

Plan one 16

Welcome
to the
Alimentation
Revolution
INTEGRATED
REPORT



INTRODUCTION

This summary version of our integrated report provides insights on our strategic focus. It discusses our ability to achieve our objectives and to create value, in the near and distant future, as part of our dual economic and social project.

In the first part of this document, we demonstrate how our history has defined our mission “to bring health through food to as many people as possible” and how it has influenced our business activities and markets’ evolution.

The second part of this document introduces Danone’s governance structure and how it allows for delivering results and creating value on a daily basis with a unique business approach. It also provides a concise overview of our strategies and commitments on Environmental, Social and Nutritional topics. Some projects chosen for each of these topics will illustrate how at Danone we incorporate stakeholders’ needs and

interests in our daily activities in line with our dual commitment to business success and social progress.

We have identified our material aspects to drive our sustainability performance taking these into account. Most of our key performance indicators are available in this document, with the intention of ensuring consistency and comparability with previous years. Our [methodology note](#) is available online for more information on our calculation methods and our data reliability.

We hope this document will help you understand how Danone has created value in 2016 and we invite you to read the [full version online](#).

For any specification on our indicators definitions, scope, coverage and collection procedures, please refer to our methodology note online.

DISCLAIMER

This document is a shortened and summarized version of Danone’s Integrated Report.

For a complete and detailed version of Danone’s Environmental, Social and Governance (ESG) commitments, projects and results, please refer to the full version of Danone’s Integrated Report available online:

<http://www.danone.com/en/for-all/integrated-report/>

All results and projects presented in this document, as well as on the online version of Danone’s Integrated Report, are based on 2016 reporting scope, excluding any element related to the WhiteWave acquisition.

This document, as well as the online version of Danone’s Integrated Report, only covers the year 2016. Projects presented were therefore launched in 2016 or earlier. Projects started in the current year are not included in this document.

SUMMARY

Danone Company

Integrated Report

SOCIAL INNOVATIONS

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Danone Company

OUR HERITAGE

From 1919 to 1972



1919 Isaac Carasso founds Danone in Barcelona.



1929 Daniel Carasso founds Danone in France.



1942 Daniel Carasso founds Dannon in the US.



1966 BSN is created.



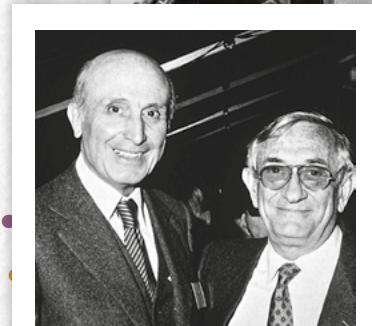
1968 unsuccessful takeover bid for Saint-Gobain.



Antoine Riboud redefines the traditional role of the business leader during his speech in Marseille.



1970 BSN becomes France's largest producer of beverages and infant food.



1972

Daniel Carasso and Antoine Riboud meet. Merger between BSN and Gervais Danone is announced in December 1972.

GROUP'S ROOTS: FROM GLASS TO FOOD

OUR HERITAGE

From 1972 to 2015

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1989

The BSN group becomes the third-largest food and beverage company in Europe, and the leader in France, Italy and Spain.



1994

BSN-Gervais Danone is renamed Danone Group. A new logo is created.



1996

Franck Riboud succeeds his father Antoine as CEO.



2006 - 2007

Formalization of the mission and acquisition of Numico.



Groundwork is laid for its international development

SINCE 2007



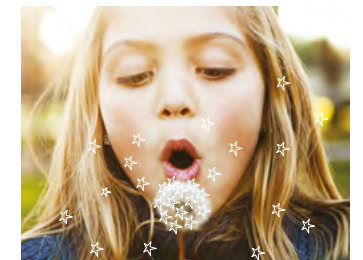
International development strategy and implementation of social innovation platforms.



2014

Franck Riboud
Chairman of the Board
Emmanuel Faber
Chief Executive Officer

2015



Danone unveils its "Manifesto". The company's 100,000 employees bring it to life.

1973-1990 EUROPEAN EXPANSION

1990-1996 GLOBAL AMBITIONS

1996-2007 REFOCUS ON HEALTHY FOOD

SINCE 2007 ACCELERATION OF INTERNATIONAL DEVELOPMENT

OUR VISION

3 CEOs since the BSN and Gervais Danone merger

.....

2014



Emmanuel Faber
2014- ...

MANIFESTO & DANONE 2020

“As CEO, I pledge to pursue Danone’s dual commitment to business success and social progress”

2006



Franck Riboud
1996-2014

HEALTH MISSION

“How can a company expect to thrive in an economic and social desert?”

1972



Antoine Riboud
1973-1996

FOUNDATION OF THE DUAL PROJECT

“The frontiers of the company do not stop at the factory gates...”

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

As early as 1972, Antoine Riboud was drawing attention to the environmental and social impact of businesses on the planet. For over 40 years the pioneering speech by Antoine Riboud which established our ‘dual project’ has been felt in our company. That dual project was enhanced in 2006 by Frank Riboud who launched our lasting mission to bring health through food to as many people as possible.

In 2015 we published a new Manifesto, which will be a guiding star to build a healthier future and to enshrine the principles of co-creation, local adaptation and continuous improvement. Our recent partnership with B Corp is a modern illustration of our ambition to pioneer a new business approach.

OUR MISSION

Bring health through food to as many people as possible.

OUR VISION

The manifesto: mobilizing employees to support Danone's ambitions



Emmanuel Faber
Chief Executive Officer, Danone

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



This Manifesto belongs to every Danoner.

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

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

OUR BELIEFS

As Danoners, we believe that

GOOD HEALTH IS EVERYTHING TO ALL OF US

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

FOOD IS HEALTH'S MOST SIGNIFICANT PARTNER

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

HEALTH CANNOT LIVE LONG WITHOUT PLEASURE

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

FOOD IS THE WARMTH BEHIND EVERY CULTURE

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

THE WEALTH OF NATIONS GROWS FROM A HEALTHY PLANET

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

RESEARCH IS OUR BEST ALLY

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

PREPARING FOR TOMORROW IS THE BUSINESS OF TODAY

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

OUR COMMITMENTS

As Danoners, we commit

FOR HEALTH AND WELL-BEING

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

WITH THE BEST WE CAN DO, ALWAYS

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

FOR EVERY PERSON, AT EVERY AGE, WITH PLEASURE

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

FOR OUR OWN HOMES

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

FOR OUR PLANET AND ITS LIVING HERITAGE

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

FOR WHAT IS INVENTED AND WHAT STILL NEEDS TO BE INVENTED

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

NOT ALONE, BUT WITH PARTNERS AND FRIENDS

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

Each of us has the power to make this happen.

OUR MISSION

Translating our vision of alimantation with our Alimantation Tree

Now more than ever, consumers are concerned with food. The revolution now underway is shaping how products are made and consumed, as well as our approach to preserving resources and protecting the environment.

Every day we embrace our commitment to favoring healthier eating and drinking habits through a portfolio of products that are enjoyed on a daily basis, and a broad variety of activities.

To explain our vision of alimantation we use the symbol of a tree. The leaves represent nine health priorities to which Danone contributes through its food categories and brands acting for healthier diets and lifestyles. They are clustered in three main areas of action: building health capital starting in the earliest days of life, maintaining it throughout life, and protecting it when most vulnerable.

The trunk illustrates the key role of our brands. By delivering a superior experience and offering healthier choices and solutions tailored to local needs, we can impact on a greater number of people.

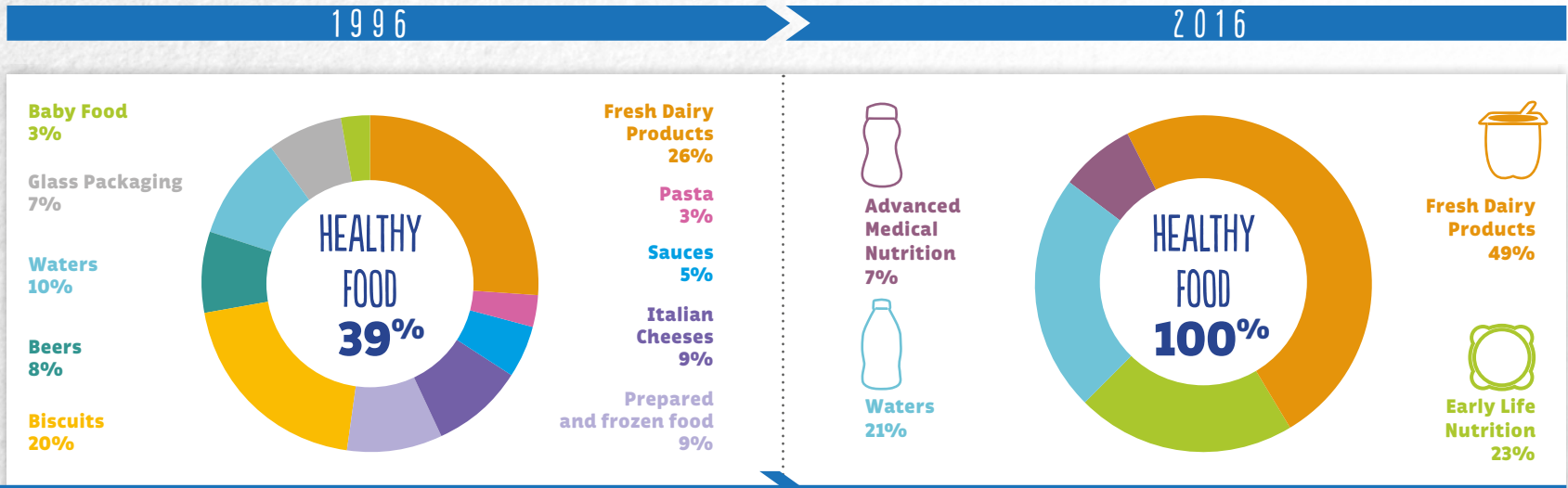
Lastly, the roots show our actions aimed at addressing environmental challenges, such as fighting climate change, preserving the water cycle, fostering sustainable agriculture, and developing responsible packaging.



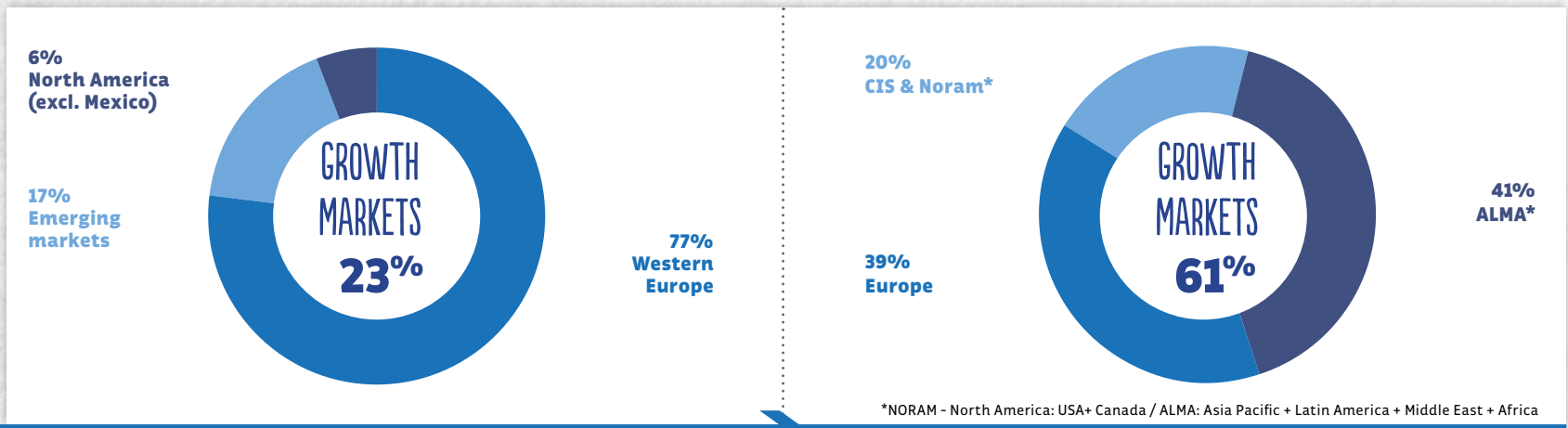
OUR MISSION

Evolution of products portfolio and markets in line with our mission

FOCUSING THE PRODUCT PORTFOLIO ON HEALTHY FOOD CATEGORIES



REACHING A NEW GLOBAL EQUILIBIRUM



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



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MATERIAL ASPECTS

BUSINESS IMPACT



NUTRITION & HEALTH

COMMUNITIES

STRATEGY

SOCIAL

RESPONSIBLE PROCUREMENT

FIGHT AGAINST FRAUD AND CORRUPTION

ENVIRONMENT

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

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

Danone structures its Integrated Report so as to comply with the **guidelines of the Global Reporting Initiative 4**. The GRI affirms the importance of communication on the relevant challenges of the business, reflecting the economic, environmental, social and societal impacts of the organization and influencing the assessments and positions of stakeholders towards the company.

In order to refine its understanding of the key challenges and confront them strategically, **Danone has conducted a materiality assessment** using the following contributions:

- analyzing the available documentation about Danone and its environment in order to identify relevant challenges;
- sharing these challenges with a representative sample of stakeholders (nine internal and 13 external);
- ranking them according to their potential impact on the activity and their importance for the stakeholders questioned.

This impact is assessed according to several criteria: regulatory impact; financial impact; and impact on reputation, on the confidence of investors, customer loyalty and employee satisfaction.

The fight against forced labor, child labor, all types of discrimination, the limiting of the number and severity of workplace accidents and the promotion of human rights within the company have not been included in these priorities since these are considered to be fundamental challenges.



UNIQUE BUSINESS APPROACH

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

BETTER HEALTH

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



BETTER WORLD

Danone believes that healthy food starts with healthy nature.



BETTER LIVES

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




UNIQUE BUSINESS APPROACH

Unique brands and categories

At Danone, we aim to generate strong, sustainable, profitable growth by 2020.

More specifically, we're targeting overall growth of at least 5%, with our four divisions contributing as follows:

 **FRESH DAIRY PRODUCTS**
+ 3-5%

 **WATERS**
+ 7-10%

 **EARLY LIFE NUTRITION**
+ 7-10%

 **ADVANCED MEDICAL NUTRITION**
+ 6-8%

We have reaffirmed our mission—bringing health through food to as many people as possible — and translated it into a Manifesto, which forms the core of Danone 2020, our transformational five-year plan. Firmly rooted in our four health-oriented product categories and our new vision of food and beverages, we're changing the way we look at our business, finding new ways to grow, and putting the power of our unique brands behind our strategy of strong, profitable and sustainable growth.

As a result, in 2016, consolidated sales stood at €21,945 million, up +2.9% like-for-like. The company's margin rose by a very strong +70 bps like-for-like, well above the initial guidance, with a positive contribution from all divisions.

FRESH DAIRY PRODUCTS

WHY IT MATTERS

We want our fresh dairy products to be the consumer's first choice—for their convenience, for their nutritional value and for their great taste. Innovation is critical in reaching that goal, from the quality of the milk and other raw ingredients, to the search for sustainable production techniques and the aesthetics of the product itself. For decades now, we've been convinced of the health benefits of fresh dairy products in general and yogurt in particular, and we've continued to innovate so that everyone can continue to enjoy the healthy pleasures they offer.

HOW IT WORKS

Our strategy calls for expanding consumption of fresh dairy products all around the world. Key features include strengthening markets with major growth potential—the United States, Russia, Brazil, Mexico, Morocco and South Africa; maintaining business volumes in mature European countries; and expanding our operations in new regions, particularly Africa and Asia.

WATERS

WHY IT MATTERS

As one of the world's leading bottled water companies, we want to be part of the solution for the world's main water challenges. That's an ambitious goal, and co-creation will be essential to meeting it. In this respect, we have an outstanding track record of working with partners to build innovative, sustainable business solutions. In fact, that's one of the things that make Danone unique—and why we're confident we can make a real difference.

HOW IT WORKS

Our Waters strategy is geared around increasing consumption of bottled water and aquadrinks, and we're doing that by:

- promoting hydration-related health benefits,
- taking a long-term approach to water resource management and environmental protection,
- developing a line of light, natural beverages as healthy alternatives to sodas and other sweetened beverages,
- creating innovative packaging.

EARLY LIFE NUTRITION

WHY IT MATTERS

The first 1,000 days of an infant's life are a period of incredible growth and development, forming a blueprint for lifelong health and well-being.

At Danone, we believe that helping mothers and babies around the world get the right nutrition during this critical period—from conception to age two—is a crucial step towards improving global health.

HOW IT WORKS

Our strategy focuses on one key area: developing the right products for a child's earliest years. Within that area, we have three priorities: show that Danone's early-life nutrition brands meet the special needs of pregnant women, nursing mothers, babies and young children; make health and flavor two indivisible features of baby food; and identify local nutritional needs.

ADVANCED MEDICAL NUTRITION

WHY IT MATTERS

Nutricia believes that nutrition can make a positive, proven difference to patient health. Which is why we focus our time and energy on developing and delivering new nutritional solutions that meet today's health needs—and tomorrow's.

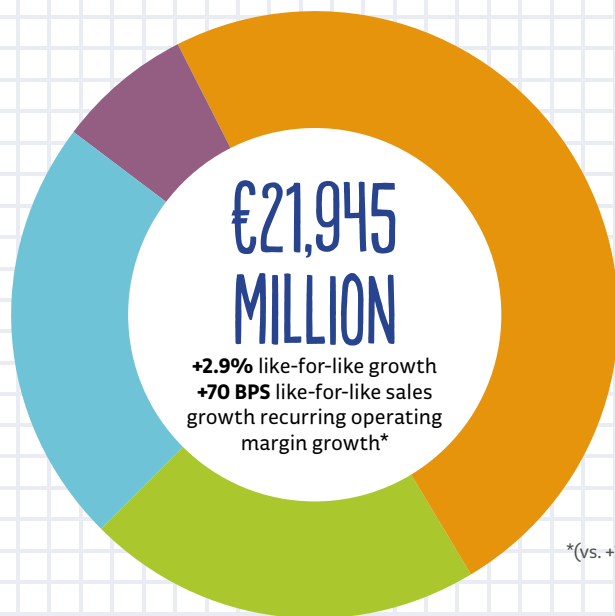
HOW IT WORKS

Our strategy consists of expanding our global coverage by launching operations in new countries and developing a range of distribution channels. We see significant scope for growth in the medical nutrition market, mainly as a result of the aging population, increased awareness of the role of nutrition in health, the emergence of new illnesses and allergies, and the growing number of screening procedures that enable early management of afflicted patients.

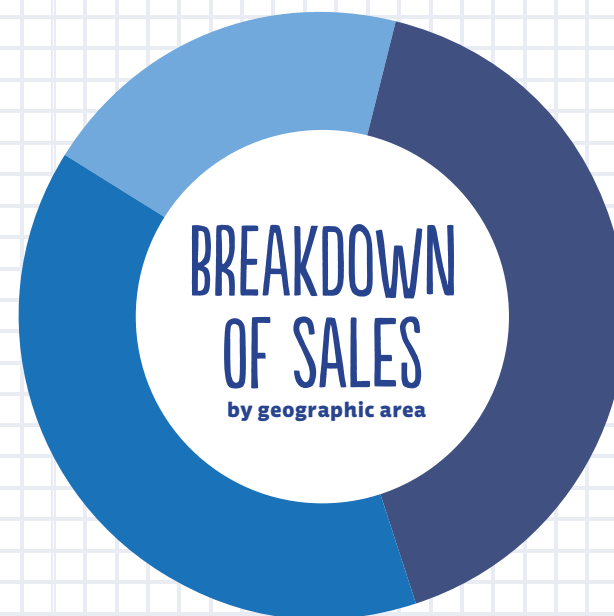
UNIQUE BUSINESS APPROACH

Key performance indicators 2016

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*(vs. +17 bps in 2015)



FRESH DAIRY PRODUCTS

49% - €10,736 Million (vs 11,057 in 2015)
+2.0% sales up on a like-for-like basis
+38 BPS margin up at constant exchange rates (vs. +49 bps in 2015)

EARLY LIFE NUTRITION

23% - €5,017 Million (vs 4,994 in 2015)
+3.5% sales up on a like-for-like basis
+167 BPS margin up at constant exchange rates (+142 bps in 2015)

WATERS

21% - €4,574 Million (vs 4,768 in 2015)
+2.9% sales up on a like-for-like basis
+15 BPS margin up at constant exchange rates (vs. -192 bps in 2015)

ADVANCED MEDICAL NUTRITION

7% - €1,618 Million (vs 1,593 in 2015)
+7.4% sales up on a like-for-like basis
+93 BPS margin up at constant exchange rates (+1 bp in 2015)

ALMA* 40,5%

EUROPE 39,1%

CIS & NORAM* 20,4%

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

UNIQUE BUSINESS APPROACH

Compliance in Danone

Compliance is a precondition to fair and open markets, to strong, sustainable and profitable growth and, thus, to both business success and healthy societies. Danone's commitment to compliance is a natural consequence of our historical dual commitment to business success and social progress.

Danone's Compliance Program safeguards our growth and supports the company by minimizing compliance risks in critical areas, providing expertise, leveraging existing know-how and improving the company compliance culture, ensuring that all Danoners and relevant business partners are aware of their compliance responsibilities. More specifically, the program is designed to establish and promote a global set of policies and procedures, and encourage self-discipline to help protect our business from corrupt practices and other risks.

Our Compliance Program focuses not only on fighting corruption in all its forms (covering topics such as bribery, gifts and hospitality, sponsorship and donations, money laundering, conflicts of interest), but also in assuring diligent behaviors in the scopes of competition, personal data privacy and international trade.

ORGANIZATION

As part of the General Secretary, the Compliance Department reports directly via the Chief Compliance Officer to the General Secretary and the Audit Committee. It is supported by compliance teams as well as the local Compliance Committees, with each Compliance Officer reporting to the Chief Compliance Officer. The Compliance department developed and oversees

Danone's Compliance Program, which is an integral part of Danone's control environment.

The overall supervisory responsibility for the establishment, implementation, application and improvement of the Compliance Program is allocated to the Corporate Compliance & Ethics Board, chaired by the Chief Compliance Officer.

POLICIES

The Corporate Compliance Department developed a number of Corporate Compliance policies, including a new edition of the Code of Business Conduct, setting our commitment to our stakeholders and the standards of behavior to which all of us must adhere. All employees of Danone, as well as its subsidiaries and controlled companies, are expected to follow the Code of Business Conduct. We expect companies of which Danone has a joint or minority ownership to adhere to principles equivalent to the Code of Business Conduct and we also

encourage customers to adopt such principles. Business partners are expected to adhere to our Code of Conduct for Business Partners.

Employees are informed about the Code of Business Conduct upon joining and are periodically reminded of its principles.

In addition to the Code of Business conduct a number of policies in the core areas of integrity, competition, personal data privacy, international trade sanctions and related subjects have been developed.

DANONE ETHICS LINE

Allowing employees to report potential infringements of the Compliance Program and ask questions on its implementation is part of an effective Compliance process.

Having such a system allows for the minimizing of accidental detection of non-compliance and facilitates the sharing of the information in the organization. In addition, such a process offers a way to guarantee adequate response to and remediation of cases of non-compliance.

The [Danone Ethics Line](#) went live on July 2016 as an enhancement of our previous whistleblowing system. This secure web platform allows Danoners to approach, from everywhere, at any time, even anonymously if needed, and according to local laws, the Danone Ethics Line Committee, made of corporate Compliance, HR, and Internal Audit representatives.

This tool represents best-in-class in terms of security and privacy, having received the European Privacy Seal and having gone through certified regular penetration tests.

TAX POLICY

Over the past few years, perceived international tax avoidance by large multinational corporations has come under increasing scrutiny from the media, the public and non-governmental organizations.

The Organization for Economic Cooperation and Development (OECD) has responded with an intensive effort to develop 15 Action Plans under the Base Erosion and Profit Shifting (BEPS) initiative.

As a global corporation, Danone recognizes the importance of taxation for the budgets and development of the countries where we do business. We thus support the BEPS initiative and have contributed to it actively by providing input for business consultations.

We have also published our [tax policy](#), reflecting our commitment to explaining our guiding principles in relation to taxes.

UNIQUE BUSINESS APPROACH

Responsible procurement



PROCESS AND TOOLS OF THE RESPECT PROGRAM

Launched in 2005, our **RESPECT program is expanding Danone's dual commitment to business success and social progress throughout our entire supply chain**—except for milk producers covered by the sustainable agriculture program FaRMS.

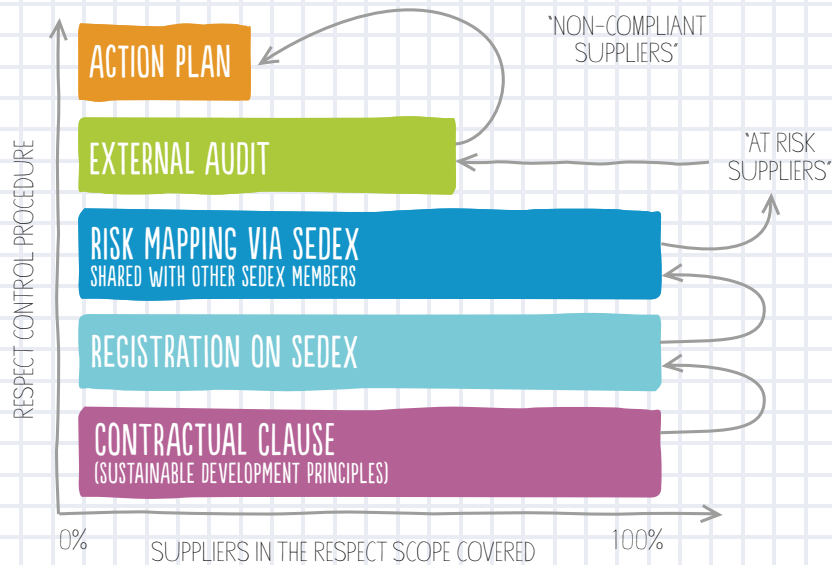
All the direct suppliers of certain categories, such as raw ingredients, and bigger suppliers in other categories, such as Services & Goods, undergo a rigorous process of assessment of their social, environmental and ethical performance that increases reliability of the supply chain, conserves our planet's natural resources, and protects the people who work for and with us.

At Danone, we believe that what we do and how we do it are equally important—which is why we've put responsible, sustainable sourcing practices into place throughout our supply chain and made them an integral part of our strategy. We're also a member of the **AIM-Progress forum**, which contributes to continuous improvement in sustainable purchasing across our industry, and are an active member of the **Consumer Goods Forum**.

Under Danone's Sustainability Principles, we've structured the RESPECT program around social, environmental and ethical fundamentals that are built into our General Terms of Procurement and thus are included in all contracts.

The RESPECT program's fundamentals include:

- evaluation of suppliers' CSR risk through information-sharing based on self-disclosures by suppliers regarding their CSR performance. The RESPECT program integrates sector and region-specific social and environmental risk intelligence through **Sedex (Supplier Ethical Data Exchange)**, a dedicated online information-sharing and pooling platform used by many companies in the food and beverage sector, which allows their suppliers to (i) enter information regarding their production sites' ethical management practices, sustainable development and societal responsibility policies, and (ii) share this information with several customers at once ;
- external verification of suppliers identified as "at risk", by a certified third party organization, through **SMETA audits (Sedex Members Ethical Trade Audit)** ;
- **corrective action plans in case of non-compliance** identified during the audit, and monitoring by Danone's purchasing teams. Danone also has access to over 2,000 supplier audits on the Sedex platform and over 15,000 audits thanks to the principles of mutual recognition through the AIM Progress consortium for responsible sourcing.



Danone also has access to over **2,000 SUPPLIER AUDITS** on the **SEDEX** platform and over

15,000 AUDITS thanks to the principles of mutual recognition through the **AIM Progress consortium** for responsible sourcing.

SEDEX: Supplier Ethical Data Exchange
SMETA: SEDEX Members Ethical Trade Audit

UNIQUE BUSINESS APPROACH

Respect of human rights



RESPECT OF HUMAN RIGHTS WITHIN DANONE'S SUPPLY CHAIN

Danone has included in its Fundamental Social Principles, the seven salient Human Rights risks, based on the International Labor Organization conventions.

The sustainability clause, containing **Fundamental Social Principles**, inserted in the suppliers contracts requires suppliers to uphold workers' fundamental rights and freedom:

- **CHILD LABOR:** No children below the age 15 are employed by the company or if the local law is set higher, that limit would apply.
- **FORCED LABOR:** the company does not use forced or compulsory labour, i.e. any work or service performed under threat or that is not consented to by the person concerned.
- **NON-DISCRIMINATION:** the company refuses to engage in any discriminatory practices.
- **FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING:** the company recognizes and respects employees' freedom of association and their right to freely choose their representatives; employees' right to collective bargaining; and ensures that employee representatives do not suffer any discrimination.

By complying with the above principles, Danone's suppliers ensure that the above principles are already in place in their own organization and undertake to ensure that their employees, agents, suppliers and sub-contractors respect the said principles. Suppliers are in addition requested to strive to continuously work on the implementation of the Fundamental Environmental Principles.

Danone is deeply aware of the fact that notwithstanding its willingness to conduct business in an ethical way, human rights infringements are common in long supply chains. The company is determined to identify its areas of progress and committed to addressing them.

- **WORKPLACE HEALTH AND SAFETY:** 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 programs. As a minimum, appropriate sanitary and medical facilities and drinking water are made available.
- **WORKING HOURS:** The company ensures that national applicable legal restrictions on working hours, including overtime are complied with.
- **COMPENSATION**
The company ensures that no wages paid are lower than the applicable legal minimum, all employees receive a payslip, employees receive a decent wage, as compared to standard pay practices in the country, wage rates for overtime are in all cases higher than for normal hours.

In 2016, Danone launched a global audit program for the top 7 fruit categories covering 75% of Danone's volumes of fruits purchased, mapping the fruit supply chain to the farm across 8 geographical areas. The assessment is based on Farm Sustainability Assessment questionnaire by SAI platform. The program's focus is to identify sustainability "hot spots", including labour and human rights topics, such as health and safety and temporary worker conditions, and develop a baseline, a gap analysis and a subsequent improvement plan to be implemented in 2017 onwards.

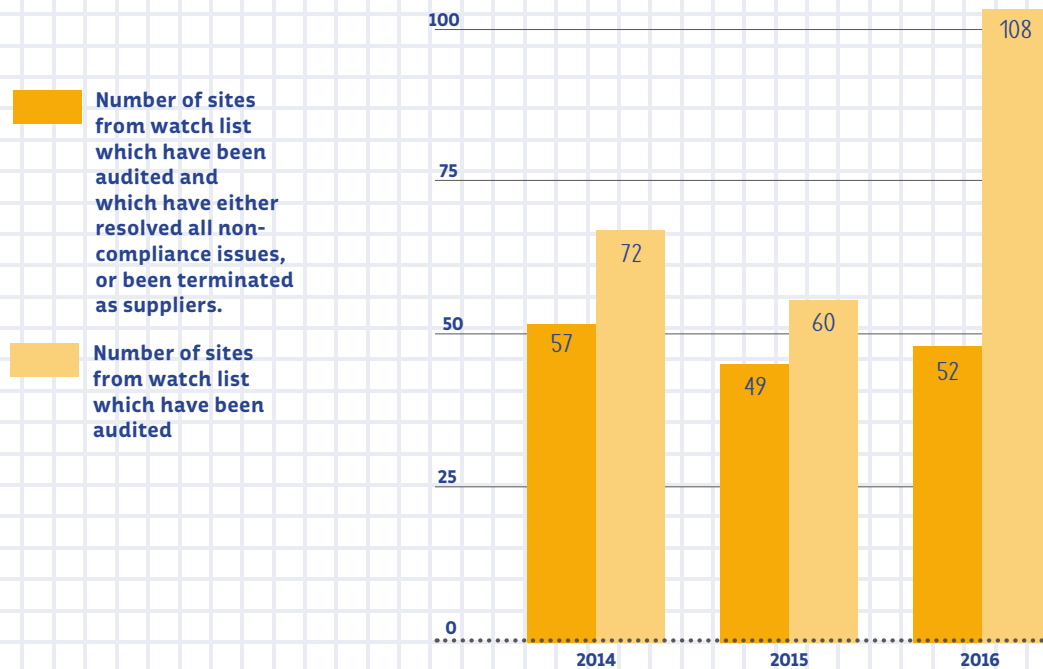
DANONE ECOSYSTEM FUND WOMEN'S EMPOWERMENT:

In addition to the 7 salient human rights areas addressed by Danone Fundamental Principles, Danone Ecosystem Fund works to promote [Women's Empowerment](#), thereby tackling the issue of development in its entirety and promoting a more inclusive type of economy. Over the last 7 years, around 30 out of a total of 65 Ecosystem projects have tackled Women's Empowerment issues. The projects' outreach counts 20,200 women with 1,200 jobs created for women.

UNIQUE BUSINESS APPROACH

Responsible Procurement: Key performance indicators 2016

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AUDITS

If we identify a potential case of high risk in our supplier base, we investigate the causes and validity of the assessment further by auditing our suppliers via a third party using the SMETA 4-Pillars program. SMETA is an internationally accepted and widely recognized audit protocol developed by Sedex. Suppliers can upload their audit results to the platform and share them with all of their customers, thus reducing the burden of multiple audits. We also recognize audit results from other protocols through the AIM-PROGRESS Mutual Recognition mechanism.

These audits help to identify possible points of improvement for sustainable business operations. Our buyers are working closely with suppliers to build and implement action plans to remediate all cases of non-compliance.

Following this process, in 2016 we were able to remediate risks at 38 sites, either by resolving issues immediately or by implementing mutually accepted corrective action plans. For 56 supplier sites where non-conformities were detected on site, our procurement teams continue to follow up on progress toward remediation, which includes resolving non-compliance within an agreed time frame (up to 6 months).

Our aim is to terminate all non-compliance situations and improve suppliers' sustainability and ethical performance. Nevertheless, in some cases we see no alternative but to terminate relationships with suppliers that refuse to collaborate.

UNIQUE BUSINESS APPROACH

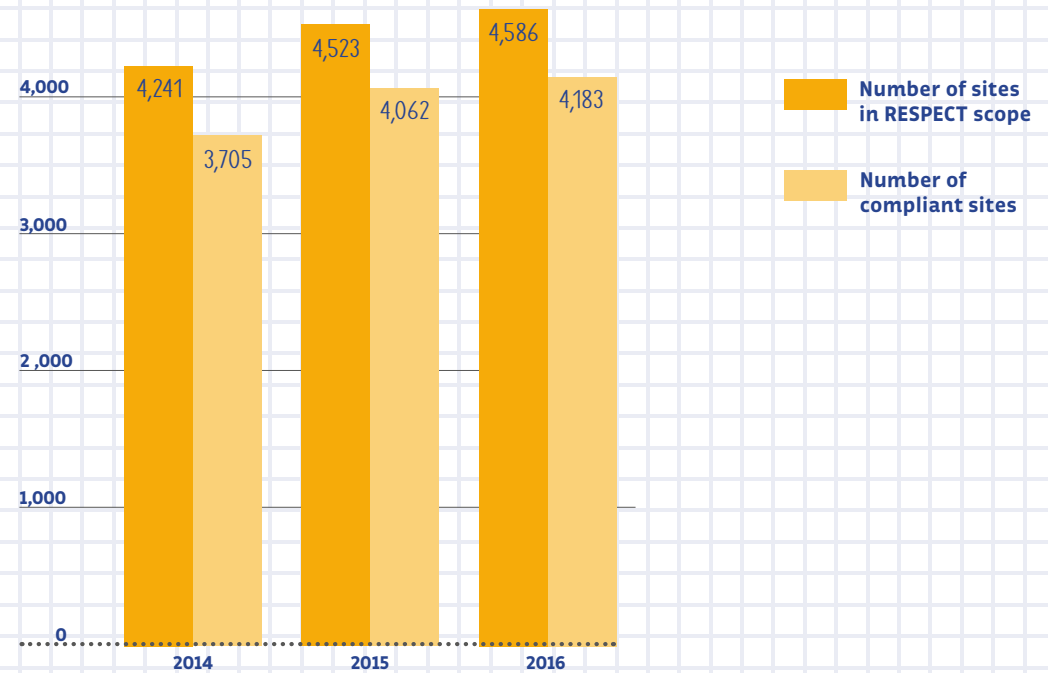
Responsible Procurement: Key performance indicators 2016

COMPLIANCE

With the help of the Sedex tool, we are able to monitor and assess our suppliers' sustainability performance and associated social, environmental or business ethics risks. To do so most effectively, our 89 program ambassadors—the RESPECT Champions, located all over the world—are continuously driving the culture and training buyers to ensure this topic is embedded as one of the fundamentals of business. Year on year, we are improving the RESPECT Program by adapting its scope as well as reviewing our criteria to provide the most accurate picture of our supply chain sustainability risks and performance.

Overall compliance has been improving at company level, with more suppliers now registered on the Sedex platform, assessed and audited, while taking into account consolidation of suppliers through our new global sourcing structure: the Strategic Resource Cycles (SRC).

SRC is a new cross-division organization which consists of the sourcing capabilities and dedicated transversal teams that will deliver our ambitions to protect and optimize our strategic resources (water, milk and plastic), to strengthen our competitiveness and secure our license to operate in a cycle-oriented way.



BETTER HEALTH

Strategy and commitments

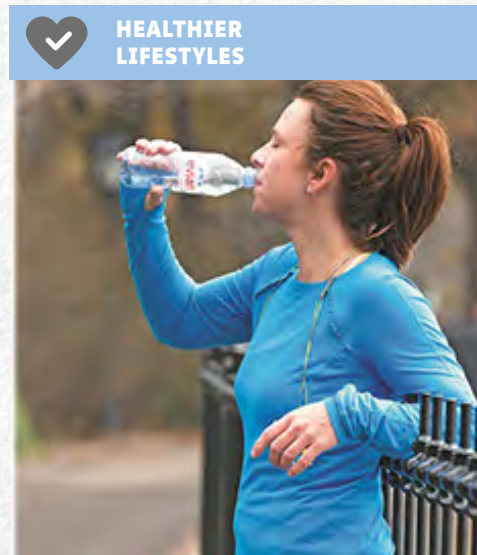
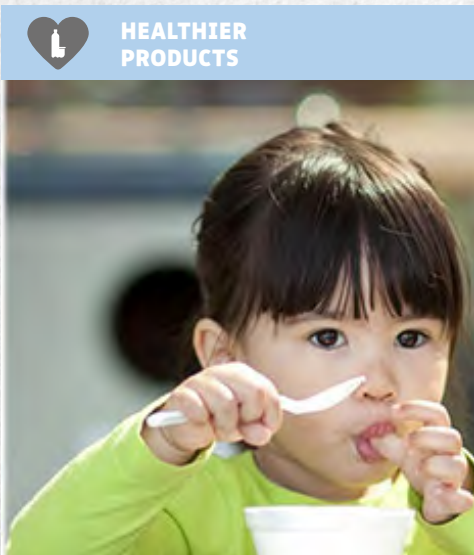
At Danone we believe that providing health through food is not only a necessity but also our responsibility. More sedentary lifestyles and less healthy eating habits mean modern societies face major public health issues. In this context, we aim to

help people adopt eating and drinking habits that are both healthy and relevant for them, whatever their age, culture or personal preferences.

ALIMENTATION

Alimentation goes beyond nutrition, and takes into consideration taste, social and cultural dimensions that are relevant to healthier dietary habits.

Through alimentation, we can play an important role: we encourage the adoption of dietary habits that help preserving health. But Danone has decided to take its nutritional charter one step further and implement [Nutrition Commitments](#) containing stronger, more measurable and time-bound commitments to evaluate its performance.



Strategy and commitments



HEALTHIER PRODUCTS

WHY IT MATTERS

At Danone, we've made a strategic decision to build our product portfolio on health. We focus primarily on products that are recommended as part of a balanced diet or are specifically designed to meet the nutritional needs of sensitive groups.

We aim to continuously improve the nutritional quality of our products particularly with our new targets and the objective to meet them by 2020 for all product categories.

Finally, we plan to design products which offer healthier choices by combining two criteria: superior product experience and superior nutritional quality.

HOW IT WORKS

We've established our own nutrition standards and commitments for our Fresh Dairy Products, our Early Life Nutrition products and our Aquadrinks*, and we apply them to all innovations, all new products, and reformulations of existing products. Our approach aims to enhance the nutritional quality of our products and categories, by monitoring and improving the nutritional profile of our products vs. other available choices and analyzing substitution.

* Danone nutritional standards do not apply to Danone Waters or Advanced Medical Nutrition products. The composition of our waters cannot be modified and our Medical Nutrition products comply with strict regulations, requirements, and scientific recommendations.



HEALTHIER LIFESTYLES

WHY IT MATTERS

Nutrition can only make a real difference when it is part of a healthy overall lifestyle—which is why we devote significant resources to education programs and events that promote healthy diets, healthy hydration and exercise. The challenge ahead is to measure their impact on communities in terms of greater awareness, changing consumption habits, better diet, and healthier food and beverage choices.

HOW IT WORKS

At Danone, we encourage healthier diets and lifestyles by working with local stakeholders to create education programs for consumers—both children and adults—as well as parents, patients and caregivers. In addition, we create targeted programs for our employees and for healthcare professionals.

We're also working to understand the diet-health connection through our Nutriimpact research program, which studies the impact of alimentation on health. Danone researchers begin by studying the impact of food choices and lifestyle on diet and nutritional status, and then assess the role of diet and its contribution to overall health.



COMMUNITY RELEVANT

WHY IT MATTERS

Because eating habits are rooted in cultural, social beliefs and behaviors, our nutrition model takes into consideration local eating and drinking patterns and relies also on the understanding of local health and nutrition challenges. This is the reason why we have a country- and community-based approach. Thanks to this approach, we can offer healthier options that are relevant to the local diets and preferences and better impact eating and drinking practices.

HOW IT WORKS

For Danone, to have a good understanding of the local nutritional context, public health concerns and eating practices from a socio-cultural perspective is key to defining appropriate strategies that promote healthier diets.

Danone's comprehensive Nutriplanet program provides scientific facts on nutritional deficiencies and local public health challenges, as well as useful insights into local traditions, preferences, values and beliefs relative to food and beverages.



RESPONSIBLE COMPANY PRACTICES

WHY IT MATTERS

Our mission to bring health through food to as many people as possible calls on us to adopt responsible business practices. Safe products and responsible advertising are essential in creating and strengthening trust-based relationships with our consumers and stakeholders. The adoption of even more responsible marketing practices is key for encouraging healthier behaviors.

At Danone, food safety is paramount—no compromises. We are committed to developing, making and delivering products that adhere strictly to the demanding standards set by our Food Safety policy.

HOW IT WORKS

We promote better health for everyone through:

- Food safety: We proudly stand by all of our products and services,
- Product nutrition labelling: to guide healthier dietary choices and habits,
- Even more responsible marketing practices, especially to children,
- Responsible marketing of breast milk substitutes,
- Change of business practices through cross-sector voluntary commitments.

BETTER HEALTH

Key performance indicators 2016



HEALTHIER PRODUCT

HEALTHY PRODUCTS

- **88%** of volume of “healthy products” * (same as in 2015).

NUTRITIONAL QUALITY

- **67%** of volume of products compliant with Danone’s 2020 nutritional targets.
- **26%** of volume of 2016 products have been nutritionally improved over the past three years (vs 29% in 2015).

NUTRITIONAL INFORMATION

- **99%** of volume of products with on-pack nutritional information (same as in 2015).
- **99%** of volume of products with off-pack nutritional information (available online or via the call center, for example) (same as in 2015).
- **74%** of volume of products indicate the portion size (products packaged in individual portions and/or with a clear indication of portion size on the packaging) (vs 69% in 2015).

* “In operational terms “Healthy product categories” for Danone include: Dairy with more than 50% milk (Codex definition of dairy), Waters and calorie-free beverages, Early Life Nutrition (except teas, juices, biscuits, rusks), and all Medical Nutrition.



HEALTHIER LIFESTYLES

“HEALTH @ WORK”

- **51,349** (vs 50,412 in 2015) employees have access to the “Health @ Work” Program, it represents 69% of the employees covered by the scope of the Health & Nutrition Scorecard (vs 73% in 2015).

MATERNITY LEAVE

- **100%** of the Health & Nutrition Scorecard subsidiaries have a maternity policy that allows employees to take paid maternity leave.

SUPPORT FOR NURSING MOTHERS

- **85%** of Health & Nutrition Scorecard subsidiaries have made arrangements to help employees continue to breast-feed after going back to work (vs 70% in 2015).



COMMUNITY RELEVANT

NUTRIPLANET

- **54** countries are covered by Nutriplanet studies (the Nutriplanet Program was designed to provide in-depth knowledge of every food-related aspect of our local contexts) (vs 53 in 2015).

FLUID INTAKE

- **15** countries are covered by specific fluid intake studies (with data on 16,300 adults and 12,000 kids and teens) (same as in 2015).



RESPONSIBLE COMPANY PRACTICES

CLAIMS AND ADVERTISING

- **61%** of volume of product have nutritional claims (vs 59% in 2015).
- **97%** Compliance with the International Chamber of Commerce Framework for Responsible Food and Beverage Marketing Communications (vs 100% in 2015).
- **118** Education, information programs and activities were active this year (vs 148 in 2015). It potentially affected more than **481** million people (vs 579 million people in 2015).

SKILLS, RESPONSIBILITY AND OUTSIDE OPINIONS

- More than **31,000** employees training on nutrition and/or hydration in the last two years (vs 21 000 in 2015).
- Health & Nutrition Scorecard subsidiaries have created **138** expert committees (vs 165 in 2015).
- Health & Nutrition Scorecard subsidiaries are in regular contact with **2,115** experts around the world (vs 1,743 in 2015).

BETTER HEALTH Project



GRAMEEN DANONE FIGHTS POVERTY AND MALNUTRITION IN BANGLADESH

In October 2005, Danone Chairman and CEO Franck Riboud met Muhammad Yunus, who had founded Grameen microcredit bank and would soon win the 2006 Nobel Peace Prize.

Together, the two men decided to explore the possibility of a Danone-Grameen partnership in Bangladesh, and in March 2006 announced the creation of Grameen Danone Foods, Ltd (GDFL) in Dhaka.

GDFL aims to fight poverty and malnutrition in Bangladesh and to create positive social impact throughout its value cycle.

WHY IT MATTERS

In Bangladesh, over 54% of preschool-age children—some 9.5 million youngsters—are malnourished, and 56% of these are underweight.

Bangladeshi children also suffer from high rates of micronutrient deficiencies, particularly vitamin A, iron, iodine and zinc. And all of these deficiencies have an immediate impact on physical and cognitive development.

Malnutrition is nearly as prevalent in towns and cities as in rural areas, affecting 38% of children, while stunting affects 42% of urban youngsters.

HOW IT WORKS

“We need a new type of business that pursues goals other than making personal profit—a business that is totally dedicated to solving social and environmental problems,” wrote Muhammad Yunus.

GDFL aims to overcome poverty in Bangladesh while being financially and economically sustainable and as community-relevant as possible. The company sells Shokti+ yogurt—designed to deliver 30% of the daily requirement for iron, zinc, vitamin A and iodine—at an affordable price through a dense distribution system serving both urban and rural populations.

HOW DOES THIS PROJECT CREATE VALUE?

GDFL produces Shokti +, but the company generates broader social benefits as well. On the supply side, it supports small local farmers by buying their milk, and on the distribution side it provides work and empowerment for the “Grameen Ladies” who sell GDFL products in rural areas.

300,000 CHILDREN IMPACTED

400 FARMERS INVOLVED

260 GRAMEEN LADIES

300 DIRECT JOBS CREATED

BETTER LIVES

Strategy and commitments

As part of our dual commitment to business success and social progress, we create social value by promoting constructive dialogue to ensure the health and safety of our employees—over 100,000 talented Danoners around the globe—our partners and all of our stakeholders.

PEOPLE & ORGANIZATION

To achieve this goal and prosper in a more volatile and complex world, we need to strengthen our organization. And we're doing just that: today Danone is transforming its structures through programs like One Danone—a shared service organization that focuses on sharpening our expertise, strengthening compliance and developing synergies between our different divisions.

SOCIAL DIALOGUE



HEALTH AND SAFETY



TALENT



SOCIAL INCLUSIVENESS



BETTER LIVES

Strategy and commitments



SOCIAL DIALOGUE

WHY IT MATTERS

Caring for our employees and working towards optimum growth in a fast-changing economy are at the heart of our culture and our dual commitment to business success and social progress. In this, dialogue with our employees is essential—a key driver for economic and social growth, the foundation for sweeping transformation and an essential part of sustainable performance for Danone as a whole.

HOW IT WORKS

Dialogue with our employees has been deeply rooted in Danone's dual commitment since 1972, when then-Chairman Antoine Riboud made his historic speech to the French employers' association in Marseille. Over 45 years later, dialogue is still a fundamental part of Danone—but now we practice it on a global scale. One important example is our worldwide dialogue with the International Union of Food Workers (IUF) through its Committee for Information & Consultation (CIC).



HEALTH AND SAFETY

WHY IT MATTERS

Keeping our employees safe and healthy is one of the pillars of our dual commitment. It's also in line with our mission to bring health through food to as many people as possible. And workplace health and safety play an increasingly powerful role in sustaining employee engagement in today's world—a volatile economic, political and social environment that is in constant flux. An environment of aging populations and young people with changing career aspirations. An environment where the boundary between health and safety is increasingly blurred, as exemplified by musculoskeletal disorders, stress-related absenteeism and more.

HOW IT WORKS

In 2014, we made health and well-being an integral part of Danone's successful WISE safety program. WISE takes a comprehensive approach to all types of risk, focusing on day-to-day operations, to promote the physical, mental and social well-being of Danoners all around the world, and to get all of our employees involved, regardless of their specific job.



TALENT

WHY IT MATTERS

At Danone, we fuel growth by attracting outside talent—and with it, new passion, leadership and related skills. We also want to nurture the unique, exceptional potential of our 100,000 Danoners, inspiring the engagement they need to serve our clients and our communities. We believe that a truly inclusive culture makes us more innovative and versatile.

HOW IT WORKS

Our Talents 2020 program is built on five pillars:

- 1 talent relationships,
- 2 a diverse, inclusive culture that allows everyone to express their uniqueness,
- 3 a long-term focus on building the capabilities we need to answer our Manifesto's call for community engagement and other aims,
- 4 a new talent model that redefines our methods of assessing performance and potential,
- 5 the shared conviction that “We all have talents and we all are talents.” We plan to identify and harness all skills, by conducting talent reviews and offering training for everyone.



SOCIAL INCLUSIVENESS

WHY IT MATTERS

As a global food company, Danone is committed to fighting malnutrition, guaranteeing access to water for all, and supporting local economies and supply sources while respecting and promoting human rights. And we firmly believe that we will address these fundamental issues more effectively with friends and partners than on our own.

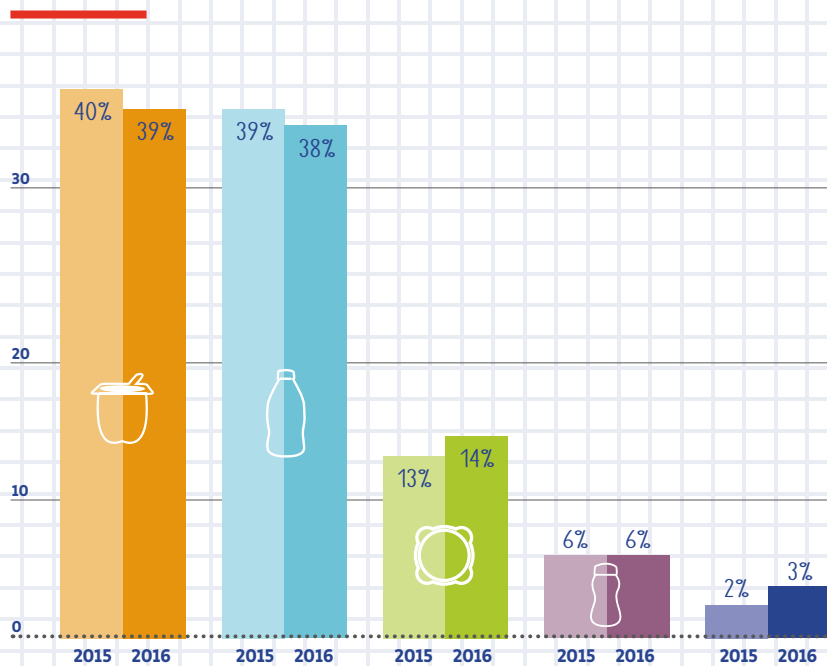
HOW IT WORKS

We're committed to creating better lives for everyone who is involved in any way in our business. Which means we develop meaningful brands that connect with our consumers, and take an inclusive approach to small or vulnerable stakeholders in our value cycle.

BETTER LIVES

Key performance indicators 2016

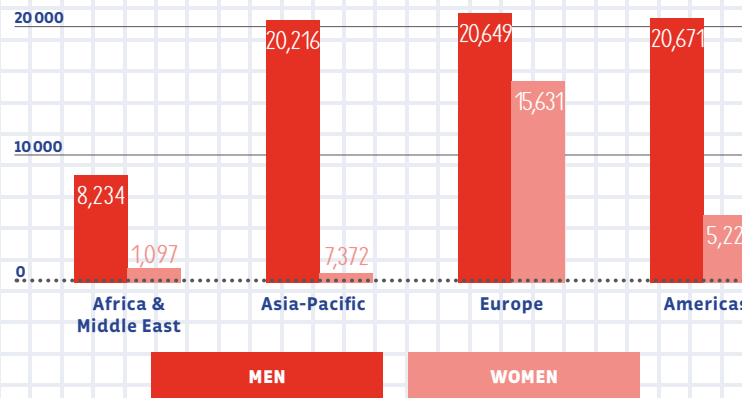
BREAKDOWN OF HEADCOUNT



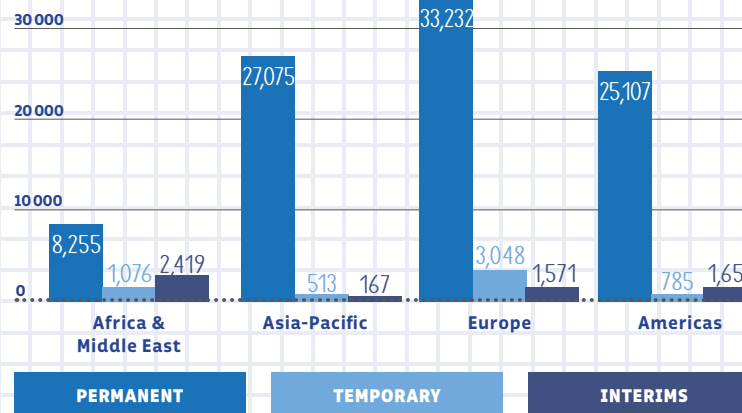
By division



By Geographic area & gender



By Geographic area & employment type



HIRES & DISMISSALS

There were 13,016 new hires in 2016.

There were 6,203 dismissals in 2016. Alternative solutions to layoffs are routinely sought, such as changing the organizations and related activities, discontinuing the use of temporary workers, re-insourcing activities and providing training or leave periods. When layoffs become inevitable, a significant employee support system is set up to minimize the consequences for individuals. The continued employment of workers following the sale of several sites has therefore been made possible by the guarantees implemented.

BETTER LIVES

Key performance indicators 2016



SOCIAL DIALOGUE

- **10** Worldwide agreements have been signed between Danone and the IUF and joined visits are organized to monitor their implementation in more than 55 entities between **2009** and **2016**:
- **1985** Start of the relationship with IUF.
- **1988 Convention #1** on the common vision between Danone & the IUF.
- **1989 Convention #2** on economic and social data in Danone companies. **Convention #3** for the promotion of gender equality in the workplace.
- **1993 Convention #4** on skills training.
- **1994 Convention #5** on trade union rights.
- **1997 Convention #6** in the event of changes in business activities affecting employment or working conditions.
- **2005 Convention #7** on the setting up of social indicators at group level.
- **2007 Convention #8** on diversity.
- **2011 Convention #9** on health, safety, working conditions and stress.
- **2016 Convention #10** on sustainable employment and access to rights.



HEALTH AND SAFETY

SAFETY

- Danone's 2016 frequency rate for workplace accidents with medical absence (FR1) was **2.0** for the Safety Scope (same as in 2015). At constant scope, the FR1 rate was **1.8**, which represents a decrease of -10% compared to 2015.
- Danone's 2016 frequency rate for workplace accidents without medical absence (FR2) was **3.0** for the Safety Scope (vs 3.5 in 2015).
- Danone's 2016 severity rate (SR) for workplace accidents with medical absence was **0.1** for the Safety Scope (same as in 2015).

ABSENTEEISM

- The absenteeism rate was estimated at **2.4%** in 2016. In 2015, it was estimated at **2.3%**.

HEALTH

- **70,000** employees in **25** countries had healthcare coverage in line with the standards defined by Dan'Cares.



TALENT

TRAINING

- Training was provided to **91%** of employees in 2016 (86% in 2015, Social Indicators Scope).
- **25** training hours per person trained in 2016 (25 hours in 2015, Social Indicators Scope).

GENDER EQUALITY

- The proportion of Danone female managers, directors and executives continued to grow in 2016. It went from **48%** in 2015 to **49%** in 2016.

DISABILITIES

- In France, the percentage of persons with disabilities employed by Danone was **3.8%** in 2016 (same as in 2015).



SOCIAL INCLUSIVENESS

Key Performance Indicators related to the thematic "Social Inclusiveness" concern Danone 4 funds and are detailed on the following page "Social Innovations".

BETTER LIVES Project



EYES WIDE OPEN

The “Eyes Wide Open” project has set up a micro-distribution network for bottled water in the Mexico City subway. The aim is to promote social inclusion for Mexico’s visually impaired and improve their working conditions by giving them the opportunity to become vendors. Bonafont co-created the project in partnership with Ojos Que Sienten A.C., an NGO that specializes in training and empowering the blind, with backing from the Danone Ecosystem Fund.

244 VISUALLY IMPAIRED INDIVIDUALS HAVE STABILIZED OR EVEN INCREASED THEIR INCOME

120 PEOPLE HAVE ACCESS TO MEDICAL CARE UNDER THE PROJECT

853 INDIRECT BENEFICIARIES

WHY IT MATTERS

In Mexico, 1.5 million blind or visually impaired people are the main breadwinners for their families, working a variety of jobs and earning less than 70 Mexican pesos (USD 4.50) a day. Around 300 are members of a Mexican non-profit association called ASOCIVE.

Meanwhile, Bonafont Mexico—aware that five million people use the Mexico City subway every day—was looking for new distribution channels for its water products.

HOW IT WORKS

Inside the Mexico City metro, Bonafont Mexico has opened a new sales channel that promotes inclusive business to Mexican citizens and companies through a sales team made up of visually impaired ASOCIVE members. The project offers entrepreneurial training to give members personal and career help and to keep them motivated. From a business perspective, this sales vector is both profitable and sustainable.

HOW DOES THIS PROJECT CREATE VALUE?

Since 2013, Bonafont has worked with over 200 visually impaired people to build a new micro-distribution channel for bottled water in the subway. Participants can boost their income by up to 28% while selling a profitable, healthy product, and they have access to training and better tools—pallets, security vests and more. Eyes Wide Open has also built a training center that provides medical assistance.

BETTER WORLD

Strategy and commitments

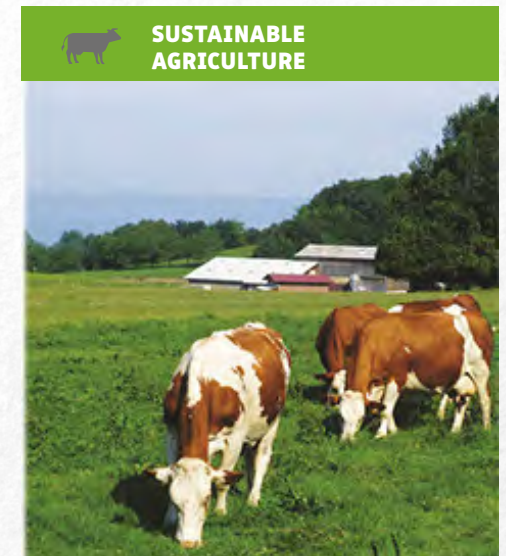
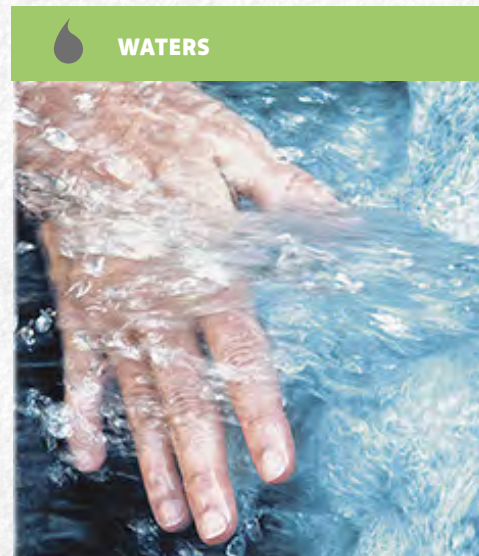
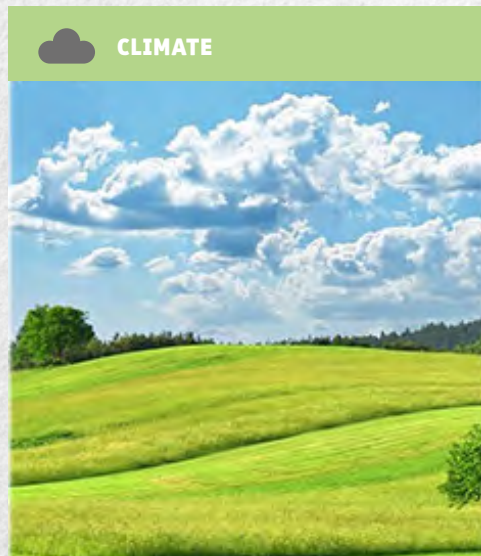
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At Danone, we believe that healthy food starts with a healthy planet. The initial raw materials used in our ingredients are rain, soil and sunlight—natural resources that combine to grow the food, feed the cows and provide the water we need to make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

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

PROTECTING OUR STRATEGIC RESOURCE CYCLES

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



Strategy and commitments

.....



CLIMATE

WHY IT MATTERS

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

HOW IT WORKS

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



WATERS

WHY IT MATTERS

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

HOW IT WORKS

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

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



PACKAGING

WHY IT MATTERS

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

HOW IT WORKS

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



SUSTAINABLE AGRICULTURE

WHY IT MATTERS

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

HOW IT WORKS

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

BETTER WORLD

Nature dashboard



2016 PERFORMANCE

TARGETS

WE WILL FIGHT CLIMATE CHANGE BY REDUCING OUR FOOTPRINT AND HELPING NATURE SEQUESTER MORE CARBON

Reduction in CO₂ footprint
Intensity (g CO₂ equivalent/Kg product)

50,1% Intensity reduction **Danone Direct Responsibility (DDR) scope** vs 2007
5,6% Intensity reduction **Danone Full scope** VS 2015

50% intensity reduction **DDR** 2007-2020
50% intensity reduction **Full scope** 2015-2030
Zero Net Carbon by 2050

Reduce energy consumption of factories
Intensity (kWh/T product) Baseline 2000

51% energy reduction

60% energy reduction by 2020

Use climate-friendly refrigerants in our new cooling installation within our operations
Number of new coolers & fridges compliant

75% compliant in point of sales fridges & coolers
(100% Compliance in point of sales for regions where it is legally allowed and available)

100% compliant in all new installations within our operations (plants, warehouses, sales points etc.) by 2025 and immediately in regions where it is legally allowed and available

Eliminate deforestation from our supply chain
Relevant standards specific to each commodity

Paper & Board Policy: **86%** compliance
(97% compliance in top risky countries)
Palm oil policy: **100%** RSPO fully segregated
Soy policy: **joined RTRS** (RoundTable on Responsible Soy)
Sugar and timber: **In progress**

Eliminate deforestation by 2020 for commodities at risk: Paper & Board; Palm oil; Soy for animal feed; Sugar; Timber

Evian zero net carbon

Reduction and offset trajectories in line with target

Zero net carbon by 2020

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

Protect natural mineral water resources in our watersheds

87% of sites have run SPRING audits* in Waters Division

100% of sites have run SPRING audits in all Waters division sites (including new ones) by 2020

Return clean water to nature compliant with Danone "Clean Water Standards" for waste water

63% of sites compliant with CWS discharging **56%** of **clean water** to nature

100% of sites compliant with the standards discharging **100%** clean water to nature by 2020

Reduce water consumption in factories
Process water intensity (m³/T product) Baseline 2000

47% water reduction

60% water reduction by 2020

* These audits define management standards for each source of spring water bottled by the Company.

BETTER WORLD

Nature dashboard



2016 PERFORMANCE

TARGETS

WE WILL CO-BUILD THE CIRCULAR ECONOMY OF PACKAGING BY SOURCING SUSTAINABLE MATERIALS AND CREATING A SECOND LIFE FOR ALL PLASTICS



Develop the use of sustainable resources

11% rPET in Waters division excluding Turkey & China

25% rPET in Waters division where it is allowed by 2020 and 33% by 2025

Zero plastic landfill for post-industrial packaging waste

90% of post-industrial packaging waste are diverted from landfill

Zero plastics landfill by 2020 in countries with developed collection systems and by 2025 in all our factories

Co-create a second life for all plastics

2nd life roadmap under development

2nd life roadmap for 10 priority countries by end 2017

WE SUPPORT AGRICULTURE THAT IS COMPETITIVE, RESPECTS NATURAL ECOSYSTEMS AND GENERATES BOTH ECONOMIC AND SOCIAL VALUE



Promote sustainable agriculture

ELN animal welfare program: 100% lamb; Beef have access to pasture and 100% of eggs are free-cage.
Dannon US Pledge:
90% direct Milk sourcing is animal welfare compliant (Validus certified)

100% animal welfare compliance for meat; egg and fish by 2020.

Dannon US Pledge:

100% animal welfare compliance US direct milk sourcing by 2017 (Validus certified)

50% Oikos, Dannon, Danimals; non GMO Project Certified by 2018.

Source raw materials sustainably

Palm oil policy: **100%** RSPO fully segregated
Soy policy: **joined RTRS**
Sugar: **In progress**

WE WILL PREVENT FOOD-WASTE AND MAXIMIZE ITS RECOVERY WITHIN OUR OWN OPERATIONS

Reduce by 50% non-recovered food waste

Food waste baseline defined according to Food Loss & Waste Protocol

2016 Baseline: **12 kg / tons product sold**

50% reduction by 2025

Key performance indicators 2016



CLIMATE

REDUCE GREENHOUSE GAS EMISSIONS

- Danone's total emissions in 2016 (including upstream agriculture) are estimated at approximately **23 million** tons of CO₂ eq.
- It corresponds to **655.8 grams** of CO₂ equivalent per kilogram of product (Greenhouse Gas Emissions Scope, see Methodology Note).
- The ratio of total emissions in kg of CO₂ equivalent per ton of production (market based ratio) fell by **9%** between 2015 and 2016. On a like for like basis, this ratio fell by **4.8%** which is mainly due to the impact of purchasing renewable sources with guarantee of origin certificates.

REDUCE ENERGY CONSUMPTION OF FACTORIES

- Danone's energy consumption intensity fell by **4.9%** in 2016 related to 2015. On a like for like basis, Danone's energy consumption intensity increased slightly by **0.5%** between 2015 and 2016.

USE ONLY NATURAL REFRIGERANTS

- The quantities of HCFC leakage decreased by **23%** between 2015 and 2016.



WATERS

TOTAL WATER DISCHARGE BY QUALITY AND DESTINATION

- Danone's net Chemical Oxygen Demand (COD) (i.e after treatment) per ton of product increased by **18.3%** from 2015 to 2016. This increase was mainly linked to two industrial sites in Africa region which had exceptional operational problems in 2016.

REDUCE WATER CONSUMPTION IN FACTORIES

- Water used in the production process decreased by **5.0 %** in 2016 related to 2015.
- On a like-for-like basis and using the same method, the water consumption intensity ratio changed from **1.21** to **1.20**, between 2015 and 2016, for a **1.3%** improvement mainly due to productivity efforts by the Waters Division.



PACKAGING

CO-CREATE A SECOND LIFE FOR ALL PLASTICS

- Percentage of packaging coming from recycled materials went from **27%** in 2015 to **30%** in 2016.
- Percentage of recycled paper-based was **77%** in 2015 and **67%** in 2016. In 2016 we included for the first time all tertiary packaging to assess the total packaging in our products and not only what is visible by consumers. These added volumes are mainly paper-based which explains the slight decrease in recycled content.

ACHIEVE ZERO LANDFILL FOR PLASTIC INDUSTRIAL WASTE

- In 2016, **90%** of total packaging waste is recycled or incinerated with energy recovery.

REDUCE TOTAL WEIGHT OF WASTE BY TYPE & DISPOSAL METHOD

- Based on the same methodology, the ratio of waste generated per ton of product was down by **2.3%** between 2015 and 2016.
- The recovery rate rose from **82.1%** to **86.7%**, between 2015 and 2016, due mainly to recovery efforts at all Centrale Danone plants (Fresh Dairy Products, Morocco).

PREVENT FOOD WASTE

- Ratio of total quantity of food waste generated per metric ton of sales: **51.8 kg** of waste per ton of products sold.
- Ratio of non recovered food waste per metric ton of sales: **11.8 kg** of waste per ton of products sold.



SUSTAINABLE AGRICULTURE

PROMOTE SUSTAINABLE AGRICULTURE

- ELN animal welfare program: **100%** lamb; beef have access to pasture and **100%** of eggs are cage-free.
- **90%** of Dannon US direct milk sourcing is validus certified

SOURCE RAW MATERIALS SUSTAINABLY

- Palm oil policy: **100%** RSPO fully segregated
- Soy policy: joined RTRS

BETTER WORLD Project



ORISA ORGANIC RICE HELPS PROTECT WATER QUALITY

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

WHY IT MATTERS

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

HOW IT WORKS

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

HOW DOES THIS PROJECT CREATE VALUE?

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

700 FARMERS **89** HECTARES OF RICE PADDIES **1100** OUTLETS **55,000 KG** OF ORGANIC RICE

INCREASE OF INCOME FOR FARMERS BY **20%** IN COMPARISON WITH PRODUCING NORMAL RICE SELLING ORISA WILL MAKE AQUALADIES' INCOMES INCREASE BY **30%** COMPARED TO SELLING NORMAL RICE

THE DANONE WAY PROGRAM



DANONE WAY IS AN INITIATIVE THAT PROMOTES DEPLOYMENT OF BEST PRACTICES IN SUSTAINABLE DEVELOPMENT

Through the Danone Way Guidelines, central teams implement sustainable development recommendations at Danone subsidiaries. These cover 258 practices organized into four main groups based on level of maturity (fundamentals, progression, maturity, and exemplarity) and 20 themes, also divided into four categories: “Unique Business Approach”,

“Better Health”, “Better Lives” and “Better World”. Danone Way includes a host of spin-offs and webinars that enable subsidiaries to take the program fully on board and make it their own.

The vast majority of subsidiaries conduct an annual self-assessment based on the program’s core concepts. This in turn is a rich source of data

for central teams, letting them monitor the level of best practices achieved by subsidiary, by geographical region and by division, and provide support as needed.

DANONE WAY OFFERS SUBSIDIARIES A PROCESS BUILT ON CONTINUOUS PROGRESS

Each year, subsidiaries receive an updated program guide to the key practices that will help them achieve Danone’s sustainable development targets for each strategic theme.

A coordinator brings together experts from each theme to conduct the subsidiary’s global self-assessment. This lets subsidiaries review how their practices fit into the maturity and performance grid.

After a review by the central teams, subsidiaries receive a scorecard setting out their results—global maturity (rated by number of stars), detailed performance by theme, and key practices needed to move ahead.

DANONE WAY RESULTS IMPROVE STEADILY, YEAR BY YEAR

Over the past decade, the program’s coverage has expanded regularly, and by 2016 stood at 94.1% of sales (vs 95% in 2015).

Subsidiaries have continued to progress, applying more and more of the best practices proposed—even as the bar has been raised from one year to the next.

Since 2002, the Danone Way guide and participants’ results have been subject to regular audits carried out by an independent third party. Between October and December 2016, a sample of subsidiaries representing 21.4% of the consolidated sales of Danone Way participants was audited.

After having reviewed the audits’ results and the consolidation methodology, the independent third party certified Danone Way results “with a moderate level of assurance”.

The assurance report is available online. (web-link above)

THE DANONE WAY PROGRAM



Key performance indicators 2016

.....

UNIQUE BUSINESS APPROACH

95%

of subsidiaries have communicated to all required employees the latest version of the **Compliance Policies and Code of Business Conduct** (vs 94% in 2015).

71%

of subsidiaries have set up a **cross-functional working group or committee on sustainability, including a Danone Way coordinator and the head of Public Affairs** (vs 65% in 2015).

60%

of subsidiaries have consulted a **selection of stakeholders (internal and external) to prioritize sustainable development issues at local level** (same as in 2015).

84%

of subsidiaries have trained all of their buyers to **RESPECT, Danone's responsible procurement program, using the internal training documentation** (vs 83% in 2015).

BETTER HEALTH

73%

of subsidiaries systematically consider **three points in recommendations for new product launches: appropriate nutritional composition vs needs of target consumers; comparison of nutritional composition to alternatives available on the market; consistency of advertising/communications and nutritional quality** (no possible comparison as it is a new practice).

65%

of subsidiaries have teamed up with **local stakeholders to address a relevant public health issue** (no possible comparison as it is a new practice).

THE DANONE WAY PROGRAM



Key performance indicators 2016

BETTER LIVES

80%

of subsidiaries formalized in minutes the information/discussion meetings between management and employee representatives bodies. (vs 86% in 2015)

98%

of subsidiaries have done a survey analysis for all Danoners in the last two years to identify working organization challenges. (vs 99% in 2015)
For example, Danone People Survey, Great Place to Work survey or any other study based on employees feedback concerning working time, working organization, work-life balance, workload and stress.

98%

of subsidiaries have set up a "learning plan" and budget allocation target for collective & individual needs for all populations (workers, staff and supervisors, managers, sales representatives if applicable). (vs 95% in 2015)

99%

of subsidiaries prepare a Talent Review of managers' skills (promoting their development), and include this in HR management tools to allow regional consolidation. (no possible comparison as the practice was reformulated)

97%

of subsidiaries allow each Danoner to have access to the vacant positions by Human Resources IT tools or any other way (website), with clear information on how to apply. (no possible comparison as the practice was reformulated)

BETTER WORLD

67%

of subsidiaries have adopted a one or two year roadmap to reduce their carbon footprint on their Direct Responsibility Scope (production, packaging, logistics, product end of life, etc.) in keeping with Danone's targets. (vs. 69% in 2015)

38%

of subsidiaries have drawn up a roadmap with their R&D/packaging referent to accelerate the transition from fossil to bio-based feedstocks in keeping with Danone's Packaging Policy. (no possible comparison as it is a new practice).

63%

of subsidiaries have a concrete action plan with local or centralized procurement teams that shows progression to eliminate deforestation from/duo to soy by 2020 in line with Danone's commitments described in the soy Policy. (no possible comparison as results were not published in 2015)

SOCIAL INNOVATIONS

DANONE SUPPORTS FOUR FINANCIAL FUNDS: DANONE COMMUNITIES, THE DANONE ECOSYSTEM FUND, THE LIVELIHOODS CARBON FUND AND THE LIVELIHOODS FUND FOR FAMILY FARMING.

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



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



The aim of the Fund is to generate social and economic value for the small players in the local economy and Danone. The Fund strengthens or sustainably creates employment for small players in the local economy (small producers and farmers, waste pickers, caregivers, etc.), which constitute its ecosystem, by contributing through its projects to the development of skills and autonomy - with a particular focus on women, and contributes to the creation of long-lasting independent economic structures, which ensure sustainable action (institutes, schools, cooperatives).



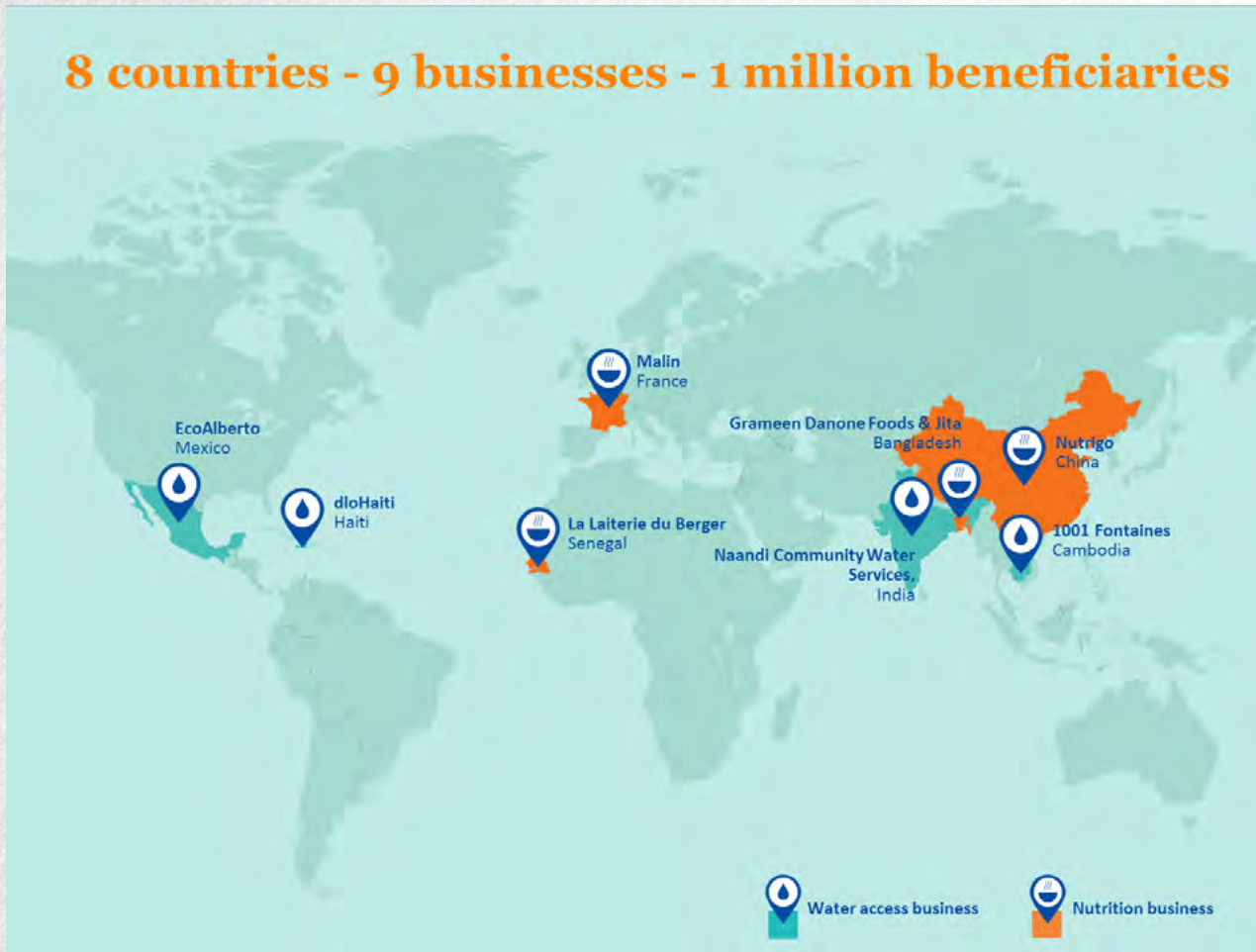
LIVELIHOODS CARBON FUND

Danone has joined forces with nine other large companies in support of the Livelihoods Fund whose mission is to invest in projects with a great environmental and social impact, particularly the restoration of natural ecosystems. These projects contribute to the fight against climate change by capturing large volumes of carbon. The Fund also aims to have a significant impact on local communities (food safety, development of new revenue streams, etc.) and on the environment.

LIVELIHOODS FUND FOR FAMILY FARMING

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

8 countries - 9 businesses - 1 million beneficiaries



DANONE COMMUNITIES' MISSION

To bring funds & expertise to social businesses addressing issues around malnutrition and access to water.

To advocate Social Business, by raising awareness and inspiration.



SOCIAL INNOVATIONS DANONE COMMUNITIES

Key performance indicators

.....



SICAV

10.29%

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

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

SOCIAL

1 MILLION

BENEFICIARIES IN TOTAL.

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

MEASURING THE COMMITMENT OF DANONE'S EMPLOYEES

23%

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

(vs 20% in 2015)

300,000

BENEFICIARIES IN THE FIGHT AGAINST MALNUTRITION AND POVERTY.

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

43%

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

(vs 34% in 2015)

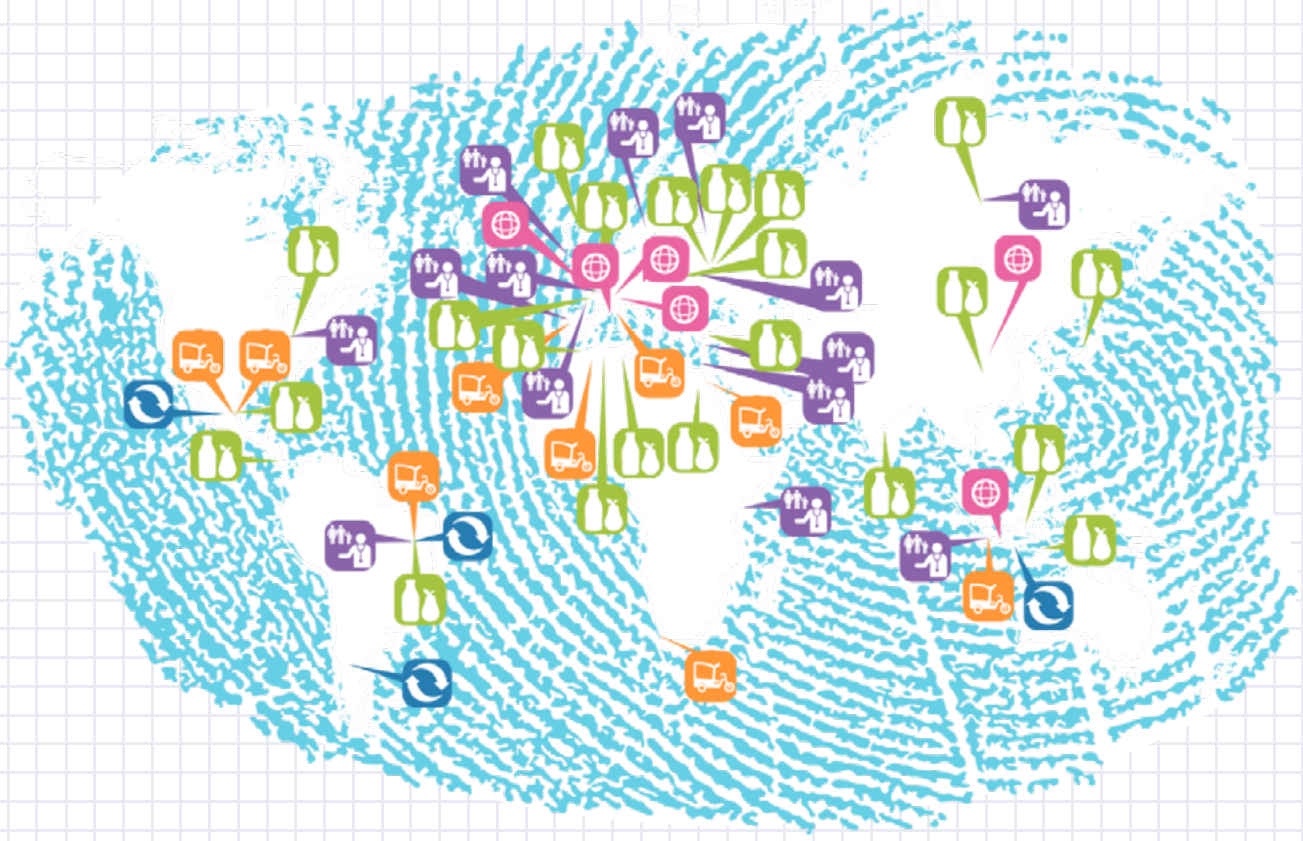
700,000




BENEFICIARIES WITH ACCESS TO DRINKING WATER.

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

SOCIAL INNOVATIONS

DANONE ECOSYSTEM FUND



-  Sourcing
-  Territory
-  Micro distribution
-  Caring services
-  Recycling

Committed within Danone to build a more inclusive society, the Danone Ecosystem Fund aims to develop and strengthen the activity of the partners that make up Danone's ecosystem.

67	PROJECTS	29	COUNTRIES
4,650	JOB CREATED	40,912	PEOPLE PROFESSIONALLY EMPOWERED
2,9M	INDIRECT BENEFICIARIES	22,500	WOMEN PROFESSIONALLY EMPOWERED
139M€	FUNDING OF WHICH:	62M€	FROM DANONE ECOSYSTEM FUND
		77M€	FROM CO-FUNDING
46	DANONE SUBSIDIARIES	56	NON-GOVERNMENTAL ORGANIZATION

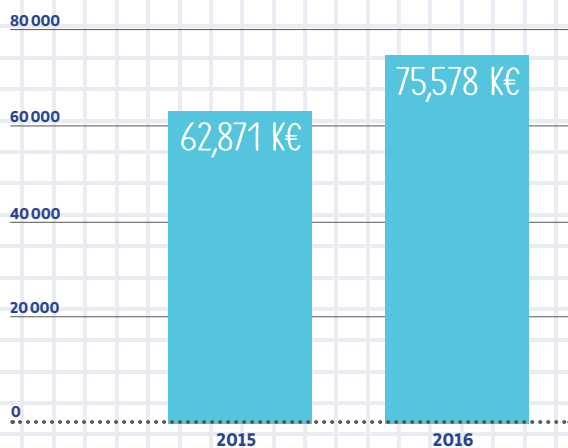
SOCIAL INNOVATIONS

DANONE ECOSYSTEM FUND



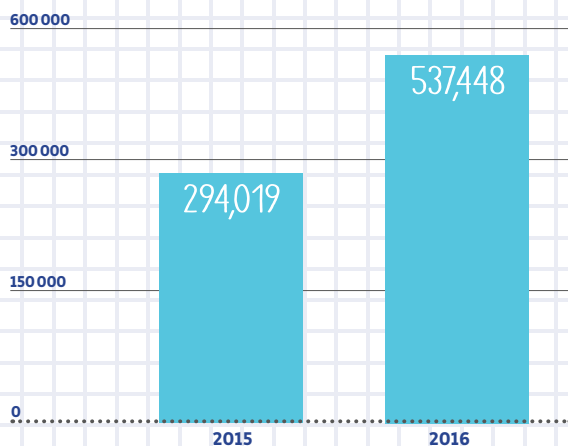
Key performance indicators 2016

ECONOMIC IMPACT



Sales generated by Danone Ecosystem Fund capabilities

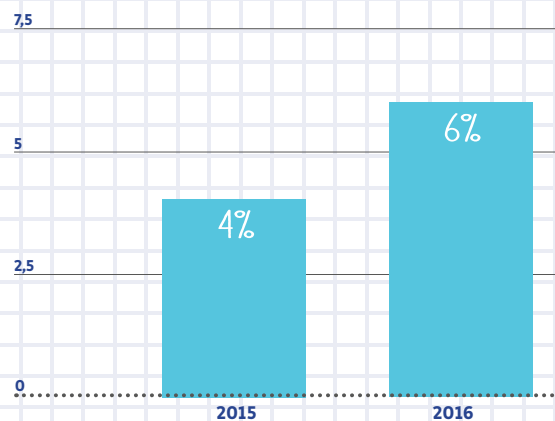
This indicator refers to sales generated by business under all projects (not exclusively Danone).



Number of potential consumers made aware of Danone product categories

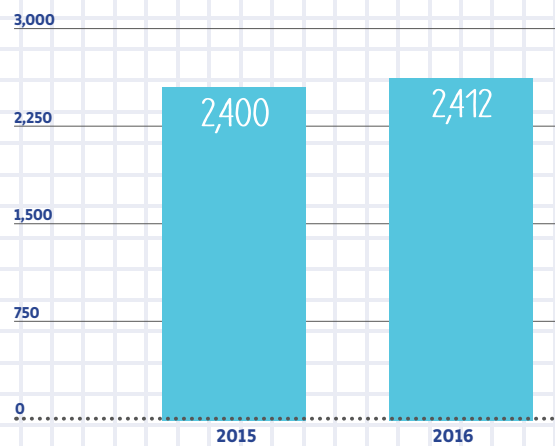
This indicator refers to the number of potential consumers who heard of / or became familiar with Danone product categories (direct beneficiaries of projects and their families).

ENVIRONMENTAL IMPACT



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

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



PET sourced from Danone Ecosystem Fund projects (tons)

This indicator refers to tons of recycled PET from projects supplied to Danone concerned subsidiaries over the period.

SOCIAL INNOVATIONS

LIVELIHOODS CARBON FUND



The Livelihoods Funds support the efforts of disadvantaged rural communities in developing countries to restore their natural ecosystems so as to improve their livelihoods by increasing their food security and their economic revenues.

Livelihoods Carbon Fund is an investment fund created in 2011, which relies on the carbon market to generate maximum social, economic and environmental value for local communities in Africa, Asia, Indonesia & Latin America, while contributing to make businesses more virtuous.

It invests in three types of projects: mangrove restoration, agroforestry and rural energy. Projects are implemented on the field by local NGOs and monitored over 10 to 20 years.

Livelihoods Carbon Fund is financed by 10 companies: Groupe Caisse des Dépôts, Crédit Agricole SA, Danone, Firmenich, Hermès, Groupe La Poste, Michelin, Schneider Electric, SAP and Voyageurs du Monde.

SOCIAL IMPACT

OBJECTIVES

1.2 million of people positively impacted.

120,000 households equipped with efficient cookstoves.

In addition to mitigating deforestation, efficient cookstoves have direct impacts on women's lives: less exposure to toxic smoke and burn and less time needed for wood collecting and cooking.

ACHIEVEMENTS SINCE 2011

107,000 households equipped with efficient cookstoves in 2016 (vs 56,000 in 2015).

1,068,000 people positively impacted in 2016 (vs 614,000 in 2015).

ENVIRONMENTAL IMPACT

OBJECTIVES

130 million trees planted.

10 million tons of Carbon emissions avoided over 20 years (trees sequester CO₂, thus helping mitigate climate change).

47,000 hectares restored.

ACHIEVEMENTS SINCE 2011

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

700,000 tons of carbon emissions avoided since 2014 (vs 440,000 in 2015).

Agroforestry, for example, regenerates lands by improving soil fertility—allowing small farmers to produce enough food and cash crops to improve their livelihoods: **33,000** hectares restored in 2016 (vs 24,800 in 2015).

9 ACTIVE PROJECTS:

3 ECOSYSTEM RESTORATION PROJECTS

3 AGROFORESTRY PROJECTS

3 RURAL ENERGY PROJECTS

40M€ TOTAL INVESTMENT VOLUME

SOCIAL INNOVATIONS

LIVELIHOODS FUND FOR FAMILY FARMING



The Livelihoods Fund for Family Farming (L3F) is the second fund created by Livelihoods. Like the Livelihoods Carbon Fund (LCF), it believes that environmental degradation, climate change and rural poverty are interlinked. Its model provides a solution to address all three challenges at once, linking them to sustainable sourcing.

L3F's mission is to offer companies innovative solutions to build a win-win relationship with small producers. L3F projects allow farmers to adopt more efficient and more eco-friendly agricultural practices. Farmers are also more efficiently connected to the value chain of companies, improving the incomes of farmers and their living conditions, while securing the supply of businesses. L3F projects generate direct benefits for water and biodiversity preservation but also for the fight against climate change through the sequestration of carbon in the soil.

L3F is supported by Danone, Mars, Incorporated, Firmenich and Veolia. L3F will invest in key raw materials of its investors: milk, vanilla, water conservation (watersheds), cocoa, etc.

3 projects will be launched in 2017.

OBJECTIVE OF

2 000 000 PEOPLE

OBJECTIVE OF

200 000 FARMS

CONVERTED TO SUSTAINABLE AGRICULTURE

120 M€

TOTAL INVESTMENT VOLUME OBJECTIVE



EXTERNAL EVALUATIONS



On January, 2016, the second edition of the global Access to Nutrition Index (ATNI) was released by the Access to Nutrition Foundation (ATNF). This new edition ranks Danone among the top 3 performing food companies, along with Unilever and Nestlé.



In 2016, Danone was recognized by the DJSI (Dow Jones Sustainability Index), which each year selects the best performing companies based on criteria such as social responsibility, innovation and economic performance, as a benchmark company in the food and beverage sector, particularly in terms of packaging, water-related risk management and health and nutrition.



Danone has been included in the ESI Excellence Europe, ESI Excellence Global, NYSE Euronext Vigeo Europe 120, NYSE Euronext Vigeo Eurozone 120, NYSE Euronext Vigeo France 20 and NYSE Euronext Vigeo World 120 indices. With a CSR (Corporate Social Responsibility) score of 65/100, Danone is considered as an “advanced performer” and remains the leader in the food and beverage sector in terms of environmental performance (Vigeo’s Global Food Universe).



Score B for palm oil and B- for soy and paper paste

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



Danone has been reconfirmed as a constituent of the Ethibel Sustainability Index (ESI) Excellence Europe and the Ethibel Sustainability Index (ESI) Excellence Global since March 2017.



In 2015, Danone received a B rating for environmental performance and a transparency score of 98 from the Carbon Disclosure Project.



Danone has participated in the CDP Water Disclosure since it was created in 2010. This program seeks to gather critical data from the world’s largest companies on water shortages and related issues. This global database facilitates access to vital information on the sustainable use of water. In 2016, Danone improved its score from B to A-entering Leadership level.

EXTERNAL EVALUATIONS



FTSE4Good

In June 2016, Danone entered the FTSE4Good Index, a global responsible investment index designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. FTSE4Good Index is based upon independently reviewed standards of environmental commitments, social practices and governance. Danone's entrance shows the recognition of the company's focus on doing business in a sustainable way. This means delivering economic, social and environmental value to all the communities with whom it operates around the world.



2017 Constituent
MSCI Global
Sustainability Indexes

In 2016, Danone was rated AAA by the MSCI ESG Research according to its outstanding performance on Environmental, Social and Governance (ESG) issues.

The MSCI ESG Research is designed to identify sustainability's stakes to be integrated into investment decision-making.

Danone has been upgraded from AA in 2015 to AAA in 2016, owing to very good scores in the following areas: toxic emissions & waste, carbon emissions, raw materials sourcing, health & safety, nutrition & health and corporate governance.



In March 2017, Danone was awarded "Prime" status by the OEKOM Corporate Rating, which evaluates companies' Corporate Responsibility performance using a comprehensive and mainly industry specific approach.

Danone obtained a C+ rating and was particularly well-rated in terms of equal opportunities and non-discrimination, climate change strategy and strategy to minimize food waste. Danone positioned itself among the industry leaders.



In 2016, Danone received for the third year in a row the maximum score of 5/5 in the Forest500 ranking of the Global Canopy Program. It remains ranked among the 6 best companies worldwide.



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- Design: **Pixelis**