation, quality improvement of food resources from wetland ecosystems, and improved natural capacity to store large quantities of CO<sub>2</sub>.

## Biodiversity

The Danone Nature Fund initiated two new programs in India in 2010. Danone supports an NGO that works with local communities in the Ganges delta to restore the Sundarbans mangroves. This region is home to great biological diversity, both plant and animal, including the Bengali tiger. In the Araku Valley, Danone has begun an agroforestry project in support of local producers in partnership with the Naandi foundation. In Africa, the Danone Nature Fund continues to support the NGO **Oceanium** project for restoring mangroves in Senegal.

In Cambodia, Danone also supports the **GERES** (Renewable Energies, Environment and Solidarity Group) in the distribution of improved cooking stoves to help limit deforestation, including in the Tonle Sap lake area. This lake was named a UNESCO Biosphere Reserve in 1997. Danone also supports an agroforestry program on the Bateke plateau in the Democratic Republic of the Congo.

### Water and biodiversity

*See indicator EN11 concerning the groundwater protection program.*

## 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 plants within protected areas where species on the **IUCN** red list are located.


Certain areas 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.

## Emissions, effluents and waste

### EN16

#### Total direct and indirect greenhouse gas emissions by weight

Total emissions in tCO <sub>2</sub> e (Kyoto Protocol - scope 1)	2009 <sup>(*)</sup>	2010
CO <sub>2</sub> emissions	490 396	526 604
CH <sub>4</sub> emissions	1 160	1 255
N <sub>2</sub> O emissions	553	532
HFC emissions	1 355	2 301
<b>Total emissions</b>	493 463	<b>530 692</b> 

 2010 figures have been verified by KPMG Audit.

<sup>(\*)</sup> Values recalculated according to 2010 GHG Protocol Initiative methodology. Emissions related to HCFC and CFC consumption are not therefore taken into account, and emission factors have been updated.

Total emissions by the plants have increased with the group's rising production levels (+17%) compared with 2009. However, production plants' carbon intensity continues to improve, registering an 8% reduction under the 2008-2012 reduction plan.

### EN17

#### Other relevant indirect greenhouse gas emissions by weight

kg eq. CO <sub>2</sub> /kg of product in Danone's scope of responsibility (production plants, packaging and end of life, transport and storage)	Goal 2008/2012	Actual 2009/2010	Cumulative 2008/2010
Danone	- 30%	- 9%	- 22%

The 7% goal was exceeded in 2010 with a reduction of 9%. Goals have been set for all group Country Business Units for 2011 targeting an average reduction of around 7%.

#### Danone's carbon footprint

In 2010 particular attention was paid to measuring greenhouse gas emissions. The group aims to systematically and strictly calculate, monitor and analyze emissions throughout its products' life cycle, similar to what is achieved for cost analysis in finance. Detailed knowledge of emission sources is a prerequisite to effective management of emission reduction policies.

Efforts over the past year therefore focused on the following:

- clarifying rules for emissions calculation;
- creating a methodology to consolidate CO<sub>2</sub> data at division and group levels;
- ensuring reliability of data reported by the CBUs;
- aligning internal calculation rules with the various existing protocols in the market.

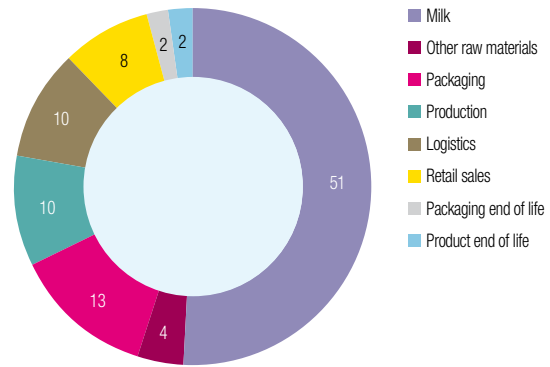
## Emissions, effluents and waste

We also obtained the following estimates in g equivalent CO<sub>2</sub> per kg of product for the group and by division.

This data serves as the basis for establishing Nature plan objectives (Danone's definition of direct responsibility includes all emissions arising from transport, packaging, production plant, distribution and packaging end of life activities).

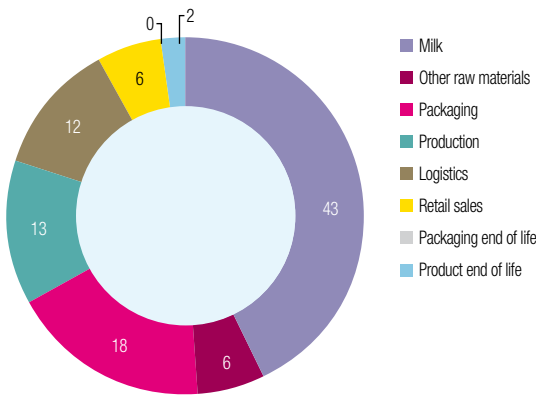
The largest impact comes from the use of agricultural raw materials, followed by packaging and transport. The impact of production accounts for 13% of the total.

Dairy division carbon footprint (in %)



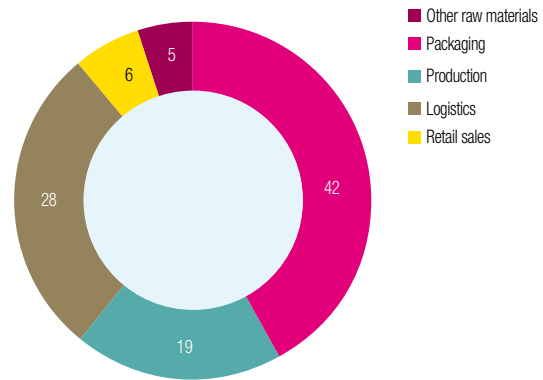
**Total scope:** 1,619 g eq. CO<sub>2</sub>/kg product  
**Danone's scope of direct responsibility:** 593 g eq. CO<sub>2</sub>/kg product

Danone's carbon footprint (in %)



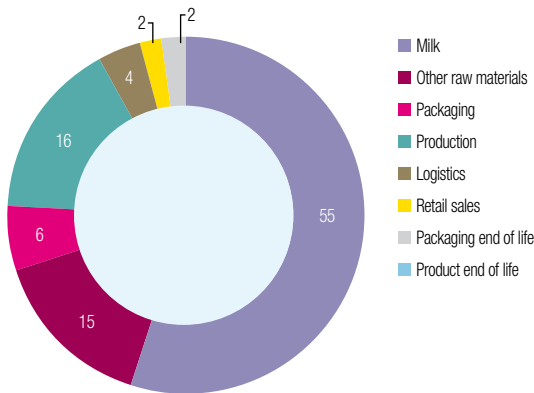
**Total scope:** 539 g eq. CO<sub>2</sub>/kg product  
**Scope of Danone's direct responsibility (production plants, packaging and end of life, transport and storage):** 240 g eq. CO<sub>2</sub>/kg product

Waters division carbon footprint (in %)



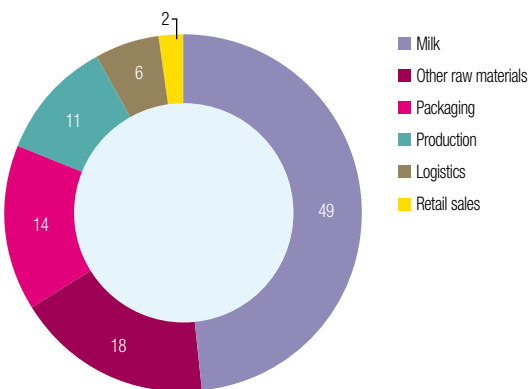
**Total scope:** 124 g eq. CO<sub>2</sub>/kg product  
**Danone's scope of direct responsibility:** 112 g eq. CO<sub>2</sub>/kg product

Baby nutrition division carbon footprint (in %)



**Total scope:** 6,410 g eq. CO<sub>2</sub>/kg product  
**Danone's scope of direct responsibility:**  
 1,819 g eq. CO<sub>2</sub>/kg product

Medical nutrition division carbon footprint (in %)



**Total scope:** 2,844 g eq. CO<sub>2</sub>/kg product  
**Danone's scope of direct responsibility:**  
 884 g eq. CO<sub>2</sub>/kg product

## ADD EN18

### Initiatives to reduce greenhouse gas emissions and reductions achieved

Our carbon footprint is measured using the Danprint tool developed for all Danone Country Business Units, which has now been deployed throughout the group.

With this tool we can assess our 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 plants, transport, packaging and packaging end of life). Consolidated reduction of emissions measured 9% in 2010 compared with 2009.

In addition to the 2008-2012 plan for reducing greenhouse gas emissions by 30%, Danone works together with its suppliers to reduce the carbon footprint throughout the value chain by implementing Carbon Pacts which include a reduction commitment and an action plan over three years. These pacts were implemented in the Dairy products division in 2009, and serve as a tool for suppliers who want to commit to better managing their emissions with a view to reducing them. To date, 66 carbon pacts have been signed by suppliers in the Dairy products division, representing 50% of sales value for packaging and raw materials suppliers. Continued rollout in 2010 led to the signature of 33 carbon pacts in the Baby and Medical nutrition divisions, covering 37% of the sales value of packaging and raw materials. A plan for implementation in the Waters division has begun and will continue in 2011. Danone's ultimate goal is to work with all of its strategic suppliers.

## Emissions, effluents and waste

Two examples of Carbon Pacts:

### **Graham: an action plan to reduce emissions from packaging**

In June 2010, Danone packaging supplier Graham committed to a carbon footprint analysis with the support of the ADEME to identify its main emission sources. Graham announced reduction goals, and several Danone sites supplied by Graham have already seen the packaging portion of their carbon footprint go down: At Rotselaar in Belgium the reduction is estimated at 5% between 2009 and 2010, and a reduction of around 13% has been achieved in Aldaya in Spain. Improvement is significant for several products, including Danacol, with a reduction of 5.2 g CO<sub>2</sub>/bottle over the same period.

### **Agrana: an action plan to reduce emissions from transport and energy**

In October 2009, Danone fruit supplier Agrana implemented a multi-year action plan in France with ambitious goals. The supplier is committed to reducing its teq. CO<sub>2</sub> emissions from transport by 20%, and those arising from energy use by 16%. These objectives implemented within its direct business scope represent an overall decrease estimated at 7.5% over a five-year period.

## EN19 Emissions of ozone-depleting substances, by weight

t eq. CFC	2009	2010
CFC	0,44	0,58
HCFC	0,39	0,46

Emissions arising from the use of refrigerants increased this year, due to the fact that refrigerant use is not regular, and several sites needed to replenish their stocks in 2011. Certain refrigerants have an impact on the ozone layer, particularly CFCs. Danone has committed to ultimately using only natural refrigerants and technologies that respect the environment.

Studies carried out by the Dairy products division in 2010 reveal that the cold chain accounts for between 5% and 12% of the total CO<sub>2</sub> footprint, depending on the country. A case study of Activia yogurts in Germany showed how emissions are distributed across the chain in retail storage (50% to 70%), warehousing (10% to 16%), and Danone production plants (5% to 20%). The Dairy products division is already ahead of the curve for the ban on R22 refrigerant greenhouse gases (freon) in France, set for December 31, 2014. Our five production plants in France have replaced freon with ammonia, a natural refrigerant.

Under a policy known as the **BCool initiative**, Danone began updating its refrigerator fleet (estimated at 150,000 units) in 2010 to ensure that only natural refrigerants based on CH or CO<sub>2</sub> technologies are in use. This results both in reduced energy consumption and a reduction of ozone-depleting emissions.

## EN20

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

t eq. NOx ou SOx	2009	2010
Consumption of NOx	1 206	1 334
Consumption of SOx	2 688	2 998

## EN21

### Total water discharge by quality and destination

Thousands of metric tons	2009	2010
Final discharge of Chemical Oxygen Demand (COD)	5, 139	<b>5, 320</b> <input checked="" type="checkbox"/>

2010 figures have been verified by KPMG Audit.

The net COD ratio (net COD / production) after treatment continued to decrease significantly in 2010 for a total drop of 11.7%. Several plants have modified their sampling methodology to improve the measurement's accuracy.

Some sites have also implemented original approaches by using gross COD for energy production. The Stonyfield plant in the United States adopted a method in which dairy waste from the production process is directly released into wastewater. This leads to an increase in gross COD, which is utilized in a procedure for producing biogas (biomethanization). With this system the plant recycles its organic waste as well as gaining greater energy autonomy. Stonyfield shrank the plant's carbon footprint by 30% while drastically reducing its sludge treatment load (-98%) and operating costs.

## Emissions, effluents and waste

### EN22

#### Total weight of waste by type and disposal method

	2009	2010
Total quantity of waste generated (in thousands of metric tons excluding sludge from WWTP)	238	<b>277</b> ✓
Total quantity of waste eliminated by a specific method (in thousands of metric tons excluding sludge from WWTP)	204	238
Share of waste diverted by a specific method (excluding sludge from WWTP)	85,8%	86,1%

✓ 2010 figures have been verified by KPMG Audit.

### EN23

#### Total number and volume of significant spills

A chemical product spill occurred in 2010 at a Dairy products division location. The accident was rapidly brought under control and effectively managed with the local authorities; no significant environmental impact resulted.

### 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

##### Innovative practices to reduce packaging weight

Reducing packaging and packaging weight is among Danone's priorities. A number of noteworthy improvements were initiated in 2010. Reducing the weight of yogurt pots in the Dairy products division was made possible with a new technique (FOAM) in which air bubbles are injected into the pot to reduce the amount of plastic used. This technique was implemented on around 40 production lines in 2009, and 55 lines were operational in 2010. Conversion of another 15 lines is planned in 2011. This technique has already reduced the carbon footprint by 40,000 metric tons equivalent (teq) CO<sub>2</sub>.

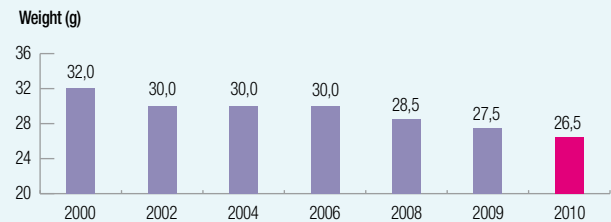
Two of the group's flagship brands, Activia and Taillefine, eliminated the cardboard wrap around their yogurt pots (4-pot format) in April 2010. This change impacts around fifty different products and avoids the use of 1,600 metric tons of cardboard, or 2,500 teq. CO<sub>2</sub> each year. Where cardboard is still needed, it is 99% derived from recycled fibers. Additional major projects are planned in 2011.

##### Ever lighter bottles

From 2000 to 2010, the Font Vella bottle (Spain) lost 17% of its weight, dropping from 32 g to 26.5 g.

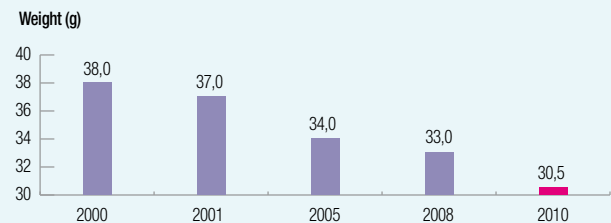
This reduction was achieved through various innovations that optimized the application of the PET plastic in the mold used to form the bottle. Some additional "tweaks" concerning notably the base of the bottle and the shape of the neck contributed to reducing the amount of plastic used.

The evolving weight of the Font Vella bottle (1.5 l)



In France, the Volvic bottle shrank from 38 g in 2000 to 30.5 g in 2010 (-19%). The techniques that made this possible are similar to those applied by Font Vella and primarily involve optimizing the application of PET plastic in the mold. Further weight reduction projects are planned in the coming years.

The evolving weight of the Volvic bottle (1.5 l)



The weight of the new Evian 1.5 l bottle dropped 12% from 2009 to 2010, for a cumulative weight loss of more than 40% since 1995.

## Products and services

### 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. The group 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 10% worldwide at end 2010. For example, Evian bottles contain, depending on their format, between 35% and 50% rPET.

### Recycling as a lever for local development

Through its Danone Ecosystem Fund, Danone supports projects that encourage recycling, particularly of rPET which has a positive impact on local economies. In **Indonesia** for example, Danone supports the Pemelung community of waste pickers who are active in the informal economy, by helping them organize into a cooperative and developing a model for equitable collection and recycling. A similar project was implemented in **Mexico** with the Pепенadores, leading to the launch of the first 100% rPET bottle by Bonafont. Another project is under development in **Argentina** with the Cartoneros. These projects combine social and environmental goals and allow Danone to increase its use of rPET while also improving working conditions and compensation for waste pickers.

### Plant-derived materials

Danone promotes the use of packaging materials made from renewable resources with concrete initiatives. Volvic launched the first mineral water bottle made with plant-derived PET in 2010. Volvic’s 50 cl bottles already use 20% plant-derived PET from sugar cane residue. This bottle is 100% recyclable.

In the Dairy products division, Stonyfield uses PLA plastic derived from corn in some of its production lines. Additional initiatives will be launched in 2011.

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

Sustainable agriculture is competitive and productive agriculture that, in addition to producing high-quality, safe food, takes into account the balance between:

- respect for the environment;
- local economic and social impacts;
- the farm’s profitability.

### The FaRMS program.

The FaRMS program (Farmers Relationship Management Software) was expanded during 2010 in the Dairy products division with the participation of new countries including Turkey and Argentina. To date, more than 6,500 dairy producers are involved in this approach. There were 3,373 farm visits (audits) in a dozen countries in 2010. At least three new countries (Mexico, Brazil and Ukraine) will join the program in 2011.

This program supports producers to implement best practices that are respectful of the environment, and ensures systematic monitoring of farms with respect to ten environmental criteria such as waste management, the use of phytosanitary products, and energy and water consumption.

### **The Sustainable Agriculture Initiative platform**

Danone was a founding member of the **Sustainable Agriculture Initiative** (SAI) platform in 2002. Among the SAI's focus areas in 2010 were measuring greenhouse gas emissions from livestock farming. It contributed to the report published by the FAO in April 2010.

The SAI comprises 25 member companies and aims to:

- expand and share knowledge between agri-food businesses;
- ensure uniform definitions in sustainable agriculture;
- approve and develop sustainable agricultural practices;
- communicate with decision-makers and consumers;
- involve other agri-food industrialists and agents in the industry.

Six specialized work groups were formed within the SAI (dairy, fruits, vegetables and potatoes, grains, coffee and water). Danone is an active member of the dairy, fruits and water groups. These working groups aim to transform sustainable agriculture principles into farming practices, which have begun implementation for the more advanced groups as global pilot programs.

### **The COw2 project**

Danone published a method for evaluating methane emissions based on measurements of certain fatty acids in milk, in collaboration with the INRA, in October 2009. This method is designed to help milk producers manage their carbon footprint through animal feed. A pilot phase for monitoring this measurement was launched in nine countries in 2010 (including France, Spain, Hungary, Canada, Brazil and the US) with a group of volunteer producers.

## 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*

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# 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 111 thousand euros in the form of penalties, fines and third-party damages related to environmental issues at a single site in 2010.

## 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. While milk supply is by nature a local activity (extending a distance of 56 km on average from production sites in France), Danone seeks to formulate optimal solutions with its transporters for all of its activities. A number of good practices have been developed in this way.

##### Rail transport

Mass rail transport is a major strategic focus for the Waters division. Evian is the largest private train station in France. Evian's "rail/road" ratio was 59% at end 2010, and Volvic's 34%. The Quicksilver project pooled rail transport between Volvic and Germany with the installation of a "rail hub" warehouse. This project prevented the release of some 13,000 metric tons of CO<sub>2</sub> (equivalent to 26,000 truck trips).

Similar projects have been implemented by the Dairy products division in Canada and the United States and others are being explored in Italy and Indonesia.

##### Optimizing road transport

In the Dairy products division, the Ecodrive project in Germany and Spain trains our drivers in safer and greener driving. In Spain it should generate a 15% reduction in emissions in four years.

The Hero project uses innovative co-logistics practices to streamline logistics, and in particular to optimize truck loads and transport schedules: Danone and Arla have joined forces in the United Kingdom to leverage all possible synergies between their businesses.

The "CoCo" tool (Cost/Carbon) for modeling various distribution logistics options was developed by the Dairy products division to help select the most efficient logistics in both economic and environmental terms. This tool is being deployed in 15 countries.

In a similar approach, Danone Waters France has implemented "carbon monitoring" for all flows managed with two strategic logistics partners, Norbert Dentressangle and Geodis.

##### Maritime shipping

Collaboration with Maersk (particularly to select the most efficient vessels, apply "slow steaming," etc.) helped reduce the carbon footprint for Evian and Volvic by 5% in 2010, which is half of the total carbon footprint reduction in the area of logistics.

## Overall

### ADD EN30 Total environmental protection expenditures and investments by type

Environmental expenditures	2009	2010	2009/2010 change
Contributions paid for packaging collection/recycling (Ecotax/DSD)	54 818	61 568	12%
Taxes and duties	7 893	8 293	5%
Fines and penalties	19	1	-96%
Third-party damages	10	107	941%
Cost for industrial treatment (waste, water, atmospheric emissions)	21 741	23 399	8%
Other environmental costs (consulting, ISO 14001, certifications, etc.) including personnel costs	4 340	4 754	10%
Cost of obligatory CO <sub>2</sub> emissions trading	29	9	-70%
Depreciation	3 740	5 339	43%
<b>Total</b>	<b>92 591</b>	<b>103 471</b>	<b>12%</b>

Environmental expenditures rose overall, a reflection of growing societal concern with environmental issues, and the resulting response from public authorities. Our taxes and duties rose by 12% and 5% respectively. Industrial treatment expenditures also rose, as did investments made in recent years in this area within our production plants. This also explains the significant increase in depreciations related to these improvements.

In 2010 the group adopted a new mechanism for financing its environmentally directed investments, “Green CAPEX” or “Green Investments.” The goal is to support investment in environmental projects with a lengthier return on investment than that required for standard investments. Green CAPEX makes it possible to invest in projects that would not be pursued if only traditional financial criteria were applied. Around ten projects were implemented using this approach in 2010. This change is a further indicator of Danone’s commitment to making decisions in support of sustainable development from a medium- and long-term perspective.

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## Governance

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### Mobilizing to connect Nature and Business

To achieve its goals, Danone has transformed its organization: appointment of two Nature sponsors to the group's Executive Committee; creation of a central Nature department (with a Managing Director from the business side) reporting directly to the group's Executive Committee; addition of Environment directors to each business; creation of a Finance Nature department. All General Managers of Country Business Units and group directors now have a carbon footprint reduction goal as part of their bonus determination. Finally, the CO<sub>2</sub> indicator is integrated into the company's major decision-making processes (such as in the investment and innovation committee, etc.).

A «Carbon Master» in charge of managing the Carbon Plan (measuring the footprint, defining three-year goals) has been appointed in each Country Business Unit to strengthen the organization of the environment contacts network.

### Responsible environmental communication

Danone began reflecting on the group's environment claims in 2010 in collaboration with an external partner, Futerra. This initiative aims to ensure that the group's environmental communication respects strict guidelines in a number of areas: climate change, water, packaging, agriculture and biodiversity. In each case, the tool identifies criteria that must be met when presenting an environmental claim for a given product, and errors to be avoided. A "Nature Claim Management" tool will be rolled out throughout the group in 2011.

# PERFORMANCE INDICATORS

## Social

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TRAINING AND EDUCATION	194
DIVERSITY AND EQUAL OPPORTUNITY	198





## Employment

### LA1

#### Total workforce by employment type, employment contract, and region

As of December 31, 2010, the group had a total workforce of 85,073 employees (long and short-term contracts), not counting its Unimilk Country Business Units (CBUs) acquired during 2010, and 100,995 employees including this acquisition.

The table below indicates the breakdown of the workforce by geographic region and business division, with a comparison for the years 2008 to 2010.

For the year 2010, the figures are provided with and without the Unimilk employees.

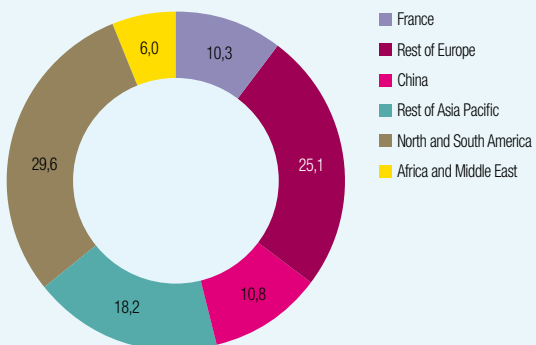
Total workforce	As of December 31			
	2008 (*)	2009 (*)	2010 with Unimilk	2010 without Unimilk
Total number of employees (excluding temporary)	80 143	80 976	100 995	85 073 <input checked="" type="checkbox"/>
of which managers in %	16%	16%	15%	16%
<b>By geographic region</b>				
France	10,9%	10,6%	8,7%	10,3%
Rest of Europe	25,7%	26,1%	36,9%	25,1%
China	9,9%	10,8%	9,1%	10,8%
Rest of Asia Pacific	18,2%	17,8%	15,3%	18,2%
North and South America	28,3%	29%	24,9%	29,6%
Africa and Middle East	6,9%	5,7%	5,1%	6%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>By business division</b>				
Dairy products	38,9%	38,7%	48,2%	38,5%
Waters	41,2%	41,1%	35%	41,6%
Baby nutrition	13,9%	13,7%	11%	13,1%
Medical nutrition	4,4%	5%	4,5%	5,3%
Central functions	1,6%	1,5%	1,2%	1,5%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

(\*) Historical data.

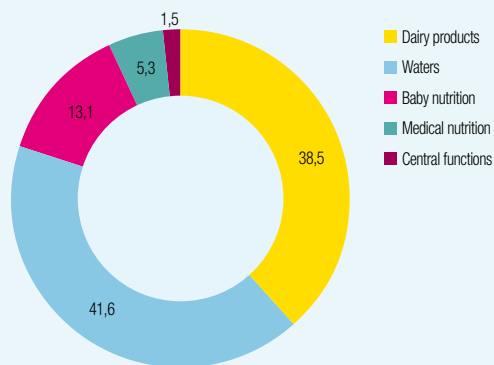
2010 figures have been reviewed by KPMG Audit.

## Employment

Breakdown of workforce by geographic region in 2010  
(in %, without Unimilk employees)



Breakdown of workforce by business in 2010  
(in %, without Unimilk employees)



## Breakdown of workforce by long-term, short-term and temporary contract

This breakdown between long-term and short-term workforce (including short-term and temporary contracts) was calculated based on average workforce (the average workforce is calculated as the average of the total workforce at the end of each month).

These figures exclude the Unimilk, Yocream and Womir SPA employees, acquired in 2010.

Average workforce	2009 <sup>(*)</sup>		2010	
	Long-term employees	Short-term employees	Long-term employees	Short-term employees
<b>Total</b>	<b>84%</b>	<b>16%</b>	<b>84%</b>	<b>16%</b>
Europe	89%	11%	89%	11%
Asia	78%	22%	80%	20%
Rest of the world	84%	16%	84%	16%
<b>By geographic region</b>				
Africa and Middle East	89%	11%	87%	13%
Asia Pacific	78%	22%	80%	20%
Eastern Europe	88%	12%	88%	12%
Western Europe	89%	11%	90%	10%
Latin America	82%	18%	82%	18%
North America	94%	6%	95%	5%
<b>By business division</b>				
Dairy products	85%	15%	83%	17%
Waters	85%	15%	87%	13%
Baby nutrition	76%	24%	78%	22%
Medical nutrition	87%	13%	91%	9%
Central functions	94%	6%	94%	6%

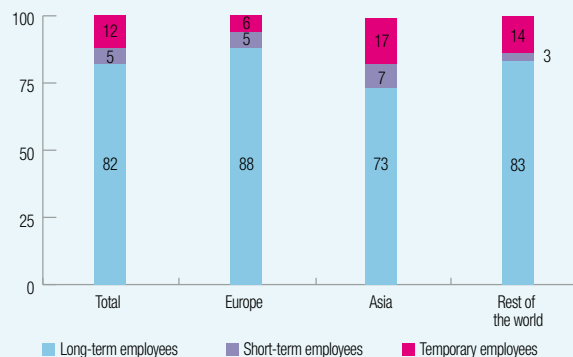
(\*) 2009 figures on a comparable basis.

## Employment

Long-term, short-term and temporary contracts as of December 31, 2010

	Long-term employees	Short-term employees	Temporary employees
<b>Total</b>	<b>82%</b>	<b>6%</b>	<b>12%</b>
Europe	88%	6%	6%
Asia	73%	9%	17%
Rest of the world	83%	3%	14%
<b>By region</b>			
Africa and Middle East	86%	10%	5%
Asia Pacific	73%	9%	17%
Eastern Europe	87%	5%	7%
Western Europe	88%	6%	6%
Latin America	81%	1%	17%
North America	93%	4%	3%
<b>By business division</b>			
Dairy products	82%	4%	14%
Waters	83%	7%	10%
Baby nutrition	76%	4%	19%
Medical nutrition	81%	14%	5%
Central functions	93%	6%	1%

Breakdown of workforce by type of contract and geographic region (in %)



## Net job creation

As of December 31, 2010, in historical data and excluding 2010 acquisitions, 3,480 net jobs had been created, representing a 5.1% increase over end-2009.

This was due to:

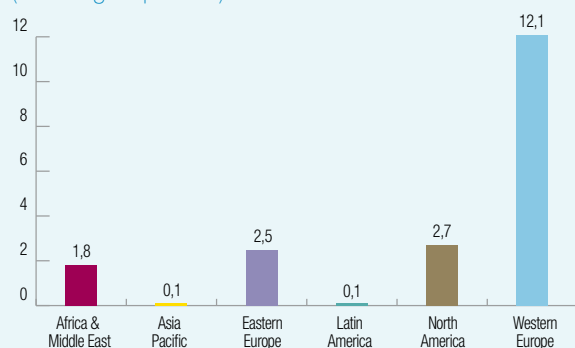
- an increase in the workforce in three divisions: Medical nutrition (+12.2%), Waters (+6.2%), Dairy products (+4.6%);
- a stable workforce in Baby nutrition.

## Full time / part time

	2009 (*)		2010 (without acquisitions)	
	Full-time employees	Part-time employees	Full-time employees	Part-time employees
<b>Total</b>	<b>97,0%</b>	<b>3,0%</b>	<b>97,0%</b>	<b>3,0%</b>
Europe	92,6%	7,4%	92,3%	7,7%
Asia	99,5%	0,5%	99,9%	0,1%
Rest of the world	99,5%	0,5%	99,4%	0,6%
<b>By region</b>				
Africa and Middle East	99,8%	0,2%	98,2%	1,8%
Asia Pacific	99,5%	0,5%	99,9%	0,1%
Eastern Europe	97,2%	2,8%	97,5%	2,5%
Western Europe	88,6%	11,4%	87,9%	12,1%
Latin America	99,7%	0,3%	99,9%	0,1%
North America	96,9%	3,1%	97,3%	2,7%
<b>By business division</b>				
Dairy products	97,7%	2,3%	97,7%	2,3%
Waters	98,0%	2,0%	98,0%	2,0%
Baby nutrition	95,4%	4,6%	95,8%	4,2%
Medical nutrition	88,9%	11,1%	89,0%	11,0%
Central functions	91,1%	8,9%	91,8%	8,2%

(\*) 2009 figures on a comparable basis.

% of part-time employees by geographic region in 2010  
(excluding acquisitions)



This breakdown is calculated in relation to employees registered on the books as of December 31, 2010, excluding acquisitions (Unimilk, Yocream et Womir SPA).

The use of part-time employees primarily concerns Western Europe.

## Employment

### LA2

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

This indicator is calculated, as per our agreement with the IUF, by taking into account external recruitments and departures.

The annual turnover rate is 20%. Conditions are extremely varied by region: from 8% in Western Europe to 32% in Latin America. The high turnover rate reflects the high demand for qualified workers in this region.

On a comparable structure basis, the turnover rate is stable from 2009 to 2010.

Turnover rate (**)	2009 (*)	2010 (without acquisitions)
<b>Total</b>	<b>20%</b>	<b>20%</b>
<b>By region</b>		
Africa and Middle East	15%	18%
Asia Pacific	13%	17%
Eastern Europe	20%	20%
Western Europe	7%	8%
Latin America	39%	32%
North America	12%	17%
<b>By category</b>		
WETS (***)	21%	21%
Managers	13%	15%

(\*) 2009 figures on comparable basis.

(\*\*) This indicator is calculated, as per our agreement with the IUF, by taking into account external recruitments and departure.

(\*\*\*) WETS: Workers, Employees, Technicians, Supervisors.

(\*\*\*\*) The exit rates, including all exit reasons, are equal to the number of exits per type or category over the total workforce, men and women and workers/employees/technicians staff/supervisors and managers, respectively, multiplied by 100.

### 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 monitored at corporate level.

Distribution of the partures (****)	2009 (*)	2010
<b>By gender</b>		
Women	14%	14%
Men	19%	18%
<b>By category</b>		
WETS (***)		
- of which women	15%	15%
- of which men	20%	18%
Managers		
- of which women	13%	12%
- of which men	14%	14%

## Labor/management relations

### LA4

#### Percentage of employees covered by collective bargaining agreements

The tables below provide data on the percentage of Country Business Units (CBUs) and employees covered by a collective bargaining agreement.

CBUs covered by a collective bargaining agreement	2009	2010
% CBUs	68%	68%

Employees covered by a collective bargaining agreement	2009	2010
% CBUs	82%	82%

These figures are provided on a comparable structure basis and are calculated for the CBUs with at least 100 employees.

### LA5

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

Danone has signed a global agreement 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

The health and safety committees monitor proper operation of machines and facilities, as well as compliance with standards. Managing safety requires the visible commitment of management teams on the ground, training, and an ongoing safety dialogue between operators and managers. Data on health and safety committee coverage was reported by site in 2009, and is now reported by Country Business Unit (CBU). In 2010, 80% of CBUs of more than 100 employees had health and safety committees, and the percentage of employees with health and safety committees in their CBU is rising rapidly (from 81 to 89%). We also note a significant rise in the number of employees whose CBUs organize health and safety meetings every quarter.





### LA7

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


The method for calculating workplace accidents is based on the number of accidents involving at least one day of work stoppage, compared with millions of hours worked, and including accidents involving short-term and temporary employees and trainees. This approach also includes the employees of subcontractors working at Danone sites, since 2009.

The frequency of workplace accidents measures 3.0.

The WISE program, which allowed Danone to reduce the frequency of accidents involving work stoppage by 50% from 2004 to 2008, continues to bear fruit. After reducing frequency of accidents with work stoppage by 24% in 2009, Danone repeated this feat in 2010 (reduction of more than 20% compared with 2009), reaching a frequency of three accidents per million hours of work for the first time.

Breakdown by business division	2009			2010		
	Number of fatalities <sup>(1)</sup>	Number of accidents with at least 1 day of work stoppage	Frequency rate 1 (FR1): number of accidents per million hours worked	Number of fatalities <sup>(1)</sup>	Number of accidents with at least 1 day of work stoppage	Frequency rate 1 (FR1): number of accidents per million hours worked
Waters	0	274	3,3	0	197	2,3
Dairy products	4	323	5,0	3	254	3,8
Other	0	7	3,7	0	44	11,6
Baby nutrition	1	84	3,2	0	42	1,8
Medical nutrition	0	31	4,2	0	26	3,3
<b>Total Business Lines</b>	<b>5</b>	<b>719</b>	<b>3,9</b>	<b>3</b> 	<b>563</b>	<b>3,0</b> 
<b>Breakdown by geographic region</b>						
Africa and Middle East	3	44	4,2	1	34	2,3
Asia Pacific	1	44	0,8	0	24	0,4
Eastern Europe	1	69	2,6	0	35	1,6
Western Europe	0	274	9,8	0	245	8,0
Latin America	0	280	4,9	1	216	3,6
North America	0	8	2,3	1	9	2,2
<b>Total regions</b>	<b>5</b>	<b>719</b>	<b>3,9</b>	<b>3</b> 	<b>563</b>	<b>3,0</b> 

<sup>(1)</sup> The number of fatalities only includes Danone employees excluding subcontractors.

 2010 figures have been audited by KPMG Audit.



## 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, 96% of Danone employees had insurance coverage for major events (death, disability) and 82% had supplemental health insurance in addition to the public health coverage systems. At the same time, health-at-work programs were organized in the various Country Business Units (CBUs) (nicotine addiction, identification and prevention of cardiovascular disease, detection of melanoma, seasonal flu vaccines, etc.)

A group program was also rolled out in 2010 (Dan'Cares) to help each CBU improve the quality of services offered to its employees in terms of access to health care. For major events such as hospitalization, surgery or childbirth, Danone supports its CBUs in providing quality solutions for good access and low payment responsibility on the part of employees.

## ADD LA9

### **Health and safety topics covered in formal agreements with trade unions**

#### **Preventing stress at work, improving well-being and working conditions**

A French group agreement was signed with the trade unions on March 11, 2010. This ambitious agreement is the result of intensive discussions with the unions since 2008. In each of the French companies, negotiations were engaged to form a framework for concrete initiatives on the ground, coordinated by labor and management and involving all players. Four main initiatives have been launched:

- systematic measurement of stress levels at all sites;
- implementation of a bottom-up feedback system at several sites;
- awareness and training projects for management and all employees to enhance collective vigilance;
- the use of human feasibility studies upstream of major organizational changes, whose methodology is currently being formulated.

All these initiatives need time to become part of the company's processes, particularly for all those players involved to take these complex issues on board.

Negotiations were also opened in 2010 with the IUF (International Union of Food workers) to sign a worldwide framework agreement on health, safety, working conditions and stress. The draft agreement was finalized at end 2010 and should be signed in 2011.

## Training and education

### LA10

#### Average hours of training per year per employee by employee category

Training indicators rose steeply in 2010 for the second consecutive year, with a 29% increase in the average number of training hours per employee over two years:

- the average number of training hours per employee rose from 27 hours in 2009 to 31 in 2010 (24 hours in 2008);
- the number of employees trained, across all categories, rose from 75,000 to more than 83,000.

However, there is a disparity between regions: North America is in the lead, while Africa and the Middle East register the lowest levels.

These figures are provided on a comparable structure basis representing 100% of the Danone workforce at December 31, 2010.

Average number of training hours	2009 (*)	2010
<b>Total</b>	<b>27</b>	<b>31</b> ✓
WETS (**)	25	28
Managers	41	46
Numbers of employees trained (***)	2009 (*)	2010
<b>Total employees trained</b>	<b>74 936</b>	<b>83 285</b> ✓
WETS (**)	63 042	69 927
Managers	11 894	13 358
Percentage of employees trained (****)	2009 (*)	2010
<b>Total employees trained</b>	<b>92%</b>	<b>99%</b>
WETS (**)	92%	99%
Managers	92%	99%

(\*) 2009 figures on comparable basis.

(\*\*) WETS : Workers, Employees, Technicians and Supervisors.

(\*\*\*) To precisely measure the training effort, employees who received training, but were no longer with the group at December 31, 2010, are included in these figures.

(\*\*\*\*) Percentage, where the base is the average workforce for the category.

✓ 2010 figures have been audited by KPMG Audit.

Average number of training hours	2009 <sup>(*)</sup>	2010
<b>By geographic region</b>		
Africa and Middle East	16	13
Asia Pacific	29	30
Eastern Europe	27	32
Western Europe	26	28
Latin America	27	34
North America	40	54
<b>Numbers of employees trained <sup>(**)</sup></b>	<b>2009 <sup>(*)</sup></b>	<b>2010</b>
<b>By geographic region</b>		
Africa and Middle East	2 754	3 356
Asia Pacific	22 199	25 220
Eastern Europe	11 938	13 323
Western Europe	14 003	14 512
Latin America	21 551	24 234
North America	2 491	2 640
TOTAL	74 936	83 285
<b>Percentage of employees <sup>(***)</sup></b>	<b>2009 <sup>(*)</sup></b>	<b>2010</b>
<b>By geographic region</b>		
Africa and Middle East	57%	67%
Asia Pacific	97%	100%
Eastern Europe	86%	97%
Western Europe	85%	90%
Latin America	100%	100%
North America	100%	100%

(\*) 2009 figures on comparable basis.

(\*\*) To precisely measure the training effort, employees who received training, but were no longer with the group at December 31, 2010, are included in these figures.

(\*\*\*) Percentage, where the base is the average workforce for the region.

✓ 2010 figures have been audited by KPMG Audit.

## ADD LA11

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

All the companies impacted by an aging workforce (primarily Western Europe) have either signed agreements (all the French companies) or implemented initiatives aimed at planning for aging and supporting the extended working age, in particular through:

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

In addition, Danone's industrial performance management system, DaMaWay, applies to all production sites in all Danone divisions. This system supports all operators of every age and qualification level, with training and initiatives to allow them to develop their independence, work in a team and share expertise in industrial performance.

*For more details about the various skills development programs, see the [2009 Sustainability Report](#), pages 222 to 224.*

## Training and education

### ADD LA12

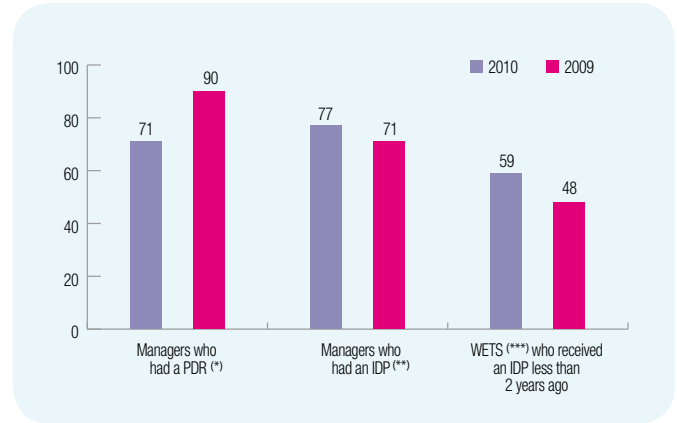
#### Percentage of employees receiving regular performance and career development reviews

The Individual Development Plan (IDP) that allows every individual to look towards the future and define training initiatives beyond the annual performance reviews, continues to expand to all employees, with a coverage of 77% of managers (an increase of six points compared with 2009) and 57% of WETS (Workers, Employees, Technicians and Supervisors) in 2010 (an increase of 11 points compared with 2009).

In the WETS categories, Asia on the one hand and the Baby nutrition division on the other are ahead of the other regions and divisions.

The “Managers having had a performance review” indicator of the Development and Performance Review (PDR), in 2010, is not comparable to that of 2009. The reduction is due to a change in the definition of the criterion, amended with the additional wording “validated in the database.”

These figures are provided on a comparable structure basis representing 100% of the Danone workforce at December 31, 2010.

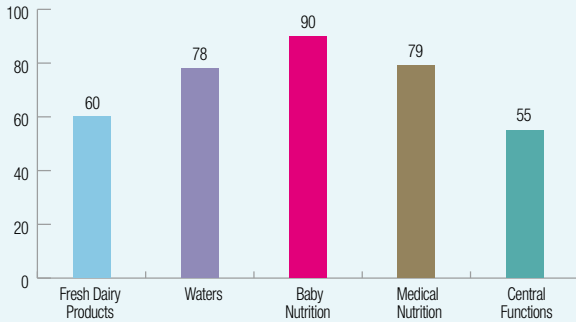


(\*) PDR: Annual Performance and Development Review.

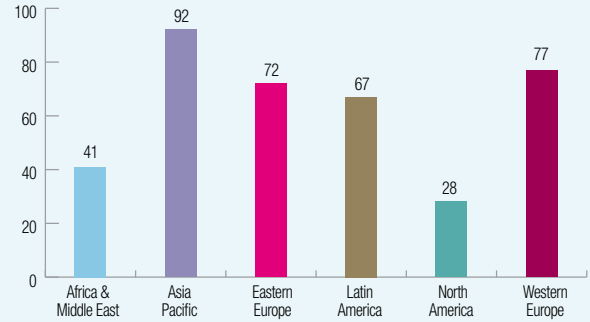
(\*\*) IDP: Individual Development Plan (career development and training review).

(\*\*\*) WETS: Workers, Employees, Technicians, Supervisors.

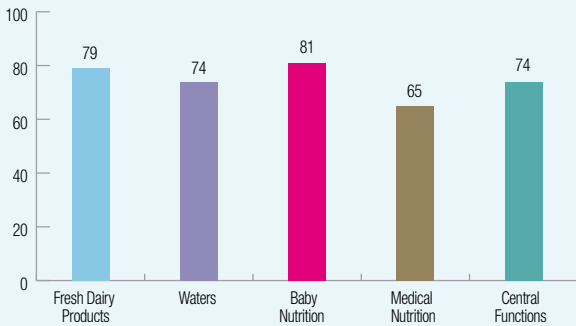
% managers who had a Hiris<sup>(\*\*\*\*)</sup> validated PDR<sup>(\*)</sup> in 2010 by business division



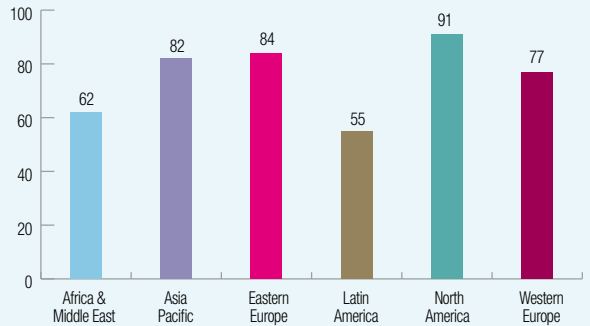
% managers who had a Hiris<sup>(\*\*\*\*)</sup> validated PDR<sup>(\*)</sup> in 2010 by geographical region



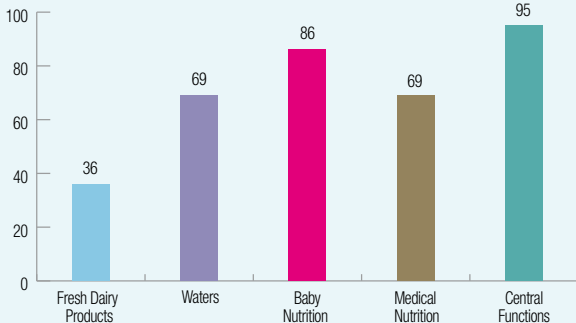
% managers who had an IDP<sup>(\*\*)</sup> in 2010 by business division



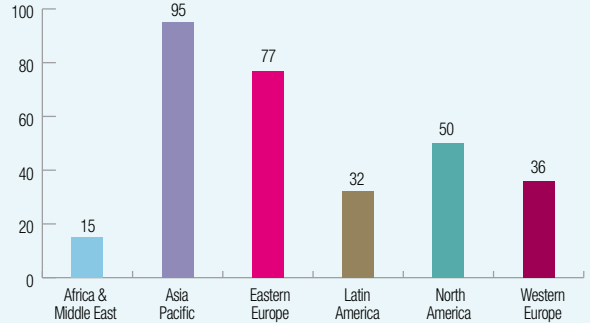
% managers who had an IDP<sup>(\*\*)</sup> in 2010 by geographical region



% WETS<sup>(\*\*\*)</sup> who received an IDP<sup>(\*\*)</sup> less than 2 years ago by business division



% WETS<sup>(\*\*\*)</sup> who received an IDP<sup>(\*\*)</sup> less than 2 years ago by geographical region



(\*) RDP: Annual Performance and Development Review.  
 (\*\*) IDP: Individual Development Plan (career development and training review).  
 (\*\*\*) WETS: Workers, Employees, Technicians, Supervisors.  
 (\*\*\*\*) Information system dedicated to Human Resources.

## Diversity and equal opportunity

### LA13

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

##### Gender diversity

The proportion of female managers at Danone rose 1% in 2010 to 45%.

This reflects a significant increase in the lower management levels (28% in 2010 compared with 25% in 2009) while the proportion of women in upper management remained stable at 11%.

	2009		2010 (*)	
	Women	Men	Women	Men
<b>Total Managers</b>	<b>43%</b>	<b>57%</b>	<b>44%</b>	<b>56%</b>
Of which, Directors and Executive	25%	75%	28%	72%
Of which, Executive	12%	88%	11%	89%
Of which, other managers	45%	55%	45%	55%

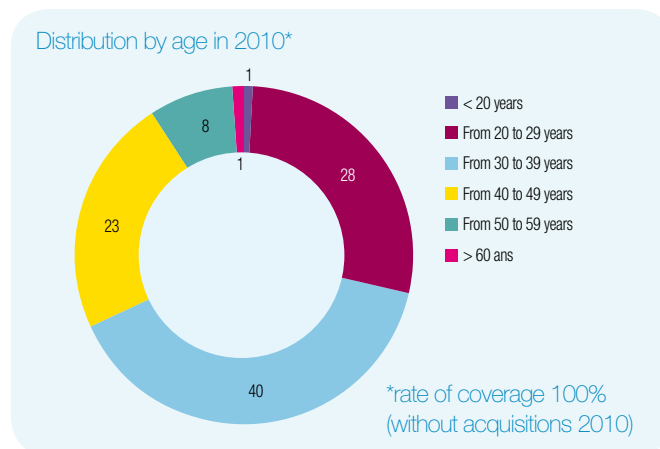
The comparison concerns the Managers category.

(\*) Workers affected by the 2010 acquisitions are excluded.

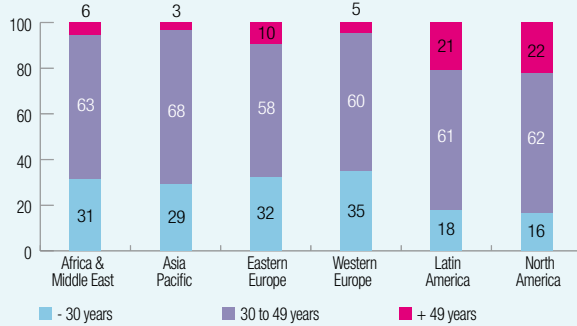
##### Age

Almost 70% of Danone employees are younger than 40, across all categories, with a population of workers, staff and supervisors younger than 30 that exceeds 30% in Africa, the Middle East, Asia, Eastern Europe and Latin America. The 2010 figures are not comparable to 2009, due to changes made to employee categories.

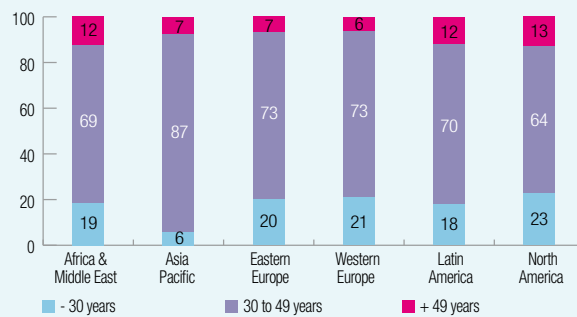
These figures are provided on a comparable structure basis representing 100% of the Danone workforce at December 31, 2010.



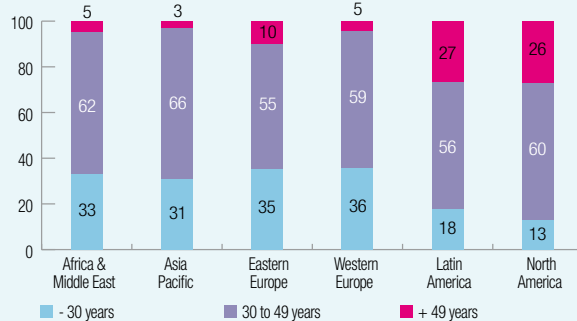
Distribution by age bracket by geographical region (in %)  
All employees in 2010



Distribution by age bracket by geographical region  
Managers in 2010 (in %)



Distribution by age bracket by geographical region  
WETS in 2010 (in %)



## Other diversity indicators

Indicators of minority membership cannot be consolidated at global level given the differences in legislation (impossible to carry out this type of ethnic census in France, for example).

## Disabilities

In France, the rate of integration of people with disabilities in the group's French companies rose from 3.1% in 2007 to 4.2% in 2008, 4.9% in 2009 and 5% at end 2010, with some Country Business Units (CBUs) exceeding the 6% required by French law. Integrating people with disabilities in the headquarters of the various companies is the most difficult, given the gap between training levels and required qualifications. Many companies have signed specific three-year agreements with labor partners to support a sustained approach to this issue.

Worldwide, the rate of integration of people with disabilities remains stable at 1%, for a structural scope of 58 CBUs that are subject to legislation (certain CBUs are not concerned or are in countries that prohibit statistics on people with disabilities). There are now 28 companies that subcontract to the protected sector (work subcontracted to establishments employing people with disabilities receiving special support), a 33% increase over last year.

## Diversity and equal opportunity

# 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 is the “compa-ratio,” 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 the Danone Executive Board members) in all 60 countries where we do business. The compa-ratio indicates this wage gap independently of the currency and country of reference.

Examples:

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

The next tables 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)

Compta-ratio			
Grade	Women	Men	Total
5	1,04	1,05	1,05
6a	1,03	1,10	1,08
6b	1,01	0,98	0,99
<b>Total</b>	<b>1,02</b>	<b>1,03</b>	<b>1,03</b>

Average age			
Grade	Women	Men	Total
5	44,1	45,2	45,2
6a	43,1	44,1	43,8
6b	42,2	42,6	42,5
<b>Total</b>	<b>42,8</b>	<b>43,6</b>	<b>43,4</b>

Total workforce of 1,076 directors of wich 28,5% of women and 71,5% of men.

The largest gap is at level 6a, with a 7% gap between men and women, for a total 6a workforce of 311 people, including 83 women and 228 men, women whose average age is one year less, which only partially explains this 7% gap.



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

Compta-ratio			
Grade	Women	Men	Total
7	0,95	0,97	0,96
8	0,92	0,95	0,94
9	0,88	0,87	0,88
9,9	0,95	0,95	0,95
<b>Total</b>	<b>0,91</b>	<b>0,92</b>	<b>0,91</b>

Average age			
Grade	Women	Men	Total
7	39,3	41,0	40,3
8	37,0	39,2	38,2
9	34,0	37,3	35,8
9,9	27,0	28,2	27,6
<b>Total</b>	<b>34,6</b>	<b>37,6</b>	<b>36,2</b>

Total workforce of 12,854 managers of which 45,9% of women and 54,1% of men.

The entry level (9.9), which is the hiring level for new graduates, is strictly identical between men and women. Moving up the levels, a gap appears at levels 8 and 7, which can again be explained by the women's younger average age as well as a lower-level group overall:

- grade 7: male-female breakdown of 1036/638;
- grade 8: male-female breakdown of 1996/1722.

Overall, the review procedures for compensation, governed by group policies and including a comparison of compensation for men and women, continue to direct attention to this issue where the gaps are small but real.

## Workers, Staff, Employees, Technicians, Supervisors

As the group does not have a single classification system for these categories, and deployment of the IT system does not yet cover all these job categories, data is collected from the internal Magnitude reporting system.

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

In 2010 we increased reporting scope for this indicator from 85 to 98%, with the following result: 50% of Country Business Units (CBUs) pay their male employees, technicians, supervisors and workers 5% more than women, on average, all levels and positions combined.

For the structural scope applied last year, the change on a comparable structure basis shows a slight improvement for workers and a slight drop for employees, technicians, supervisors (ETS)<sup>(\*)</sup>.

This gap should be considered in the context of the different types of jobs, particularly in the technical fields which are very male-dominated (such as maintenance, process, etc.). The real issue is to progress towards a better gender balance in certain professions and in access for women to more skilled fields. For this reason certain CBUs, such as Danone Eaux France, have launched training and technical diploma programs specifically targeting women.

	2009	2010 on a comparable basis	% total employees	2010 new basis	% total employees
Supervisors ETS <sup>(*)</sup>	1,02	1,06	85	1,05	98
Workers	1,05	1,04	85	1,05	98

(\*) ETS : Employees, Technicians, Staff & Supervisors Workers.

# PERFORMANCE INDICATORS

## Human Rights

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## 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

Danone's commitment to human rights is expressed in:

- Danone's membership in the UN Global Compact since 2003 (*see page 142*);
- Agreements between Danone and the IUF integrating the 7 Fundamental Social Principles (*see below*) drawn from International Labor Organization (ILO) conventions and applied worldwide;
- The Danone Way Fundamentals (since 2001) comprising the 16 Corporate Social Responsibility fundamentals at Danone (*see page 81*);
- The RESPECT approach (since 2006) which aims to support suppliers in applying the Fundamental Social Principles, so that human rights are taken into account in all investment and purchasing decisions (*see page 86*).

#### The 7 Fundamental Social Principles are:

##### 1. CHILD LABOUR

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 LABOUR

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

##### 3. 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 physical integrity or health of employees. Action to reduce the causes of accidents and improve working conditions is the object of ongoing programmes. Sanitary equipment, canteens and housing provided to employees are built and maintained in accordance with applicable legal requirements. As a minimum, the company must provide employees with drinking water, clean toilets in adequate numbers, adequate ventilation, emergency exits, proper lighting and access to medical treatment.

##### 6. 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.

## Investment and Procurement Practices

To ensure that all suppliers comply with these Fundamental Social Principles, Danone includes a specific “**Fundamental Social Principles**” clause in its General Terms of Procurement. This clause is included in all contracts and is compulsory for all suppliers.

By signing the contract, suppliers undertake to:

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

Since 2009, the scope of supplier responsibility has been expanded to include the Environment and Business Ethics, and the contractual clause has been amended accordingly. For further information about these changes, see the [2009 Sustainability Report](#), pages 63 to 69.

The 7 Fundamental Social Principles on Human Rights (see previous page) are included in every agreement involving significant investments, encompassing:

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

## HR2

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

As part of the RESPECT initiative (see page 86):

- 100% of major suppliers have committed their signature to the Fundamental Social Principles (see page 203);
- 50% of major raw materials suppliers, and a part of service suppliers are registered on the Sedex platform, for a total of 1282 suppliers.

Out of those 1282 suppliers, 103 SMETA audits have been carried out (compared with 77 in 2009, a 60% increase) by external agencies with the following results:

Breakdown of non-compliance issues identified by the audits	
Topic	Percentage of non-compliance issues
Health & safety	31%
Working hours	23%
Wages	16%
Forced labor	6%
Freedom of association	6%
Child labor	4%
Discrimination	3%
Environment	3%
Other	8%

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The results in 2010 were comparable to those of the preceding year: health and safety, working hours and wages remain the areas that generated the greatest levels of non-compliance, while few audits indicated non-conformities with child labor or discrimination.

*For further information about the audit process, see the [2009 Sustainability Report](#), pages 234-236.*

## ADD HR3

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

Human rights practices are brought to employees' attention through:

- The Danone Way Fundamentals (*see page 81*): the entire Danone workforce is targeted, and each employee has received the Danone Inside Pack documentation that describes in full the Danone Way policy. More specifically concerned are the 8 principles relating to "Human Rights" and "Human Relationships." It includes explanations of Human Rights principles, particularly with regard to the abolition of child labor and forced labor, diversity and equal opportunity, and workplace safety.
- RESPECT (*see page 86*) more specifically targets purchasing staff who manage supplier social responsibility compliance and in particular respect for Human Rights.

A communication guide about RESPECT and the Fundamental Social Principles, which include Human Rights, was distributed throughout the purchasing function in 2010. 100% of the buyer target was informed in this way. However, the number of hours of training and/or information has not been consolidated at group level.

## *Non-discrimination*

### HR4

#### **Total number of incidents of discrimination and actions taken**

An agreement was signed with the IUF concerning anti-discrimination policy and promotion of **diversity**.

Every year a Danone representative and an IUF representative visit several countries and sites together in order to promote these framework agreements and to check whether they are actually applied on the ground. No case of discrimination has been identified during these visits.

The Danone Way Fundamentals include prevention of discrimination, particularly through local implementation of specific procedures and measures to identify and eliminate any discriminatory actions.

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

- notification of the Human Resources Department of each group Country Business Unit (CBU)
- notification of personnel representatives in the CBUs where they are present.

Some CBUs in Indonesia, Mexico or the United States, have set up a “local ethics” phone line that includes this type of communication.

## *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**

An agreement concerning the right to union organization has been signed with the IUF.

Every year a Danone representative and an IUF representative visit several countries and sites together in order to promote these framework agreements and international social dialogue, and to check on the ground that the agreements have actually been implemented and adapted to local conditions. In addition, the IUF notifies central management if it is informed of a case of non-respect for freedom of association.

Freedom of association in the workplace is also one of the items addressed in all CBUs through the Danone Way Fundamentals (*see page 81*) which include a Social Dialogue Principle for promotion of social dialogue in all group CBUs.

Danone Way encourages CBUs to:

- create the necessary conditions for electing personnel representatives, whether or not unionized, in compliance with local legislation;
- guarantee personnel representatives’ independence from management teams and political parties through the organization of ad hoc elections;
- hold economic and social information meetings between personnel representatives and management of each site, and with all employees;
- confirm agreements between personnel representatives and management in signed negotiated agreements.

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## *Child labor*

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### 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 Fundamentals approach (*see page 81 of this report*). All Country Business Units (CBUs) are required to put in place the necessary procedures and tools to ensure that there is no child labor at their sites. All the CBUs that carried out the Danone Way assessment in 2010 were in compliance with this fundamental; no non-compliance incidents were identified.

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## *Forced and compulsory labor*

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### 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*

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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 safety sector commit to respecting the RESPECT initiative's Fundamental Social Principles and are screened by the group manager in charge of life and property safety.

*Indigenous rights*

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ADD HR9

**Total number of incidents of violations involving rights of indigenous people and action taken**

This criterion does not apply to Danone's activities.





# PERFORMANCE INDICATORS

## Society

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## Communities

### S01 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 challenge common to all of Danone's social initiatives is to enhance staff skills in the following areas:

- a better understanding of social challenges and stakeholders;
- assessment of the group's social impact,
- co-development and co-management, especially with NGOs;
- involvement of Danone employees in the various programs;
- internal and external communications, particularly "cause-related marketing" programs.

A number of measures have been taken to meet these challenges and provide Country Business Units (CBUs) with the tools they need to take full advantage of their local initiatives.

A common tool for all platforms, the **Sustainability Roadmap**, was launched in 2010.

#### Professionalize the project approach in the sustainable development field to foster the transformation of business practices

The Sustainability Roadmap (SR) is a tool that enables any CBU to develop its own sustainable development strategy and set it in motion with a detailed roadmap.

This strategy must address two specific challenges: first, it must align with the CBU's strategic objectives and second, it must meet its stakeholders' expectations.

Based on feedback from Danone's many CBUs involved in social and environmental projects, the SR was designed with the aim of ensuring that best practices are shared by all CBUs.

The objective is to create a **five-step** sustainable development strategy:

- create a sustainability oversight committee;
- identify sustainability issues specific to the CBU;
- prioritize the challenges identified by the CBU;
- integrate stakeholders positions;
- and design a relevant strategy that thoroughly addresses the various challenges raised during the process.



The 2011 objective is to encourage as many CBUs as possible to try out this tool and, by doing so, contribute to the exchange of best practices. Certain CBUs are already poised to create their own roadmap and thus increase the number of social and environmental initiatives offered by Danone.

## Communities

### Assess the social impact of ongoing projects

The Danone Ecosystem Fund has focused its efforts on monitoring and assessing the social impact of projects initiated by Danone's Country Business Units (CBUs) that it supports.

The project assessment grid below (see table on next page) assesses various social impacts based on key performance indicators.

These impacts are organized in **four main categories**, as well as sub-categories, as shown in the diagram below.

#### Social impact assessment tool



### Conduct extensive monitoring based on impacts assessment research

The Ecosystem Fund is supporting two pilot projects to assess their impacts on the ecosystems of the CBUs that initiated them.

#### DanFarm Egypt (with EHESS – French School for Advanced Studies in the Social Sciences)

This ethnographic field study is based on the hypothesis that the DanFarm Egypt project will profoundly change traditional production systems. The idea is to determine how the local players react, how their perceptions are affected or changed by Danone's project, the potential for any conflicts in this new environment, and to what extent the local players can participate in the project.

#### Pemulung Recycling Communities (with IRENE - ESSEC Negotiation Research and Education Institute)

*For more information about the project, see pages 48 and 213.*

Two types of studies monitor and assess Danone's social performance in Indonesia:

1. quantitative surveys of a random sampling of the affected population, which will provide an assessment of the program's socioeconomic impact and social performance indicators, such as the escape from poverty and the factors that drive community involvement.
2. a qualitative study, i.e. sociological, cultural and political, of the social fabric and community relations, leading to a political analysis of governance and the interactions of the various players, with a view to improving processes (decision-making, participation, etc.); and a sociocultural analysis of social and economic networks for the purpose of optimizing company-stakeholders relations and contributing more effectively to stakeholders development.

## Project assessment grid

Organization	Type of project	Country	Members of the organization (number)	Sample group of members (number)	Type of workers		Assessment date			
AQUA	Recycling	Indonesia	4000-5000 pemulungs	Random selection	Recycler		at Final Project (2014)			
Thematic	Impact	Indicators		Questions	Question Type	Measure Unit	Results	Base-line	Ambition	Level
Quality of life	Health and Nutrition	Beneficiaries who have insurance		Do you have a form of health insurance?	Individual	%		14	90	
	Education	Beneficiaries (12-15 years) who have access to formal/informal school		Do all your children between 6 and 15 year-old go to primary school?	Individual	%		34	75	
	Housing	People living in accordance to per square meter health standard		How many square meters per family head are there in your house?	Individual	m2/ppl		6	12	
Employment	Empowerment	Beneficiaries have long term contract or cooperative membership		Do you have a formal agreement or membership with the cooperative?	Individual	Number of pemulung		0	2 000	
	Work Conditions and time									
	Employment footprint	Number of jobs created		How many jobs or micro enterprises were created or strengthened along the program?	Organisation	Number		0	300	
Local Organization Development	Cooperation	Number of KSP (self help groups) created and active at the end of the program		How many KSP have been settled?	Organisation	Number		0	80	
	Quality & Productivity	Flakes quality		What is the reject rate of the rPET flakes coming from recycling Business Unit?	Organisation	%		0	<10%	
	Economical value	Pemulung total savings at KSP level		What is the organization annual turnover?	Organisation	MIDR		0	tbd	
Respect for nature	Natural Resources									
	Waste									
	Eco-know how	Organisation launched an eco-awareness training program for the employees/members		Has the organization launched an eco-awareness training program for the employees / members?	Organisation	Number of people trained		0	2 000	

## Corruption

The **Danone Business Conduct Policy** (BCP) was revised in 2009. It comprises founding texts such as the Universal Human Rights Declaration, a list of Danone's commitments within the United Nations Global Compact, OECD guidelines and the Fundamental Social Principles which directly addresses prevention of corruption.

The latest 2009 version of the Business Conduct Policy was distributed to all directors and managers (and more broadly still in certain Country Business Units (CBUs)) by the Human Resources Departments of the CBUs, and supported with special initiatives to inform employees. This topic is included in the Danone Way self-assessment, in the evaluation of CBU control environments through the DANgo initiative, in the internal employee survey, every two years, as well as in the internal audit program each time a CBU audit addresses these subjects.

Since 2006, directors and managers sign **a specific clause in their employment contracts** stating 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, Questions-and-Answers booklets, etc.). Additionally, a specific program to prevent fraud was developed in 2006 and has been expanded every year since then.

An **information booklet** was distributed to the Executive Committees of each CBU recommending, among other things, an annual evaluation of fraud and corruption risk in the CBU. There is also half-yearly 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 event.

Finally, in 2005 the **DIALERT** whistle-blowing system was implemented to allow all employees to notify Danone management directly and in confidence of any breach of:

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

The visibility of this whistle-blowing system is confirmed by every CBU audit. There is an internal control question (within the DANgo referential) that deals with this topic and for which each CBU must run an annual self-evaluation.

Since 2008, the **DIALERT** system has been extended to Danone suppliers (letter from the CBUs to every major supplier and systematic inclusion in the call for tender documents) to allow them to report in confidence any breach of the BCP rules with regard to themselves (particularly any cases of corruption).

A total of 27 notifications that could be processed were received in 2010. In each proven case of fraud related to internal control, appropriate sanctions were applied.

## S02

### Percentage and total number of business units analyzed for risks related to corruption

Within the group's four divisions, every consolidated CBU (integrated into the Danone accounts) is covered by the group's seven-point anti-fraud and anti-corruption program. In particular, the first point of this program is an evaluation of internal and external fraud risk to be carried out annually in each CBU.

## S03

### Percentage of employees trained in the organization's anti-corruption policies and procedures

All Danone employees were informed of the 2009 revision of the Danone Business Conduct Policy. This was achieved through training sessions, presentations and Question-and-Answer sessions, and distribution of documents with or without formal receipt. Managers, and in particular the members of the Executive Committees, received more extensive training and information. Since 2009, a handbook given to each new employee upon arrival has been drafted and sent to the Country Business Units (CBUs). Titled “**Danone Inside Pack**”, it contains several pages covering the Business Conduct Policy. For the first time in 2009 the Danone Inside Pack was also distributed to all employees working in the CBUs.

Additionally, in 2010, a **major survey on business ethics** was carried out in more than 160 of the group's CBUs. A full 97% of CBUs replied to this very comprehensive questionnaire, which helped to pinpoint strengths and areas for improvement in each CBU in terms of familiarity with and distribution of these documents, and best practices relating to professional and business ethics. Discussions were also able to raise new awareness of this topic among employees in the field; a summary of results was considered at the highest levels of Danone's organisation. Action plans were drafted and are underway.

## S04

### 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, as well as to many employees in the group's CBUs. The sixth point of the anti-fraud program concerns the corrective measures and sanctions to be applied within each unit. For major cases, a cross-disciplinary committee (risks, internal audit, HR, safety, etc.) meets monthly to verify investigation quality, fairness of decisions and relevance of sanctions.

Half-yearly reporting on internal fraud has been in place for five years, with the participation of 163 CBUs, or almost every CBUs in Danone. The number of suspected and proven cases of fraud reported by CBUs has been stable for two years: in 2010, around 130 suspected cases were registered each half-year, corresponding to around 80 proven cases every six months, a majority of which were minor (products or equipment stolen, minor misappropriations). None of these cases of fraud had a significant impact on Danone's accounts in 2010. In the huge majority of cases identified, the employees involved were terminated following the fraud investigations. Monthly monitoring meetings for cases of fraud are held at group headquarters to verify their effective supervision and appropriate management in terms of ethics and internal control. For this purpose, detailed information on the nature of the major cases is collected and analyzed by the Risks, Control and Audit department.

## *Public policy*

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### S05

#### **Public policy positions and participation in public policy development and lobbying**

Danone views lobbying as 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 for an ever more complex environment. Danone has therefore restructured its corporate teams in charge of public policy and lobbying to better distinguish policy development from factors relating to the application and monitoring of regulations. The resources needed to extend these activities to the Country Business Units (CBUs) have also been defined.

In addition, Danone participates actively in the efforts of professional associations working to contribute to forming public policy at both national and international levels.

And finally, the group and its CBUs maintain many direct relations with the national authorities in the countries in which they do business. These relations are maintained in compliance with the Danone Business Conduct Policy.

### ADD S06

#### **Total value of financial and in-kind contributions to political parties, politicians and related institutions by country**

As indicated in the 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 within 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 management's formal approval. In 2009, in the new version of the *Business Conduct Policy*, this rule became more restrictive. However, Danone encourages its employees to be involved in their local community.



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## *Anti-competitive behavior*

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The Danone Business Conduct Policy includes the prohibition of anti-competitive practices. Danone expects its employee to observe applicable fair competition rules. No agreement or arrangement may be made with competitors that serves to limit free competition. The Business Conduct Policy is distributed to all directors and managers (and more broadly still in certain Country Business Units (CBUs)) by the CBU Human Resources Department, which have also given their additional support through appropriate initiatives to ensure that all employees are informed.

Since 2006, all directors and managers sign a specific clause in their employment contract stating that they are familiar with the Business Conduct Policy and commit to compliance by themselves and by their teams. Buyers are made aware of these issues through the regular distribution of a specific and more detailed **Procurement function code**. Key account managers in direct connection with mass retailing are also made aware of the topics. Regular training programs are also organized for Procurement managers and members of the Executive Committees.

## ADD S07

### **Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices and their outcomes**

No legal proceedings are currently underway.

## *Compliance*

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## S08

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

At Danone corporate level, no significant fines or non-financial sanctions have been registered for non-compliance with laws and regulations.

# PERFORMANCE INDICATORS

## Product responsibility

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PRODUCT AND SERVICE LABELING	223
MARKETING COMMUNICATIONS	226
CONSUMER PRIVACY	229
COMPLIANCE	230



## 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**

### Impacts on consumer health

Consumer health is at the heart of Danone's history and mission to "bring health through food to as many people as possible".

Danone's nutrition & health policy is not restricted to complying with existing regulations on nutrition & health (ingredients used, enrichment, claims, etc.), but rather includes more stringent voluntary internal commitments that respond more broadly to public nutrition and health concerns and to societal expectations. These commitments are defined in the [Food, Nutrition and Health Charter](#) at [www.danone.com](http://www.danone.com):

1. propose nutrition solutions that are continuously tailored to the nutritional needs and recommendations, tastes and incomes of the local people;
2. develop products with relevant, scientifically proven health benefits and based on an appropriate nutritional profile;
3. inform consumers clearly, factually and practice responsible advertising;
4. promote healthy diets and healthy lifestyles;
5. address major health- and nutrition-related societal challenges.

Application of the commitments in the Food, Nutrition and Health Charter by the Country Business Units (CBUs) is subject to annual self-assessment according to the Danone Way Fundamentals approach.

Two of the commitments in the Food, Nutrition and Health Charter directly involve products and their impact on consumer health.

#### **1. Propose nutrition solutions that are continuously tailored to nutritional needs and recommendations, tastes and incomes of the local people**

This commitment requires detailed knowledge of nutritional needs, dietary intakes and consumers' eating habits. The **Nutripacks**, bibliographic synopses including expert opinions from local scientists, provide insight into the nutritional, dietary and health situation and the recommendations of local health authorities in the countries where Danone does business, broken down by sex and age (children, adults, seniors). Twenty new Nutripacks were released in 2010 and twelve were updated, bringing the total number of countries for which this information is available to 34.

With the **NutriProgress** program, the nutritional quality of Danone products can be compared with those of its competitors, and with the internal Nutritional Standards defined in accordance with public health authorities' recommendations. If necessary, it can be used to define goals for product (re)formulations that respond to changes in local nutritional facts in each country. These reformulation goals may include, for example, reducing fat, sugar or sodium content, and/or enriching with specific vitamins and minerals.

## Consumer health and safety

- In 2010, among the Danone products whose nutritional composition is not subject to strict regulations, **78% underwent nutritional assessment**. This process revealed for example that 63% of dairy products analyzed are currently in compliance with Danone nutrition standards (a 30% increase over 2009).
- The 30-year movement in Germany to reduce sugar and fat content in the children's Fruchtzwerge dairy product (Danonino) was recognised a nutritional part of a balanced snack by the German Research Institute for Child Nutrition (FKE) in 2010 (Optimix snack defined by the FKE).
- In Great Britain, added salt has been completely removed from Cow & Gate brand baby cereals.

Numerous innovations were also launched in 2010:

- The Taillefine with Stevia (natural sweetener) dairy products in France;
- Ser Calci +, a yogurt containing 400 mg of calcium per pot (or 33% of RDA for women over 45) and 5 micrograms of vitamin D, which facilitates calcium absorption; it targets women who want to protect their bone health, in Argentina;
- Nutrilis Aqua, a gelatin with high water content for elderly people who have difficulty swallowing, in several European countries;
- Nutrini Drink Smoothie, a fruit puree for children suffering from undernutrition in Germany, the Netherlands and the United Kingdom;
- C-Optima smoothie, a range of fruit purees containing 50% of daily vitamin C needs, in Belgium;
- Milks and nutritional supplements for pregnant women (Gallia Grossesse) in France, and nursing mothers (Aptamil pregnancy and breastfeeding women's supplement) in Ireland.

Danone's teams pay particular attention to the taste experience offered by all their products (reformulations, innovations), as it is now widely accepted that taste is the major factor in dietary choices. They constantly work to improve their knowledge of consumer expectations, tastes and preferences, and regularly carry out consumer choice tests (BEST program, for example).

Beyond their nutritional quality and functional benefits, Danone develops products that are accessible to as many people as possible both via affordable prices for low-income populations (*see «For all» strategy section*) and through innovative distribution channels (*see «For all» strategy and Ecosystem section*).

### **2. Develop products with relevant, scientifically proven health benefits supported by an appropriate nutritional profile**

Danone very closely monitors changes in the health issues confronting the countries in which the group does business through its Nutripacks, ongoing dialogue with researchers around the world, and by intensive participation in epidemiological studies.

In collaboration with scientific research teams around the world and with hundreds of clinics and hospitals, Danone carries out more than 100 clinical studies each year, in strict compliance with international quality standards and with local legislation.

Their results are widely reported in the major international scientific journals.

For example, 45 studies using human subjects were conducted on Néocate infant formula to examine its ability to reduce allergy symptoms in children allergic to cow's milk.

Furthermore, Danone ensures that products making a specific health claim have a nutritional profile consistent with this claim. For example, the Danacol product designed to help reduce cholesterol must contain no more than 1.5g of fat and 2.5g of sugar per 100g, and these must not be saturated fats or cholesterol.

## Consumer safety

Danone has developed a Quality and Food Safety policy rooted upstream in scientific research, and responding throughout the product life cycle to consumer expectations. All employees responsible for quality are committed to this policy.

Quality management is organized according to the internationally recognized ISO 9000 and ISO 22000 norms, applicable across the entire production chain “from farm to fork”.

	<b>% of plants with ISO 22000 certification</b>	<b>Compared with 2009</b>
Dairy products	95	+6%
Waters	73	+22%
Baby nutrition	77	+30%
Medical nutrition	100	+200%

At group level (Danone Corporate), the Quality department lays out the group’s quality policy and verifies its implementation: definition of standards, systems and performance indicators that are consistent between the different divisions.

The four divisions apply this policy based on the specifics of their respective businesses. Each division applies the policy in compliance with national legislation and is responsible for integrating consumer expectations into product development.

Danone also promises healthy, safe products to its consumers. The company achieves this goal through outstanding assessment, and management of potential and actual risks, and impeccable food safety communication. Within the quality department this task is assigned to the Danone Food Safety Center (DFSC), whose role is to identify, assess, classify and help manage emerging and existing risks (chemical, microbiological, physical and allergen risks).

The DFSC ranks risks by severity and frequency in collaboration with each division. This phase identifies the major risks specific to each division. The risks are categorized as chemical, physical, microbiological and allergen. Thanks to active scientific monitoring with the help of international experts, emerging hazards are identified and specified as quickly as possible, based on the latest scientific knowledge. The quality directors of the divisions define the objectives and resources for risk control. The Country Business Units (CBUs) apply the inspection plans and reinforce them if necessary to meet the specific requirements of their business and local environment. All food safety management system components are regularly audited to guarantee their effectiveness and relevance.

## Consumer health and safety

To ensure the consistency of food safety management systems and to coordinate the requirements of the various stakeholders, Danone actively participates in international forums such as the GFSI (Global Food Safety Initiative) that brings together players from different links in the food chain. The goal is to form collaborative networks, to share knowledge and best practices and to harmonize management systems internationally.

This shared platform also supports coordinated management of Danone suppliers according to recognized rating systems together with Danone's own specific requirements.

## 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, incidents occur at local level and are of limited scope; they are not consolidated as they do not lead to formal litigation or sanctions of any type. "Crises" however, do reach beyond the local level and can have repercussions outside the Country Business Unit (CBU); they are thus consolidated at group level.

The performance indicators for food safety – Good Manufacturing Practices (GMP), Good Hygiene Practices (GHP), inspection and monitoring plans, HACCP (Hazard Analysis Critical Control Point), Biovigilance, Traceability, combined in the Food Safety Index are monitored daily at the plants and consolidated and analyzed at division level (Dairy products, Waters, Baby nutrition, Medical nutrition) by the relevant Quality departments and at group level for overall governance. **The Food Safety Index improved in 2010** by 16% for the Dairy products division, 7% for Baby nutrition, 11% for Medical nutrition and 2% for the Waters division. This progress is strongly correlated to the increase in the number of ISO 22000 certified plants, improved CBU performance in external audits of "Pre-Requisite Programs" implementation, and better monitoring of key steps in the production process that ensure the safety of the final food products. The lesser progress in the Waters division is due to more exacting audit scales and evaluation methods.

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## *Product and service labeling*

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Whenever a serious and immediate threat is posed to consumer health (precautionary principle), Danone initiates product recalls. “Incidents” are not consolidated at group level. Only significant events classified as “crises” are reported. In 2010, 40% of crises and incidents identified were related to product Quality and Food safety (slightly higher than in 2009, 37%). However, in absolute terms the number of crises and incidents related to Quality and Food safety decreased by 40% compared with the preceding year (against a 35% decrease in 2009).

### PR3

#### **Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements**

One focus of the Danone Food, Nutrition and Health Charter directly deals with the information provided to consumers in the area of nutrition & health.

#### **Systematic nutrition information**

All Danone products provide detailed nutrition information to help consumers make informed food choices, even when no local regulatory requirements exist. In EU countries, for dairy products and beverages, Danone applies its own Nutrition Information Charter based on the voluntary scheme developed by the CIAA (Confederation of the Food and Drink Industries of the EU), which indicates calories and nutrients per portion, in absolute measures and as a percentage of Guideline Daily Amounts (GDA). An icon on the front of the packaging indicates the number of calories per portion and as a percentage of the GDA. A table on the back of the packaging indicates, per portion and as a percentage of GDA: calories, proteins, carbohydrates including sugars, lipids including saturated fatty acids, fiber and sodium. Danone also requires its Country Business Units (CBUs) to provide consumers ready access to off-pack information; at least, a mailing address or a website with nutrition information about the products sold in that country.

## *Product and service labeling*

In EU countries this type of information is provided on packaging for **all fresh dairy products and beverages**, and on the internet for more than **67% of them**. Danone is working to roll out this type of information in non-European Union countries where there is no voluntary code or local regulation.

### **Information that is practical and easy to understand by consumers:**

Danone pays particular attention to providing practical information that is easy to understand, to help consumers adopt healthy eating habits for themselves and their families. The group therefore offers information programs and educational tools ranging from paper and website publications to discussion forums and call centers. These tools and programs are not limited to Danone product information, but also include dietary and nutrition advice in easy-to-read formats. The Baby nutrition division, for example, has designed numerous multimedia programs to advise mothers-to-be about their own diets, and parents about their children's diets at each stage of their development during the first years of life, which lay the groundwork for health later in life ([www.laboratoire-gallia.com](http://www.laboratoire-gallia.com), [www.bledina.com](http://www.bledina.com), [www.cowandgate.co.uk](http://www.cowandgate.co.uk), [www.milupa.de/mil](http://www.milupa.de/mil), [www.dumex.com.my](http://www.dumex.com.my) etc.).

## ADD PR4

### **Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes**

In the classification used by Danone, incidents occur at local level and are of limited scope; they are not consolidated as they do not lead to formal litigation or sanctions of any type. "Crises" however, do reach beyond the local level and can have repercussions outside the Country Business Unit (CBU); they are thus consolidated at group level.

In 2010, there was no incident inventoried under indicators PR4 and PR7, which are difficult to distinguish as most events relating to product information also relate to advertising.



## ADD PR5

### Practices related to consumer satisfaction, including results of surveys measuring consumer satisfaction

The primary mission of Danone's Consumer Services Center is to foster attention to and communication with consumers, and to develop and maintain relationships with them. It is a tool that allows the company to offer advice as well as information. The Center helps gather consumers' comments, suggestions and reactions. It is a local service whose main objective is to rapidly respond to demands and to create added value for the brands. This service can answer any question about the products and brands, and more generally about diet and nutrition. It is also responsible for processing complaints relating to product quality.

The Consumer Service Center can be contacted 24 hours/day on the internet, or by phone (the number is on the packaging). The mailing addresses of the Consumer Service Centers of Danone Country Business Units (CBUs) are also listed on packaging. In France, the Danone Consumer Service 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.

The Consumer Service was renovated in 2010, and it now includes custom nutritional advices resulting from the collaboration of Danone France, Danone Nutrition Service Research and MXS Company which has developed a tool adapted to each user needs, giving the possibility to plan balanced daily or weakly meals. Please consult:

[www.danoneetvous.com/Mon-alimentation](http://www.danoneetvous.com/Mon-alimentation)

#### Danone Consumer Service Centers, access for the hearing impaired in France

Danone's French CBUs (Danone Produits Frais France, Danone Eaux France and Blédina) have been working with GuideCaro since December 2008 to help hearing-impaired consumers access the Consumer Service Centers via a sign language service.

Hearing-impaired consumers can now access all the services available to any other consumer. By clicking on the "Sourdline" logo on the [danoneetvous.com](http://danoneetvous.com) and [bledina.com](http://bledina.com) websites, a hearing-impaired person can contact one of Danone's French CBUs via one of six communication methods (webcam, chat, text messaging, fax, email or form). The service is maintained by a hearing-impaired agent Monday through Friday from 11:30 am to 2:30 pm.

In 2010, 400 contacts were registered on the "SourdLine" service.



## *Marketing communications*

### PR6

#### **Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship**

Danone views the consistency of its advertising messages with the reality of its products in terms of nutritional content and health benefits to be of crucial importance. It has set the goal for its advertising and communication to be relevant, reliable and easy for consumers to understand.

#### **Claims that are reliable and easy for consumers to understand**

Danone ensures that information about its products' benefits (claims) is reliable and expressed in terms that consumers can easily understand. The Danone Communication Guidelines help the marketing teams and advertising agencies express the benefits of a product in language that consumers can understand, using illustrations, charts or scientifically valid symbols. The Danone Consumer Understanding Test verifies that consumer understanding of the claims is consistent with the scientific evidence supporting the products' benefits. Finally, the internal claim approval procedure ensures the accuracy of the nutrition and health claims of Danone products. Danone makes no nutrition and/or health claim for its "indulgence" products.

#### **Responsible advertising and communication**

Danone has undertaken to comply with the Code of the International Chamber of Commerce for responsible marketing practices for food and beverage products, as well as other national and regional standards, to avoid for example any message that might encourage excessive consumption of one of its products and/or a lifestyle that is not conducive to health.

#### **Restrictions on advertising towards children and in schools**

Danone is committed to limiting advertising targeting children under 12 years of age, to products whose nutritional profile is specifically appropriate for them, and to refrain from advertising its products in schools. This principle is applied throughout the European Union (EU pledge), where independent auditors monitor compliance with our commitment, as well as in the United States (US pledge) and Brazil. Danone is working to expand this self-disciplined approach to other countries.

#### **A strict voluntary code for communication in schools**

Danone requires that its Country Business Units (CBUs) participating in educational initiatives in schools comply with a strict in-house code in the countries where no official directive or requirement is in place for schools.

#### **Responsible marketing for breast milk substitutes compliant with the WHO code**

The mission of Danone's Baby Division is "To partner with parents and provide specialized nutrition to babies and toddlers to complement breast-feeding, for healthy growth and the best start in life".

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To ensure this mission is lived everyday, the Baby Nutrition division has committed to upholding the following guiding principles:

- Committed to ethical marketing practices that promote good health and safe nutrition for all infants and young children. Ethical marketing and distribution practices help to ensure that health workers have access to accurate, science-based information; that parents have access to nutritious and healthful foods for infants and young children, including breast-milk substitutes when necessary and appropriate; and that such foods are prepared and used safely, appropriately and in a manner that does not interfere with the protection and promotion of breast-feeding;
- Acknowledgement of the importance, and respect the Aim and Principles, of the World Health Organization's ("WHO's") International Code of Marketing of Breast-Milk Substitutes (BMS) and subsequent resolutions. The stated Aim of the WHO Code is "to contribute to the provision of safe and adequate nutrition for infants by protecting and promoting breast-feeding, and ensuring the proper use of breast-milk substitutes, when necessary, on the basis of adequate information and through appropriate marketing and distribution";
- Support of the WHO's global public health recommendation calling for breast-feeding during the first six months of life and acknowledge the superiority of breast milk as the best source of nutrition for infants. Danone encourages mothers to breast feed for as long as possible up to two years;
- Feeding of infants and young children is influenced by a range of factors, including cultural traditions, educational and economic opportunities, the availability of information, workplace support, and the time spent by the mother away from the home. Danone actions are undertaken in order that parents have the opportunity to make choices that are most appropriate for their families;
- Health workers should be able to provide objective advice about how and what to feed infants and young children and for parents to make informed feeding decisions. They must have access to truthful, science-based information about all feeding options, including breast feeding and infant formula, complementary foods, and other milks. Appropriate marketing and distribution practices help fulfil this important aim;
- Ensuring compliance with all applicable laws and regulations in the countries where Danone operates. Danone respects the role of national governments to develop health policies that are appropriate to their social and legislative framework and overall development objectives. Danone believes that sound science should support all policies, regulations and standards governing infant and young child nutrition.

## *Marketing communications*

In addition to ensuring all Danone businesses adhere to this set of principles, specific actions have also been undertaken, starting with ensuring a better understanding of the WHO Code on the Marketing of Breast Milk substitutes (BMS) at all levels of the organisation.

This has involved improving internal management system and including:

- Creation of a new role, (part of the Danone Baby Nutrition Board), Vice President Quality & Public Affairs, having responsibility for Danone's strategy regarding marketing & promotion of BMS;
- Each Danone Baby Nutrition Country Business Unit (CBU) developed specific internal plans to ensure compliance with internal guidelines. Bi-annual reviews of internal monitoring is undertaken by Danone Baby Nutrition board;
- Appointment of an independent auditor to monitor marketing practices of Danone Baby Nutrition CBUs.

The marketing of breast milk substitutes continues to be an extremely sensitive issue and Danone is committed to working with key stakeholders and industry alike, to continually improve practises.

## 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". The report published in 2010 indicates a rate of compliance by all committed players with 2009 commitments of 99.4% in the media (TV, radio, print, web) and 92% in schools. For Danone, only 1% of television advertising analyzed in Poland was considered to be non-compliant. Around ten cases of non-compliance were identified in schools (Italy, Belgium) and led to corrective actions. It should be noted that none of these cases of non-compliance led to consumer complaints or challenges by the public authorities.

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## Consumer privacy

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Consumers expect Danone to give them tools for understanding nutrition, advice on developing daily menus that meet their needs, and product information. Danone has various tools for fostering close communication with consumers (website, magazines, consumer surveys, consumer service). The company protects consumer privacy and complies in every country with national legislation governing personal data protection when managing these tools.

### Consumer database

A database contains the names and addresses of all the consumers to whom Danone and its brands send information and special offers in print or electronic format.

Consumers may suspend their subscription at any time by simply indicating this to the management center designated in the messages received. Only minimal data is required for registration, i.e. name and address.

Providing socio-demographic information (household members) and information on consumption is optional.

Sensitive information, such as credit card numbers, is not requested.

### Website

There are around a hundred brand websites within Danone. In most cases these are promotional or commercial sites. For example, in France, [Danoneetvous.com](http://Danoneetvous.com) applies an opt-in system in which consumers choose to have their data entered in the database if they so wish. Consumers must also check a box giving Danone permission to communicate with them.

### Consumer surveys

Surveys allow the Danone Group to gain specific information, such as how the consumer perceives product quality, consumer expectations for new products, their opinion of information tools or how they understand specific advertising. Research companies ensure the anonymity of responses. Only the overall results are transmitted to Danone.

### Consumer Service Center

The Consumer Service Center is a tool for information about the company and for offering advice (*more details, see indicator PR5*).

Consumers may choose whether or not to leave their contact information. This information is used, with the consumer's agreement, to send documentation, brochures (dietary advice, recipes, etc.) or coupons in response to a complaint. No follow-up system is in place. Consumers may request removal of their information from the database at any time, as stated in every communication they receive from Danone Conseils.

**ADD PR8**  
**Total number of substantiated complaints regarding breaches of consumer privacy and losses of consumer data**

This indicator is not consolidated by Danone.

## *Compliance*

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### PR9

#### **Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services**

At Danone corporate level, no significant fines have been registered for non-compliance with the laws and regulations concerning supply and use of products and services.



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This **Sustainability Report** has been prepared with design, coordination and editing services provided by the Department of Social Affairs and Corporate Social Responsibility.

This report is also the product of an ongoing dialogue with our stakeholders.

You are invited to share with us your comments and ideas on the manner in which Danone can improve its approach,

- via our website: [www.danone.com](http://www.danone.com)
- or by mail: **Danone**  
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- or via our blog: <http://lespiedssurterre.danone.com/>

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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.