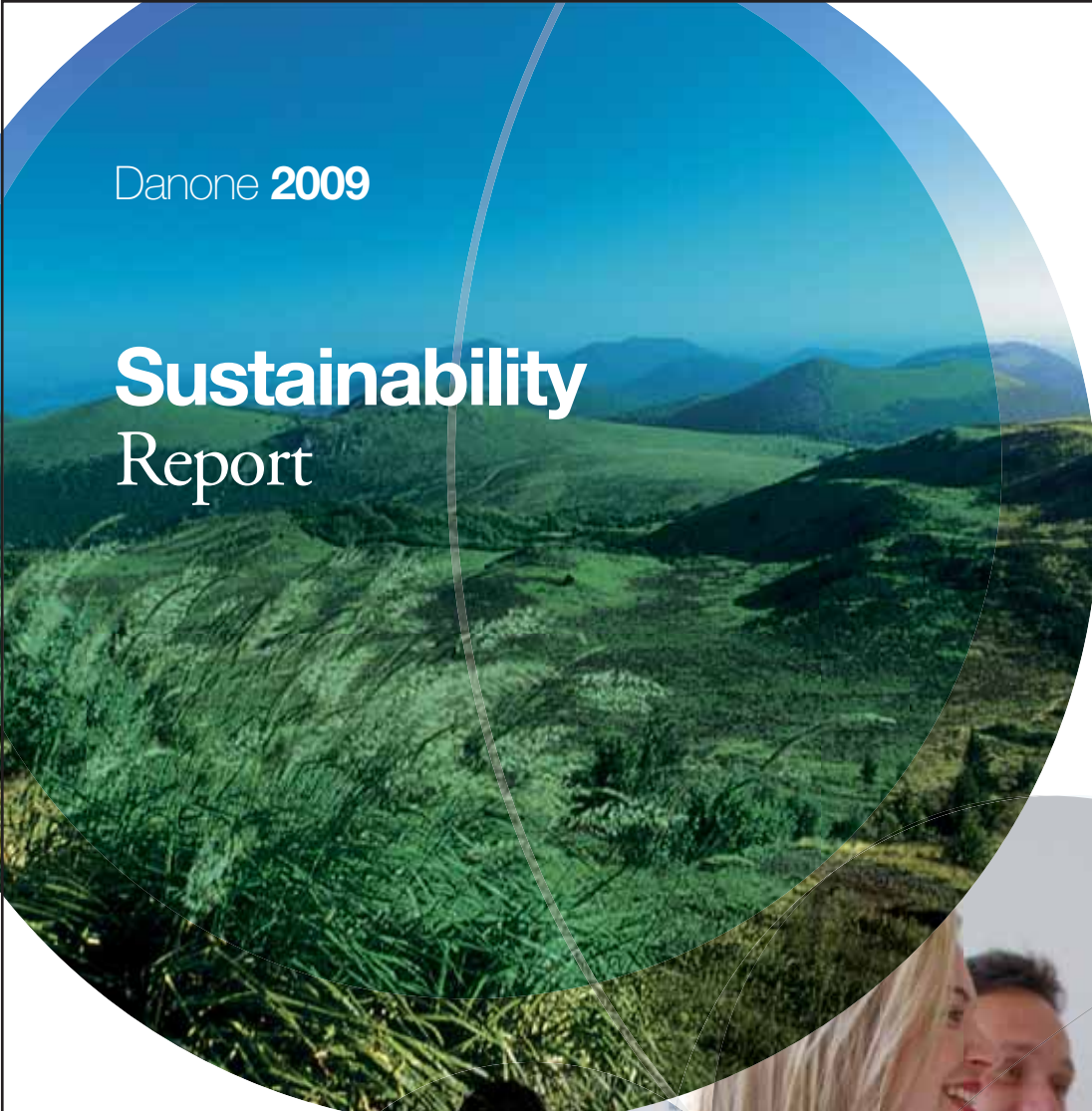


Danone 2009

Sustainability Report



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2009
A pivotal year



Editorial - Franck Riboud

The year 2009 marked a milestone in the long history of Danone's economic and social agenda. Confronted as we were, like most companies, with the economic crisis and declining purchasing power that affected consumers worldwide, we could have made the choice to pull back, by deferring the implementation of the “dual project” to better times. Convinced that this crisis was not only financial and economic but also social and environmental, we carried out a radically different analysis. We're not only facing a “crisis”, with the implication that once it has passed, things will return to their earlier state. We are facing a **profound change**, one which is significantly transforming our lifestyles, production processes and consumption habits, its impact extending from the distribution of wealth on our planet to the **values** that help shape our societies. This is a transformation that has only just begun. Speaking only of the food industry, it is difficult to break down the issues between the billion people who suffer from malnutrition or the growing problem of obesity, which affects other populations, or the need to increase food resources while using less water, energy and land.

The mission set by Danone, to “bring health through food to as many people as possible” has structured our whole approach and driven the decision in 2009 to integrate, even more deeply, economic and social considerations into our company's strategy. Four issues closely related to the mission have been defined: “**Health**” that is to say, the company's contribution to public health through nutrition, “**For All**”, that is to say, the creation of products and economic models accessible to population groups with low purchasing power, “**Nature**” to drastically reduce the environmental impact of our activities throughout the lifecycle of our products, “**People**” by giving all of our employees the opportunity to develop, to anticipate the changes and to give meaning to their work. Each of these focal points is acts as a “transformer” of the company and we are again only at the beginning: for example, “For All” requires us to strongly question our ways of thinking and our methods in order to invent new business and social responses. For each one of these issues, an organisation, goals and objectives and resources have been established in 2009 with the strong involvement of members of the Group Executive Committee.

The mission set by Danone, to “bring health through food to as many people as possible” has structured our whole approach and driven the decision in 2009 to integrate, even more deeply, the economic and social facets in our company's strategy.

Editorial - Franck Riboud

2009 was also the year of creation of the [Danone Ecosystem Fund](#) which aims to support projects that create sustainable jobs in the Danone ecosystem, that is to say all of the activities and businesses that depend directly on those of the group: agricultural producers, suppliers, distributors, territorial regions around plants and facilities, etc. It is commonly said that a company cannot develop and grow in a desert and that a live and dynamic ecosystem is a guarantee of the company's sustainability. It is also necessary to identify and deal with all the consequences and secure the means to act upon this ecosystem. The Fund project was approved by a very large majority of votes by shareholders at the Annual General Meeting in 2009. Endowed with 100 million euros, it began operating in late 2009 by funding the first agricultural and distribution projects. While we're still in the learning phase, many Country Business Units are already working on projects. When the Fund reaches its cruising speed, it will be very important to measure the [economic and social impacts](#) of these programmes in order to replicate and deploy them more widely.

Another factor in the acceleration and integration of sustainable development in business operations: after a first pilot year in 2008, it was decided to formalise the structure of the variable pay system based on three tiers: one tier being economic and financial, the levers of business transformation representing the second tier, and a social tier founded on environmental and social performance indicators. The system concerns the management committee members of all Danone Country Business Units across the world and helps to move the entire organisation forward in a meaningful manner. The same spirit of enterprise transformation also characterises the widespread deployment in 2009 of the system for measuring the [carbon impact](#) of our activities and its integration into the decision making process. This is another interesting example which demonstrates that everything is inter-connected: in greatly reducing our energy consumption or packaging materials, we reduce our costs. By setting ambitious targets for reducing our [environmental impact](#), we commit ourselves to thinking and working differently, thereby anticipating what the constraints of the future will be for all enterprises.

Danone's approach has always been a mixture of vision and pragmatism. Starting from some fundamental beliefs, a little intuition and a lot of experimentation, we are striving to follow a business model where economic and social performance nourish and feed each other. I hope that 2010 will enable us to capitalise on the strong momentum generated in 2009.

Franck Riboud, CEO.

Starting from some fundamental beliefs, a little intuition and a lot of experimentation, we are striving to follow a business model where economic and social performance nourish and feed each other.



Our approach to
Corporate Social Responsibility

Historical evolution and key characteristics of our approach

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Historical evolution and uniqueness of the Danone business model

An original business model firmly anchored in the group's history and reaffirmed in the current context

As early as 1972, **Antoine Riboud** clearly stated that “corporate responsibility does not stop at the threshold of the company’s factories or offices. The enterprise creates and provides jobs that shape people’s entire lives. It consumes energy and raw materials, and in so doing alters the face of our planet. The public is charged with reminding us of our responsibilities in this industrial society”. This view was formalised in the economic and social dual project, which forms the basis of the Danone model. It is rooted in a simple principle: economic performance, attention to people and respect for the environment go hand in hand.

Franck Riboud reiterated on December 5, 2008 at the launch of the Danone - HEC Chair in Enterprise and Poverty: “An enterprise exists and lasts only because it creates value for society as a whole ... The raison d’être of the enterprise lies in its social usefulness. It is to serve society and mankind, in the everyday lives of men and women, through the products, services, employment or even the dividends it provides”. In today’s economic context, this commitment is more relevant than ever in helping to realise the Danone mission: to bring health through food to as many people as possible.

To this end, the group has developed a **uniquely distinctive corporate culture** emphasising responsiveness, adaptability and the ability to accelerate innovation through networking. Operational responsibilities are broadly decentralised.

The Danone values of “**humanism, enthusiasm, openness and proximity**”, formalised in 1997 are widely communicated internally and the company strives to bring them to the fore in individual and collective behaviour. These values have now become ingrained in managerial attitudes thereby bringing them to life in the leadership style of all Danone employees.



Our approach to Corporate Social Responsibility

Historical evolution and uniqueness of the Danone business model

This unique culture has greatly facilitated the group's rapid expansion into new markets in Asia, Latin America, Eastern Europe, Africa and the Middle East.

The group's management believes that this business model constitutes a key competitive advantage. It is primarily a factor **in collective efficiency and internal motivation**. It is also a factor that is strongly appealing, given the increasing sensitivity of employees to the notion of the enterprise being competitive and socially responsible. Finally, it is a powerful lever for developing **a relationship of trust between the company and its partners**.

The dual project has remained faithful to its original beliefs while also being enhanced over the years to meet new challenges. Since 1996, Franck Riboud has progressively extended the project scope to a global scale to include a **strong social dimension, while continuing to invest heavily in human development and social issues**. In other words, rather than the company being designed within a "hermetically sealed" environment, it is developing within the context of its broad scope vision, i.e. taking into account all stakeholders, whether internal or external, in its development. Given this enterprise design concept, the company cannot carry on its business without considering the collateral consequences on the environment. **Social responsibility and sustainable development thus become key levers, not only of robust and sustainable growth**, but also of the motivation and commitment of employees.

If the dual project has gradually shifted the company's boundaries opening it up to its immediate environment, it has in the process taken into account an additional but hitherto undeveloped element: the **Environment**. Indeed, since 1972, Antoine Riboud has explained that "there is but one planet Earth"; and that "corporate responsibility does not stop at the threshold of the company's factories or offices. Its actions are felt across the entire community and affect the quality of life of every citizen". Danone thus takes into consideration three dimensions in its development: People, Capital and Nature.

Although the progression from social to societal developed gradually, **2006 marked a milestone with the advent of the Danone mission**. "Bringing health through food to as many people as possible" has become the unifying factor strongly emphasising two dimensions: "health" and "as many people as possible".

This structuring mission has, more than ever, anchored the dual project in the heart of Danone's business and strategy allowing for the development of **socially innovative actions**, in particular by making possible the creation of "healthy" products that were hitherto far too expensive for certain categories of people. It is this confluence of the economic and societal that notably gave birth in 2006 to the Grameen Danone project.

It was also during that period that the **"triple win"** projects were structured. These projects create value for the company for its employees and for civil society. Through this initiative, Danone fully promotes the co-creation of value with NGOs, while respecting the principles of economics given the need to find a financial balance.

Another major initiative in 2009, in the context of the economic and financial crisis, reinforces the notion of there being a need to intensify the understanding of the economic and social impact companies have on their stakeholders. Danone decided to create the **Danone Ecosystem Fund**. Its objective is to support, strengthen and develop the activity of its stakeholders, that is to say, the suppliers, subcontractors, raw materials producers or distributors whose businesses are impacted by Danone and who act in very close proximity economically, socially and territorially, with its Country Business Units.

Traversing the expanse of time, the dual project shows how important it is for a company to be consistent and coherent in this approach. For Danone, taking into account the social and societal dimensions at the core of its business model (i.e. well integrated into the business) has engendered a **fundamental transformation process** whose impacts facilitate the exploration of a new corporate vision by bringing about a change in our economic models, by changing the mindset of employees, attracting talent in line with this business model and ensuring Danone's sustainable growth in economic, social and environmental terms.

Danone Ecosystem Fund



Our approach to Corporate Social Responsibility

Historical evolution and uniqueness of the Danone business model

An initiative progressively formalised and managed through special tools and organisations

With the aim of ensuring the widespread adoption of this culture throughout the organisation and taking into account the stakeholder dimension, Danone launched the **Danone Way initiative in 2001**.

This initiative enables each Country Business Unit to integrate economic performance with social and environmental responsibility. It is based on a self-assessment process around 5 key themes: Human Rights, Human Relations, the Environment, Consumers and Principles of Governance (*see page 52*).

Over the years, Danone's vision of the company has been formally set out in a number of **documents that define the group's principles and policies**: Fundamental Social Principles, Business Conduct Policy, Charter for the Environment, Food, Nutrition and Health Charter... are some of the key texts that guide the activities of teams around the world.

Another strong Danone belief is notable in the **dialogue with stakeholders** that has gradually become more structured, the food industry being at the centre of important debates.

Danone has sought to organise its relations with a wide range of interlocutors, in the social, public, economic, industrial and scientific fields. This desire for dialogue is reflected in regular meetings, written communications or collaborations with consumer associations, environmental protection associations / agencies, trade unions, scientific institutions or government bodies. It has been enriched by cooperation undertaken with suppliers, customers and competitors. At the local level, since 2004, managers responsible for social responsibility, external communications or public affairs, were appointed in the Country Business Units. Their role is to establish long term contacts with public authorities in the countries where Danone operates, and not only in response to crisis situations.

Finally, in recent years, Danone has developed unique societal innovations in close cooperation and within a framework of co-creation with various NGOs.

Danone has ensured that all levels of its organisation have in place the resources necessary for the acceleration of sustainable development initiatives integrated with economic and social issues.

At the central organisation level, Danone's **sustainable development organisation** has been adapted since 2009 in order to ensure consistency and breathe life into the New Danone Strategy 2009-2011 (*see page 73*).

In addition, each division and / or Country Business Unit has also adapted its own organisation. Some have created special committees (lateral and multi-functional) or dedicated positions (e.g. Carbon Master) as appropriate, to facilitate the implementation of the strategy concerning the various actions related to social and environmental responsibility.



Our approach to Corporate Social Responsibility

Key phases of the social initiative and reference texts

Key dates 1972-2009



2009

- Creation of the Danone Ecosystem Fund approved at the Annual General Meeting of Shareholders. Its mission is to develop the activity of its ecosystem, i.e. all stakeholders whose business and activities are impacted by Danone and who act in very close cooperation economically, socially and territorially, with its Country Business Units.
- First carbon offset project with the Danone Fund for Nature: the restoration of mangroves in Senegal in partnership with a local NGO, Oceanium (34 million mangroves replanted, that is 2,000 hectares of mangroves restored).
- 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, i.e. 80,000 people (response rate: 82%).
- Enlargement of the International Consultation Committee outside Europe.



2008

- Creation of the Danone Nature Fund 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).
- Creation of Evian Water Protection Institutes in partnership with Ramsar: field missions with Danone employees to develop the know-how for protecting wetlands in 3 regions of the world: Nepal, Thailand and Argentina.
- Launch of the Chair "Social Business / Enterprise and Poverty" in partnership with the HEC school.



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. specialising 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.



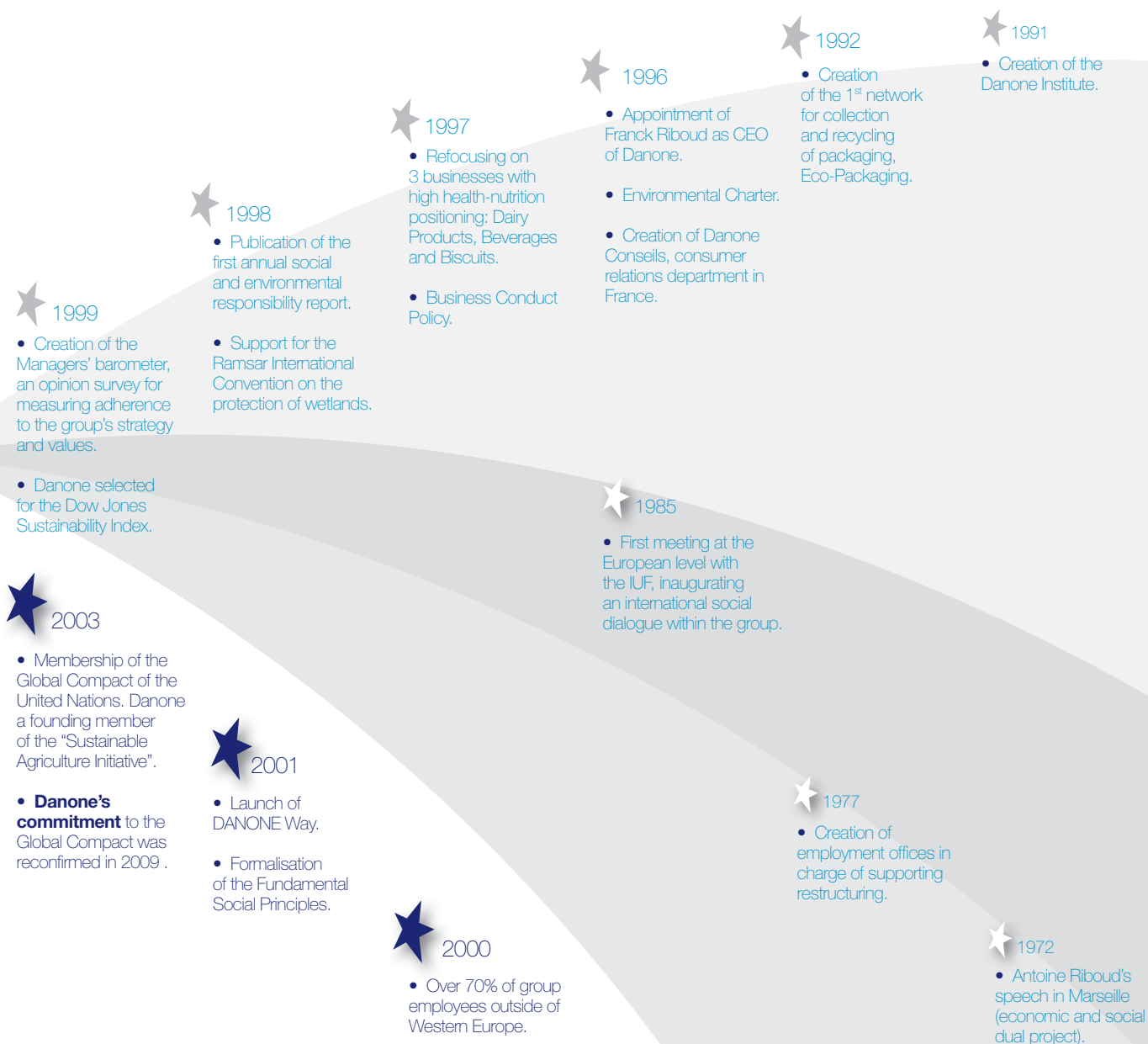
2006

- 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.



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.



Our approach to Corporate Social Responsibility

Key phases of the social initiative and reference texts

Reference documents

- **Antoine Riboud's speech in Marseilles** (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) detail the behaviour expected of managers on issues such as corruption and conflicts of interest.
- The **group's Values**, formalised in 1997: openness, enthusiasm, humanism and proximity.
- The **Food Nutrition & 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**.





Key social topics

Social issues

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, and 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

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

Nutrition and diet are now at the heart of public health issues

All scientific studies confirm this: a varied and balanced diet and regular physical activity are recognised as protective factors against cardiovascular diseases, osteoporosis, diabetes or obesity. Conversely, a poor diet combined with a sedentary lifestyle are known factors that can increase the prevalence of these diseases.

Our approach to Corporate Social Responsibility

Key social topics

- Countries around the globe today are seeing the development of the “double burden” of malnutrition:
 - **undernutrition and malnutrition**, related to insufficient and / or unbalanced food intake which affects nearly one billion people,
 - **chronic diseases**, related to diet, such as overweight, obesity, diabetes, cardiovascular diseases, etc., afflicting over a billion and half people in the world.

In this context, with consumers, experts and governments alike becoming more interested in the composition of food, expectations related to information are increasing, which has placed greater demands on the industry with regard to the nutritional content of products, their labelling and advertising messages. Finally, these same authorities also expect the food industry to actively participate in efforts aimed at informing and educating consumers about the importance of lifestyle for health and more specifically, at helping consumers maintain a balanced diet.
- **Nutritional needs**, especially ensuring their coverage through diet, can be quite **varied according to age**, sex, and depending on physiological situations (pregnancy, aging, illness, etc.). In particular, recent scientific advances suggest that early nutritional intake (during pregnancy and the first two years of life) is a major determinant of later health (such as cardiovascular and metabolic health) and special attention should be paid to the diet of pregnant women and young children. In parallel, longer life expectancy is accompanied by a significant increase in the number of people whose food intake is crucial to maintaining good health and independence.
- **Significant disparities in the coverage of food and nutritional needs** may also exist between countries as well as between socio-economic classes within the same country. In emerging markets, which suffered the brunt of the global food crisis, malnutrition and undernourishment can still be very present and may have even worsened; in developed countries affected by the global economic crisis, financial difficulties continue to plague an ever increasing proportion of the population hindering their access to a nutritionally balanced and varied diet. Thus, faced with these issues, and no matter which country it may be, companies are expected to offer products that meet the specific nutritional needs of the populations concerned. The challenge is also about developing affordable products for population groups with low purchasing power while providing the same nutritional qualities and food safety as standard products.



Environmental issues

- 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.

Our approach to Corporate Social Responsibility

Key social topics

- 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.





Our approach to Corporate Social Responsibility

Impacts and responsibilities upstream and downstream of activities

Potential accidental risks related to Danone's activities are primarily:

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

Beyond these accidental risks, the group's daily activities also have various impacts on the environment.

These are identified and addressed sector by sector, from upstream through to downstream.

The group responds to each environmental impact by taking responsible decisions.



1



RAW MATERIALS SUPPLY

Impact

- Economic impact: In 2009 Danone purchased 3.25 billion euros worth of raw materials for the Fresh Dairy Products division comprising of milk and dairy ingredients (47%), other agricultural materials (26%) and packaging (27 %). Milk is the main agricultural commodity for the group who is supplied by 24,000 producers in 19 countries. For the Waters division, the group purchased 552 million euros of raw materials, with 87% spent on packaging and 13% on other raw materials. For the baby Nutrition Division, raw materials purchases amounted to 853 million euros, with 74% spent on raw materials (including 34% milk) and 26% on packaging. For the Medical Nutrition division, total purchases amounted to 106 million euros with 67% spent on commodities and 33% on packaging.
- Main environmental impacts of agriculture: pollution related to fertilizers or pesticides, emissions of methane – a greenhouse gas – of bovine animal origin. Increasing agricultural productivity may be accompanied by pressure on the natural environment and a reduction in biodiversity.
- Mineral waters: they come from natural reserves over which the group has exclusivity.

Responsibilities

- Procuring raw materials at prices that are sufficiently profitable to producers and represent a quality and competitive supply to plants, whilst ensuring that Fundamental Social rights are respected.
- Guaranteeing the safety, quality and traceability of raw materials.
- Knowing the working conditions and the environmental impact of agricultural production, and contributing towards their improvement.
- Ensuring the sustainability and protection of water reserves used by the group.

2



INDUSTRIAL PRODUCTION AND PACKAGING

Impact

- Economic impact: Danone produces locally for local markets: 159 production sites, 80,976 employees at December-end 2009.
- Main environmental impacts of sites: energy and water consumption, waste emission.
- Main impacts of packaging (6% of the average weight of products): consumption of non-renewable resources (petroleum for plastics) and renewables (wood, recycled paper for cardboard).

Responsibilities

- Ensuring respect for fundamental social rights and promoting a social progress initiative at the group's sites.
- Contributing to the economic development of local communities.
- Managing the environmental impact of plants.
- Reducing packaging without compromising their functional purpose: food safety, transportation, conservation, consumer information.

Our approach to Corporate Social Responsibility

Impacts and responsibilities upstream and downstream of activities



TRANSPORTATION

Impact

- Transportation is almost entirely outsourced. In Europe, yoghurt freight is transported up to 95% by truck. Transportation of water in Europe is split between truck (approximately 55%) and rail (45%).
- Main environmental impacts: energy consumption, emissions of greenhouse gases, air pollution and noise.

Responsibilities

- Minimising the impacts related to the transportation of raw materials and products, promoting transportation practices that respect the environment.
- Ensuring respect of the cold chain and product traceability.



SALES

Impact

- Economic impact: thanks to a commercial presence in 130 countries, Danone has achieved 14,982 billion euros in sales turnover in 2009. Two-thirds of sales occurred in supermarkets and hypermarkets, and one third in local or neighbourhood stores.
- Main environmental impacts: energy consumption and greenhouse gas emissions linked to refrigerating equipment in stores, emissions linked to customers travelling to points of sale.

Responsibilities

- Ensuring respect of the cold chain and product traceability.
- Ensuring that the products are accessible (price, distribution), especially in emerging countries.



5

CONSUMPTION

Impact

- Economic impact: 4 business divisions in 2009: Fresh Dairy Products (57.1% of sales), Waters (17.2%), baby Nutrition (19.5%) and Medical Nutrition (6.2%).
- Main environmental impact: energy consumption and emission of greenhouse gases linked to the refrigeration of fresh dairy products.
- Social Impact: Quality / safety of products, the impact on dietary and nutritional patterns, availability of products.

Responsibilities

- Guaranteeing the quality and safety of products.
- Helping to develop healthy nutrition methods and responding to local needs.
- Ensuring transparent information for consumers and promoting dialogue with consumers.



6

END OF CYCLE

Impact

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

Responsibilities

- Reducing the end-of-lifecycle impact of packaging by integrating these concerns from the design stage and by participating in public waste collection bodies.

Our approach to
Corporate Social Responsibility

Danone uniqueness in the implementation of the approach



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GOVERNANCE

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OF THE DIALOGUE PROCESS**

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SPECIAL MANAGEMENT TOOLS

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**BONUS SYSTEM INTEGRATING
SOCIAL PERFORMANCE**

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 following pages) 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.

Corporate Governance

The information required on the governance of the company is available in the **Danone Registration Document**. *References to the relevant pages are listed in the GRI index published on page 148 of this report.*

The Board of Directors and its Committees

The Board of Directors

Danone's Board of Directors is composed of fourteen members, eight of whom are independent. Each director must hold at least 4,000 shares, in registered form.

The Directors are appointed for a term of three years which is renewable.

The Board of Directors held ten meetings in 2009. The directors' meeting attendance rate was 86%.

The Danone Board of Directors

- Franck Riboud
- Emmanuel Faber
- Bernard Hours
- Bruno Bonnell ¹
- Michel David-Weill
- Richard Goblet d'Alviella ¹
- Christian Laubie ¹
- Jean Laurent ¹
- Hakan Mogren ¹
- Jacques Alexandre Nahmias ¹
- Benoît Potier ¹
- Guylaine Saucier ¹
- Naomasa Tsuritani
- Jacques Vincent

¹ Independent Director

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The following recurrent themes were discussed:

1. **Monitoring ongoing management and broad policies** : a detailed review of the group's activity, presentation of annual budgets, approval of the company and consolidated financial statements, review of half-year financial statements, financial information releases (in particular at the time of publication of annual and half year financial statements), operations involving acquisitions and disposal of assets or investments, financial and liquidity conditions, financial commitments (guarantees and sureties), the annual capital increase reserved for employees, the allotment of stock options and group Performance Units (including setting annual performance goals for the subsequent year and verifying their achievement for the previous year), reviewing the price of company shares and its shareholder base, the approval of the group's annual contribution to the danone.communities, presentation of strategic plans;
2. **Functioning of corporate bodies**: monitoring corporate governance issues, systematic reviews / reports of the work of three Board Committees (Audit Committee, Nomination and Compensation Committee, Social Responsibility Committee), the determination of all of the elements concerning the remuneration of each of the four executive directors and officers, approval of the various reports of the Board as well as draft resolutions submitted for shareholder approval, the preparation for the Annual General Meeting.

Following the self-assessment carried out in 2007, the Board adopted new internal regulations at its meeting on July 30, 2007. During the second half of 2008, a new self-assessment was conducted by the Board, whose results were reviewed by the directors in 2009. The Board subsequently amended its internal regulations in 2009 to take account of these results.

The Audit Committee

The tasks of the Audit Committee have been regularly specified by the Board of Directors in December 2006, July 2007 and December 2009. The Audit Committee is in particular responsible for reviewing the individual and consolidated financial statements of the company before they are submitted to the Board of Directors. It also controls the process for selection of the auditors for the company.

The Audit Committee

The Audit Committee is comprised of:

- Benoît Potier, Chairman and member until the conclusion of the Annual General Meeting of April 22, 2010
- Guylaine Saucier ¹, incoming Chairman whose term begins at the conclusion of the Annual General Meeting of April 22, 2010
- Richard Goblet d'Alviella ¹
- Christian Laubie ¹

¹ Independent Director

It ensures the existence of internal control and risk management systems and monitors the effectiveness thereof, reviews the President's report on internal controls, validates and ensures scrutiny of the audit plan.

In 2009, the Audit Committee met six times. The regular attendance rate expressed by the rate of participation of its members at these meetings was 100%.

The Nomination and Compensation Committee

The tasks of the Committee (two out of three members are independent) are as follows: make proposals to the Board of Directors regarding the nomination / appointment of its members, prepare for review and consideration by the Board of Directors of issues relative to corporate governance, conduct the evaluation of the Board of Directors and Audit Committee, propose the criteria for determining the elements of remuneration of executive directors and officers of the company, determine proposals for the awarding of stock options on shares or free shares of the company to these officers, define proposals for the allocation of attendance's fees amongst Directors and make any recommendations, at the request of the Board of Directors, on the remuneration policy applied by the group. The Nomination and Compensation Committee met six times in 2009. The regular attendance rate expressed by the rate of participation of its members at these meetings was 89%.

The Social Responsibility Committee

To assist in its decisions on issues of corporate social responsibility (CSR), the Board of Directors at its meeting of December 15, 2006 decided to establish a special third governance body specifically, the Social Responsibility Committee. The Social Responsibility Committee is composed of three Directors, two of whom have been recognised as independent by the Board of Directors.

In February 2007, the Board of Directors approved and provided this committee with internal regulations detailing its mission and its operational modalities.

It is notably responsible for:

- reviewing the principal environmental risks and opportunities for the group in relation to its objectives and activities,
- examining the social policies pursued by Danone, as well as the established objectives and results achieved in this regard,
- reviewing the systems for reporting, and for the evaluation of control mechanisms to allow Danone to produce reliable information on non-financial matters,

The Nomination and Compensation Committee

The Nomination and Compensation Committee is composed of:

- Michel David-Weill, Chairman
- Jean Laurent ¹
- Hakan Mogren ¹

The Social Responsibility Committee

The Social Responsibility Committee is composed of:

- Bruno Bonnell ¹
- Jean Laurent ¹
- Emmanuel Faber

¹ Independent Director

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- examining all non-financial information published by the group, particularly regarding social and environmental matters,
- reviewing annually a summary of ratings issued on the company and its Country Business Units by extra-financial ratings agencies,
- ensuring the application of ethical rules set by the group.

In the field of social investment, the Committee's mission is to:

- assess the impact of these investments for the group,
- examine the application of the rules established by the group concerning social investment or programmes in areas related to the group's activities,
- ensure that the interests of the company are safeguarded, and especially, prevent conflicts of interest linked to the relationship between these investments and the rest of the group's activities.

In agreement with the Board of Directors, the Committee undertook at the end of 2009 an extensive review on the role and mission of the Social Responsibility Committee, in order to strengthen its activities in relation to the implementation of the four strategic priorities underlying Danone's strategy.

Activities of the Social Responsibility Committee in 2009

In 2009, the committee in particular examined the following:

- Analysis of results of the individual and confidential survey undertaken with all employees of Danone in the world, the key indicator of the internal social climate at Danone to measure the level of commitment and expectations of employees in different Country Business Units.
- The risks to social and societal components, in addition to the work done by the Audit Committee on risk management systems.
- The implementation of so-called "compliance" policies, in particular the results of Danone Way, as well as, changes to the Business Conducting Policies (the group's Ethical Charter).
- The proposed creation of the Danone Ecosystem Fund and subsequently issued a favourable opinion.
- Finally, the Committee scrutinised the investments made by the danone. communities Venture Capital Mutual Fund (SICAV) in accordance with the Fund Governance Charter.

During the year 2009, the Committee met three times. The regular attendance rate of its members at meetings of the Committee was 100%.

General Organisation of Internal Controls

1. Objectives of Internal Control and referential Used

Internal control is a process put in place by the management, and all employees of Danone that is designed to provide reasonable assurance, albeit not absolute certainty, that the following main objectives are being met:

- accuracy of financial information;
- compliance with applicable laws, regulations, and internal policies;
- effectiveness and efficiency of internal processes, including those related to the protection of the Group's assets.

The Group applies an internal control referential that is compliant with the reference framework and application guide suggested by the French Financial Markets Authority. The Danone reference framework itself was inspired by the Committee of Sponsoring Organisations of the Treadway Commission's (COSO) own procedures manual.

Danone's internal control system is adapted to the Group's strategic orientations and consistent with its international and decentralized organisation.

2. Scope of Internal Controls

Danone's internal control system is applicable to all Country Business Units (CBU) controlled by the Group.

The CBU of the Baby Nutrition and Medical Nutrition divisions, acquired at the end of 2007, continued to roll out Danone's risk management and internal control procedures, in accordance with the medium term integration plan established when they were acquired. In this manner, the largest Baby Nutrition and Medical Nutrition CBU have been integrated into the scope monitored directly by the Internal Control Department.

By the end of 2009, 110 Danone CBU, in 45 countries and accounting for more than 95% of Danone's total consolidated net sales, have been assessed using DANgo, the Danone internal control system.



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3. Actors on Internal Controls

Danone's **General Management** is responsible for the Group's internal control system, while the **Audit Committee** is responsible for ensuring the effectiveness of the Group's internal control and risk management systems. In order to accomplish this, General Management relies on operational (divisions, geographical regions, Country Business Units (CBU)) and functional reporting structures, and especially the Chief Financial Officer and the Vice-President, Risks, Control and Audit (VP RCA), both of whom report to the same co-Chief Operating Officer.

The **Chief Financial Officer** (CFO) is responsible for the finance function throughout the entire Group, directly through various centralized functions (Business Controlling, Consolidation, Treasury and Financing, Tax, Strategy, Financial Communications, Acquisitions), and through the CFO's functional responsibility over the finance directors of the 4 divisions. The directors of Finance Departments and divisions meet in a monthly Executive Finance Committee.

The **Risks, Control and Audit Department** was established in early 2009 to strengthen the impact of the 3 functions that comprise it (risk management, internal control, and internal audit) and to create synergies around certain corporate governance and compliance-related topics. The VP RCA reports directly to one of the two co-Chief Operating Officers, who is a member of the Executive Committee, and reports functionally to the Chairman of the Audit Committee of the Board.

The **Internal Control Department** (ICD) is composed of a three-member central team working alongside two regional coordinators, and the local CBU internal controllers who typically report to the VP finance of the CBU. The department reports directly to the VP RCA and functionally to the CFO, as the latter has shared responsibility for the quality of the Group's internal controls. All of the internal controllers in the CBUs, together with the other members of the RCA Department, ensure that the procedures defined by the Group are applied correctly in the CBU and central functions. The precise role of the Internal Control Department is to maintain the Group's internal control referential, establish the methodology used to document internal control processes, supervise analysis of the results of the assessments, and oversee the establishment of action plans.

Reporting to the VP RCA, the **Risk Management Department** – comprised of a three-person team, along with a coordinator for the Americas region – oversees the risk management procedures described in Section 4 – Risk Factors and below in the paragraphs on Risk assessment.

Reporting to the VP RCA, the **Internal Audit Department**, which utilizes the services of specialized teams from international audit firms, including KPMG in particular, always under the supervision of the Danone audit managers, carries out regularly scheduled audits in the operational units as well as audits of Group-wide topics. In 2009, the department was certified compliant with International Internal Auditing Standards by the French Institute for Internal Audit and Control certification body (IFACI Certification). The IA Corporate Department is supported by internal auditors in certain large Country Business Units and in certain countries, as well as by audit personnel in other central functions (Quality, Safety, Information Systems, Crisis Management, Organisation, etc.).

The **operational line managers** at headquarters and in the Country Business Units remain the main actors in internal controls within their respective areas of responsibility, with the support of many central corporate functions (Finance, Risk-Control-Audit, **Human Resources, Sustainable Development, Safety, Quality, Information Systems, Legal**, etc.). It is worth noting the support provided by the Human Resources Department's People and Organisation Development function, which contributes strongly to the development of the DANgo internal control procedures manual.

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Overall Danone Internal Control Procedures

Internal control process is comprised of five closely-related components, which, at Danone, are implemented in the following manner:

1. Control environment

The control environment sets the level of staff awareness of the usefulness and necessity of internal control and is the foundation on which the other components of internal control are built, notably through discipline and organisation.

Danone's control environment is based on the following:

- Danone's values, which are widely communicated in all of the Country Business Units (CBU), are expressed in the following manner: a dual economic/corporate social responsibility strategy; a business code of conduct, which is updated periodically and was redistributed in 2009; a human resource and social policy, particularly with regard to employee development and training; the impetus given by the Board of Directors; the willingness to achieve continuous improvements in all operating procedures, as expressed by the Group's General Management; and the "Danone Way" programme, established in nearly all of the Group's CBU and promoting a favorable environment for internal control;
- for several years, the Group has been rolling-out and running an anti-fraud awareness campaign to raise awareness of all employees to the risks of internal fraud and corruption, and has set in place an ethical whistle-blowing system (Dialert), focused on internal control issues, which can also be used by Group suppliers and potential suppliers;
- the standardization of operating processes through the implementation of the DANgo "Danone Governing and Operating Processes" referential managed in a software tool with the same name, and the deployment of Themis, an integrated information system, both of which contribute to the strength of the control environment. The Group's internal control procedures referential was created in its present form in 2003, and greatly enriched in 2005 and 2006, as Danone, being a publicly listed corporation in the United States at the time, was subject to the provisions of the Sarbanes-Oxley Act. DANgo now includes operating procedures ("Danone Operating Models"), an evaluation list of internal control points, in the strict sense of the term ("Danone Internal Control Evaluations"), and a list of the practices promoted by the "Danone Way" programme. Coordination of the central functions concerned by DANgo is ensured by holding a periodic, ad-hoc, transversal coordination committee;
- since 2006, the Group has ensured that the DANgo internal control and best practices referential is continuously up-to-date by systematically revising it every year. Major steps have been taken to improve DANgo and to incorporate the Baby Nutrition and Medical Nutrition CBU into the process. The continuous attention paid to the matter also includes the formal documentation or updating of certain procedures, such as, recently, those regarding the delegation of powers, insurance, and business continuity plans. In 2009, the Group continued its programme to improve the segregation of duties, notably through organisational changes and reviews of access rights to the various information systems;



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- in addition to DANgo, an intranet site presenting all the documents useful for internal control is now accessible to all Danone employees and is updated regularly. Two other charters important to the control environment were also updated and distributed widely throughout the Group in 2009: the Internal Audit Charter, approved by the Audit Committee, and the Risk Management and Insurance Charter.

2. Information and communication

Appropriate information must be identified, collected, quantified and communicated in a format and within an appropriate time frame that enables each person to carry out his or her responsibilities.

To accomplish this, Danone relies on:

- its values, culture, organisation, and information systems, all elements that facilitate the dissemination of information necessary to the decision-making process;
- the documentation databases and various intranet sites that enable information to be shared within the Group. These include not only financial information but also non-financial information that meets the needs of the various operating and functional departments;
- the distribution of the DANgo procedures referential, the methodological coordination and the support provided to the internal controllers of the Country Business Units (CBU) by the Internal Control Department: training sessions for the integration of new CBU and the use of the DANgo tool; workshops, where more than 100 members of the Danone international internal controllers network met together to exchange best practices in 2009.

3. Assessment

Every company faces internal and external risks that may hinder the achievement of its objectives.

The principal risks the Group faces are described – after a brief exposé of the Group’s risk management policy and scope – in Section 4 – Risk Factors of this Registration Document.

The Group has established a risk identification system, using a special risk-mapping application called **Vestalis**. Risks are mapped every year in most of the CBU of the Waters and Fresh Dairy Products business lines, and they were mapped for the first time in this manner in 2009 in several CBU of the Baby Nutrition and Medical Nutrition business lines. The methodology employed enables all of the risks and weaknesses of all operations in the companies covered to be identified, tabulated and ranked based on their probability of occurrence and their financial impact, on the scale of a country or a business line, and accordingly to define the preventive or corrective measures to be taken, either locally or globally as the case may be. The most significant risks are reviewed once a year with the heads of the geographical regions, at specific meetings attended by the Managing Director and the Finance Director of each region. A review of all the most significant risks is performed regularly by the Danone Enterprise Risk Committee (DERC), comprised of the two co-Chief Operating Officers, the Chief Financial Officer, the SVP Human Resources, the VP Risks, Control and Audit, and the ERM Director of Danone.



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A mapping of Danone's major risks is assessed during the committee, "risk owners" are systematically designated, and risk mitigation plans are reviewed and assessed. This work serves as the basis for the presentations made to Danone's Executive Committee and to the Audit Committee.

In addition, the existence of procedures – regarding the monitoring of competition, training, risk prevention and protection, etc. – and the initiatives taken by specialized departments – such as the Environment Department and the Quality and Food Safety Department – all contribute to the identification and analysis of risks. The identification and reporting of risk is also facilitated by the relatively low number of reporting levels, the shortness of the decision processes, and the inclusion of the operating units in strategic discussions. Two Group-wide committees headed up by the VP RCA have also been created to deal with major risks against which the Group must protect itself: a Group-wide Health, Safety, Environment and Quality Committee (HSEQ), created in 2008, and a quarterly Group-wide Compliance Committee, attended – since 2006 – by the various central departments that collaborate on the quality of the control environment.

4. Control activities

The control activities are intended to ensure the application of the standards, procedures, and recommendations that contribute to implementation of the main strategic decisions made by the Group's General Management.

All DANgo operating procedures and guidelines, which are improved continuously, are disseminated and put into practice within the operating units. Certain items in DANgo are identified as contributing to the prevention of fraud and corruption. The use of the integrated information system Themis by the majority of the operating units also contributes greatly to the reliability of operating control activities.

In addition to these rules and procedures, the Group has also set in place a body of practices and procedures that allow it to carry out its control activities. These practices and procedures include regular monitoring of the performances of each operating unit – notably during performance reviews – and attendance at the units' Board of Directors and Management Committee meetings. The Country Business Units' (CBU) internal controllers oversee the implementation of these practices and procedures.

All the CBU integrated into DANgo use this self-evaluation process, and the largest of them follow an additional, more in-depth and intense control process (documentation, testing, etc.).

5. Continuous monitoring

The internal control systems are reviewed periodically so that their performances and effectiveness may be qualitatively evaluated.

The permanent monitoring of control procedures is part of the ongoing activities of the Company and its CBU. The IT application that hosts DANgo allows CBU to document their operating processes, especially

those used to prepare financial information; to perform self-evaluations; to assess whether they are compliant with the Group's internal control procedures (referential); and to monitor any necessary action plans. The results of the annual self-evaluations by the Country Business Units (CBU) are sent to the Internal Control Department, which analyzes them and communicates relevant synthesis to the different stakeholders. Appropriate action plans are put in place by the entities with a view to continuous improvement; the ICD verifies that the action plans have been created and evaluates them for any oversights, and independent internal audits are subsequently carried out to validate that corrective measures have indeed been taken.

In 2009, internal control performance indicators (coverage rate, "intensity" of controls, and deficiencies rate) were established to facilitate the analysis and disclosure of all results and the assessment of the effectiveness of internal controls within the different regions and the 4 divisions.

The quality of the oversight and of the monitoring of internal controls is ensured by two committees – headed up by the Internal Control Department – which meet regularly: the DANgo Steering Committee (which meets twice a year, and consists of the operational executive managers designated to represent the Group's key functions: Purchasing, Operations, Sales, Finance, HR, IS, etc.), and the quarterly Internal Control Steering Committee (which includes primarily the heads of the Finance function at headquarters and in the Divisions).

In 2009, the Group Internal Audit Department conducted 47 internal audit assignments in the CBU or of Group-wide functions, based on the plan previously approved by the Audit Committee. Eighteen of these audits covered Baby Nutrition and Medical Nutrition entities, achieving cumulative coverage of nearly 80% of the former Numico CBU since they were acquired in 2007. Following each assignment, an action plan was prepared by the management of the subsidiary to correct any weaknesses identified in the audit report, and the implementation of action plans is routinely monitored by the operational and functional managers, under the supervision of the Internal Audit Department. In 2009, this monitoring led to 29 short monitoring assignments being carried out on the implementation of action plans, whenever possible in the 12 months following the audit.

The Treasury and Financing, Information Systems, Internal Control, Environment, and Crisis Management Departments all arrange for audits and periodic inspections in the CBU, in addition to the internal audit assignments.

The Audit Committee and the Group's General Management are informed at least twice a year of the progress made in the CBU' self-evaluations, the related findings, and the results of the audits conducted by the Internal Audit Department.

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Danone Nutrition & Health Governance

Health and nutrition being at the core of Danone's mission, it is only logical that they also be at the core of corporate governance. In order to establish a health and nutrition strategy worthy of its mission, Danone has built Nutrition & Health governance structures that obey very stringent criteria. These structures include principles, mechanisms, commitments and evaluation methods that allow the group to respect and adhere to its commitments, thereby reinforcing the values of involvement and social responsibility to which Danone is attached.

Principles

1. A rigorous scientific approach

The first pillar is the principle of a rigorous scientific approach that has been implemented for the development of products and the demonstration of their benefits for nutrition and health. This pillar relies on the group's unique Research and Development know-how and on ongoing and open dialogue with the scientific community, through public and/or private partnerships, meetings of experts and symposia. This scientific approach is based on the use of internal reference tools (Danone Nutritional Standards, Nutripack dossiers, Brand Nutritional Standards, etc. see paragraph Tools) that help ensure the relevance of projects developed (nutritional / health objective, appropriate food vehicle, nutritional solution, etc.) and provide a convincing demonstration of the effects of the products (scientific evidence demonstrating the efficacy of the product).

2. A self-regulation more demanding than official regulations

Danone's Nutrition & Health Governance is driven by a self-imposed internal discipline based on self-regulation to standards that are more demanding than official regulatory requirements, with the objective of ensuring greater relevance in products, and greater reliability and transparency in communications.

This approach is based on a number of specific internal tools such as the Communication Guidelines, an internal procedure for validating communications on products with claims, the Nutritional Information Charter, or the company's stance on advertising aimed at children accompanied by nutritional criteria (*see indicators PR3 and PR6*); it also relies on the implementation of national, regional and / or international inter-professional codes of good practice such as the **code** of the International Chamber of Commerce on the Marketing of Food and Beverages.

The Danone Food, Nutrition & Health Charter



3. A constant process of consultation with various stakeholders at national, regional and international levels

Danone supports national, European, regional and Global consultation initiatives involving both manufacturers and civil society, especially where they aim to promote clear information for consumers or responsible behaviour in the field of health and nutrition:

- decision to **limit advertising to children** as part of a shared commitment alongside other major players in the food industry in the **EU**, **USA** and **Brazil**;
- **deployment of nutrition information** based on Guideline Daily Amounts, defined by the **CIAA** (Confederation of European Food Industry);
- support for the EU Regulation calling for better supervision of nutritional and health claims;
- support for the principles of **PNNS2** (the French National Health and Nutrition Programme), etc.

Organisation

The nutrition and health components of Danone Corporate Governance are driven by the Global Nutrition & Health Committee. Chaired by a member of the Executive Committee, it is composed of the executives responsible for the key functions involved in nutrition and health, such as R & D, Regulatory Affairs, Health and Medical Affairs, Quality and External Relations. The committee meets every two to three months to review emerging issues, evaluate potential impacts and identify appropriate positions and commitments. It also devises concrete action plans, guidelines, frameworks, benchmarks and toolkits and monitors their roll-out in Danone Country Business Units.

Danone's commitments

Safety and quality, from production to final consumer, are Danone's primary obligations. Beyond these duties, the Global Nutrition & Health Committee has identified five key commitments relating to nutrition and health by way of expressing Danone's contribution to the management of major public health challenges, both present and future, relating to food:

1. proposing solutions continuously tailored to the nutritional needs and recommendations, tastes and incomes of the local people;
2. developing products with relevant, scientifically proven health benefits and based on an appropriate nutritional profile;



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3. informing consumers clearly, factually, and practicing responsible advertising;
4. promoting healthy diets and healthy lifestyles;
5. addressing major health- and nutrition- related societal challenges.

Evaluation of the Danone's commitments

Our Country Business Units regularly monitor their implementation of our **Food, Nutrition & Health Charter** and related commitments. This self-evaluation is supervised by the corporate Labour Relations and Social Responsibility Department and by independent auditors. They certify that Danone's responsibility towards the social, economic and environmental well-being of the populations involved remains at the core of its commitment to health and nutrition.

Danone's Nutrition & Health Strategy and governance tools

The Nutrition & Health strategy and governance approach has led to Danone developing rules and tools (management tools, charter, guidelines, etc.) with their definition and deployment being lead by the Global Nutrition & Health Department, with close involvement by R & D, Marketing, Regulatory Affairs, Nutritional Affairs, Quality Assurance and the Corporate Management departments of the Country Business Units.

Nutritional mapping: "Nutripacks"

Because listening to and understanding consumers and their environment are clear prerequisites for "bringing health through food to as many people as possible" in both developed and emerging countries, Danone attaches great importance to acquiring specific, locally adapted resources. The group has therefore undertaken a carefully targeted study of the various population groups that make up its consumer base: socio-economic environment, dietary habits and behaviour, preferences and tastes, traditions and cultures, deficiencies and excesses, distribution channels, etc. The aim here is to be able to adapt products constantly to satisfy local requirements and issues.

In order to offer products tailored to the needs of consumers, Danone Research's R&D Nutrition Platform has since 2002, regularly carried out on the basis of information drawn from the review of scientific literature and expert opinions, the mapping of nutrition and health related issues, taking into account factors including gender (male, female), age (children, adolescents, adults, seniors), health status (pregnant women), etc.

This approach enables:

- the definition of the nutritional profile of a country: quantitative and qualitative intake from foods consumed, breakdown of meals, deficiencies in certain nutrients, etc.
- the analysis of public health issues: incidence rates of the main diet-related diseases, principal local institutions that are currently active and major national programmes under way on these issues, etc.

In late 2009, these “Nutripacks” were available in 26 countries where Danone operates and generates nearly 85% of its sales turnover. When no recent or reliable data is available locally, Danone may support the conduct of local scientific, epidemiological studies: thus, in 2008, Danone Brazil in collaboration with 12 research institutions in Brazil, carried out a nationwide epidemiological study to evaluate the dietary intakes of some 3,000 children between 4 and 6 years of age. This study showed that a majority of these children have lower than the recommended nutritional intakes, particularly with respect to calcium (57% of children), vitamin D (63%), fibre (90%) and vitamin E (25%).

The NutriProgress programme

The Danone Research R&D Nutrition Platform also conducts nutritional evaluation of the product portfolio of the group and of its main competitors, in comparison against target recommendations established by the public health authorities (Nutriprogress Programme). This programme helps to develop, if necessary, action plans for the adaptation of the nutritional quality of the group’s products to respond to the evolving nutrition and / or health related issues and challenges and to ensure the nutritional superiority of these products compared to competing products. In 2009, over 1500 recipes for fresh dairy products representing over 90% of the division turnover and more than 700 children complementary food recipes were analysed.

Targeted reformulations to fight against nutritional deficiencies

Danone’s flagship brand for children, Danonino (called Petit Gervais aux fruits in France) now has a composition that is specifically adapted to nutritional requirements in 14 different countries:

- **In Brazil**, for example, where concerns relating to anaemia and malnutrition rank alongside obesity, Danonino is enriched with calcium, iron, vitamins E and D as well as zinc, to meet children’s needs.
- **In Mexico** the product is enriched with iron, in Japan with vitamins A and D, in Spain with calcium, in France with vitamin D and in Russia with iodine and vitamin D.

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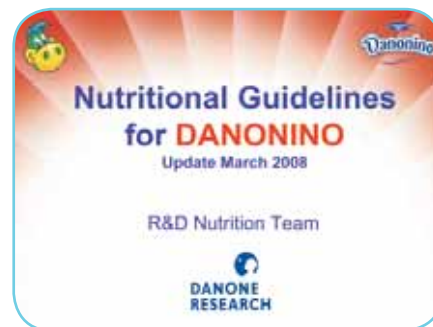
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Danone's Nutritional Guidelines

This tool provides, for each category of Danone products, minimum-maximum thresholds for ingredients and nutrients (sugars, fats, proteins, vitamins, minerals) used in their composition, in accordance with the recommendations of the WHO (World Health Organisation), the FAO (Food Agriculture Organisation) and the European Eurodiet programme. Each Danone business unit is responsible for adapting the composition of its products to reflect the needs, tastes, context and specific regulations of the local market, whilst remaining within this framework. For example, Danone dairy products must contain at least 70% milk (the regulations require that dairy products contain a minimum of 50% milk). Dairy products designed for children over three years old must provide at least 120mg calcium per 100g. Prepared meals for babies contain a maximum of 150mg sodium/100g (that is, 25% less than the regulatory maximum limit), and those intended for babies under six months do not contain added salt, so that our products do not develop the taste for salt in babies. In desserts for everyday consumption, the amount of added sugars is limited according to the age of the baby / child (5g/100g after 6 months, 6.5 g/100g for 8-10 months, 7g/100g after 12 months) in order to help develop their sensory stimulation without habituating them to very sweet tastes. Growing-up milks designed specifically to meet the needs of children between 12 months and 3 years have lower protein levels (2.0-2.5g/100kcal) than cow's milk (3.5g/100kcal) and iron content that is 25 times higher.

Brand Nutritional Guidelines

These Guidelines are a practical application of the Danone Nutritional Guidelines, and provide the international nutritional reference framework for the main brands, ensuring consistency with the positioning of each brand and the specific needs of the consumers at which they are aimed. Brand Nutritional Guidelines have been designed for Danone's major brands in dairy products (Actimel, Activia, Danonino, Vitalinea, Danacol, etc.). For example, dairy products in the Vitalinea range (Taillefine in France) should have an energy content of at least 30% less than that of an equivalent standard product, should not contain fat and should contain up to a maximum of 2g added sugars per 100g.



Brand Nutritional Platforms (BNP)

Serving as real “identity cards”, the BNP precisely describes the overall identity of each brand with a claim: positioning, claims, nutritional characteristics (as defined in the corresponding Brand Nutrition Guidelines), health benefits, nutrition and scientific basis, and possible route of evolution. It is intended to ensure a full consistency between the characteristics of the products (composition, nutritional profile, etc.), the scientific rationale (scientific evidence on the benefit of the product) and the claim(s) made on the product. It also enables us to define a very strict framework for renewing and developing our products, particularly when adapting their specific nutritional compositions for deployment in several different countries. The Brand Nutritional Platforms approach has been deployed globally in 2008-09 for all major Danone brands like Activia, Actimel, Taillefine / Vitalinea, Danonino, Danacol, etc.

Communication Guidelines

These communication guidelines, intended for marketing teams and local advertising agencies, are used to prepare product local communications. For each of the major Danone brands (Vitalinea, Actimel, Activia, Danonino, Danacol, etc.), they set out the scientific bases for the products, and provide advice and rules to be followed in order to turn them into benefits for consumers (claims, visuals and graphic representations illustrating the benefits, descriptions of scientific arguments, etc.). They are put together by multidisciplinary teams including experts in research and development, nutrition and regulatory affairs. For example: the curve reflecting the action of Danacol on cholesterol may be expressed in various creative ways, but must comply with the instructions outlined in the guidelines, faithfully representing the scientific realities. The ways in which product benefits are expressed are strictly controlled: therefore, the communication guidelines for Activia provide a reminder that it is possible to quantify Activia’s action on digestive comfort and never on digestion, purification or detoxification for example.

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



Our approach to Corporate Social Responsibility

Governance

Procedure for validating communications including claims

The group undertakes to issue communications regarding nutritional or health benefits, only if these are based on proven scientific arguments. Any communication conveying a health and/or nutrition claim is therefore subject to an internal validation procedure, involving several functions (Marketing, R&D, Quality, Regulatory affairs, Legal, etc.), with the aim of:

- ensuring correct and accurate information for consumers;
- raising awareness of nutrition related issues and social challenges among the teams at marketing, quality, regulatory affairs, etc;
- protecting the group's reputation and ensuring consistency in messaging;
- putting in place rules of good conduct for the group, even if the assessment is partly subjective and local.

This procedure concerns all forms of communication: TV spots, radio, packaging, brochures, websites etc.

Nutrition Information Charter

All products marketed by Danone are labelled in accordance with the relevant regulations. Dairy products and beverages (excluding natural mineral waters) for which no specific regulations exist also provide consumers with **nutrition information** as defined in the Danone Nutrition Information Charter:

- On the front of the packaging an icon provides the amount of energy per serving (expressed in kcal) as well as the contribution of one portion in relation to the Guideline Daily Amounts (GDA) in energy expressed in %.
- On the back of the package a table shows the amount of energy, protein, carbohydrates including sugars, lipids including saturated fat, fibre and sodium per 100g and per portion (expressed in kcal for energy and g for the rest), as well as the contribution of one portion in relation to the Guideline Daily Amounts (GDA) in energy, protein, carbohydrates including sugars, lipids including saturated fat, fibre and sodium, expressed in %.
- The same information is also available via the consumer services (mailing address, call centre), a website and / or printed materials.

By late 2009, across the EU countries, nearly 90% of eligible Danone products (dairy products and beverages) included on their packaging nutritional information conforming to the Nutrition Labelling Scheme defined by **CIAA** (*Confédération Européenne de l'Industrie Alimentaire* / European Confederation of Food Companies), and adopted in Europe by many players in the food industry.



Danone also encourages its Country Business Units outside the EU to deploy this model of nutritional information provided there are no opposing or conflicting local regulations.

Compliance with codes of good practice recognised by stakeholders

In all forms of communication (packaging, advertising, brochures, etc.), Danone is in favour of the principles of self-regulation and applying codes of practice recognised by stakeholders, such as those of the International **Chamber of Commerce** (worldwide), the **CIAA** (in Europe) or the **PAOS** (in Spain) or the French advertising regulator, **ARPP** (Autorité de régulation professionnelle de la publicité, in France). Any advertising communications by its brands must particularly comply with the following principles:

- not misleading consumers on benefits linked to consumption of the product;
- not encouraging excessive consumption or irresponsibly eating throughout the day;
- not encouraging inactivity or poor lifestyle;
- not devaluing or minimising parental authority or advice in terms of product consumption.

Commitment on advertising aimed at children

Aware of the role that advertising can play in children's dietary choices, in December 2007 Danone made a commitment to reducing advertising for its products aimed at this audience.

For media and advertising where the target is mainly made up of children between the ages of 3 and 12 - and where there is no state-recognised self-regulation programme (such as PAOS in Spain) -, Danone will restrict its advertising to products whose recipe and portion size are suitable for the requirements of children aged 3 to 12, in line with public health priorities.

To this end Danone applies locally recognised nutritional criteria:

- In EU countries, Danone uses The Food Profiler, a system for assessing the nutritional quality of foods based on the recommendations of Eurodiet. Foods are evaluated according to their potential to rebalance or unbalance the diet, taking into account both nutritional recommendations and the reality of food consumption.

Our approach to Corporate Social Responsibility

Governance

- The food's nutritional profile is defined, based on its content in five nutrients: four nutrients to be limited in food (total fat, saturated and trans fats, added sugar and added sodium), and one nutrient to be favoured in food (polyunsaturated fats, calcium, fibre and iron).
- In the U.S., the criteria adopted relate to the contribution of total fat and saturated fatty acids to energy intakes, the content of added sugars, sodium and calcium.

Thus for products that do not meet these criteria, Danone does not undertake any advertising under the following conditions:

- in commercial breaks on TV or radio during time slots when over half the audience is made up of children under the age of 12;
- in the press and on Internet sites mainly aimed at children under the age of 12.

Furthermore, in its advertising for these products, it is committed to:

- not using real or fictional characters from films, cartoons, television programmes or printed literature (“licensing”);
- not organising promotional distributions in schools, except in response to specific requests received from schools and with an educational purpose;
- not posting advertising material / displays near schools.

However, this does not affect sponsoring that promotes physical exercise.

Danone has undertaken to implement this commitment:

1. in Europe under the framework of the EU Pledge. The compliance by its members with the commitments of the EU pledge has been audited since 2009 by an outside agency that publishes the results thereof (www.eu-pledge.eu).
2. in the USA under the Children's Food and Beverage Advertising Initiative (CFBAI) (www.us.bbb.org/advertisers4healthykids).
3. in Brazil under the framework of the Brazil Public Pledge.

Danone seeks to develop these commitments in other countries, provided there are no opposing or conflicting local regulations.

Stakeholders at the centre of the dialogue process

For several years, Danone has engaged in a process of dialogue with civil society actors. The goal is to not only develop a mechanism based on active listening in order to identify and understand trends and expectations of different stakeholders, but also to engage the enterprise in partnership initiatives, based, for example, on co-creation approaches with these players.

This approach is structured around the four priority issues identified in 2008 (Health, For All -Accessibility-, Nature, People) and specific mechanisms that the group has developed (danone.communities, **Danone Ecosystem**, Danone Institutes, Danone Fund for Nature). The governance of each of these mechanisms strongly involves civil society actors.

Health

The **18 Danone Institutes** which bring together more than 250 independent scientists, experts in nutrition and health professionals in 19 countries serve as places for dialogue and exchange on issues of nutrition and public health. Through their support of research, their educational information programmes and training in nutrition for professionals in the health and education fields and journalists, they help to develop awareness about the role food plays in health, an issue that is central to Danone's mission.

For All (Accessibility)

The danone.communities Fund whose mission is to invest in social enterprises in relation to Danone's mission, is governed by a Board of Directors co-chaired by Franck Riboud and Muhammad Yunus, Founder of the Grameen Bank and Nobel Prize Peace recipient. This board is composed mainly of representatives of civil society, notably including: Jean-Michel Severino (President of the French Development Agency), Jay Naidoo (President of Global Alliance for Improved Nutrition), Maria Nowak (President and Founder of the ADIE - *Association pour le droit à l'initiative économique* / French Agency specialising in Microfinance), Xochtil Galvez (former Secretary of State in charge of Mexican indigenous populations), etc.



Our approach to Corporate Social Responsibility

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Moreover, danone.communities works -by the very nature of its activity-, on an ongoing basis with a network of NGOs to develop solutions tailored to local circumstances. For example, in Senegal, danone.communities teams are working with several local and international organisations as well as with the Ministry of Education to design a product against malnutrition in children of school age. The BOP (Base of the Pyramid) team also relies on the network of NGOs and civil society partners to implement so-called “immersion” programmes designed to allow field teams to gain in-depth knowledge and understanding of the lifestyles and expectations of the population groups concerned.

Nature

In 2009, Danone intensified dialogue and cooperation in the field of environment protection (suppliers, NGOs, public institutions) to accelerate innovation in line with its objectives to reduce its environmental footprint. Packaging, transportation, and energy are the main areas concerned. The Danone Fund for Nature, created in late 2008 in partnership with the Ramsar International Convention on Wetlands and the International Union for the Conservation of Nature (IUCN), provided funding in 2009, for its first carbon offset pilot projects. The Fund’s governance is ensured through a Steering Committee co-chaired by Julia Marton-Lefebvre, General Director of IUCN, Anada Tiega, General Secretary of Ramsar and Franck Riboud. The carbon offset programmes financed by the Nature Fund are designed and implemented by NGOs. Thus, the planting of mangroves in Senegal was a project lead and directed in partnership with the NGO Oceanium.

People

Social dialogue and the practice of negotiating with trade unions are organised nationally and internationally. The ICC, international forum for consultation with the International Union of Food and representatives of local unions, saw its geographic scope widened in 2009 to become a World Committee with representatives from all continents.

In 2009, a Guidance Committee was established to ensure the governance of the newly created Danone Ecosystem Fund. Out of 11 members, 4 are representatives of Danone. Other board members include: Martin Hirsch (former High Commissioner for Active Solidarity against Poverty in France), Pascal Lamy (WTO General Director), Bill Drayton (founder and president of the network of social entrepreneurs Ashoka), Ron Oswald (General Secretary of the International Union of Food), Gaby Bornand (CFDT - *Confédération Française Démocratique du Travail* / French Democratic Confederation of Labour), Esther Duflo (Founder of the Poverty Action Lab), Lourdes Arizpe (Ethnologist with UNESCO).

Interview with Franck Riboud,
CEO of Groupe Danone

By statute, the Danone Ecosystem Fund can only fund general interest organisations (Non Governmental Organisations -NGOs-, public institutions, professional organisations). Therefore to ensure their eligibility, all projects developed in the field by Danone's Business Units are launched in partnership with civil society organisations.

The Danone Social Innovation Lab

To share best practices in cooperation with civil society organisations, Danone has since the last three years, organised an original event that brings together teams from Danone and NGOs from different parts of the world. In July 2009, the Social Innovation Lab hosted 120 participants who worked together for two days on projects involving co-creation. The objective of the Lab is to capitalise on replicable models and develop know-how concerning co-creation within the Country Business Units of Danone.

Danone Social Innovation Lab



Our approach to Corporate Social Responsibility

Dedicated management tools

Danone Way: Managing sustainable development at Danone and individual Country Business Unit (CBU) levels

Launched in 2001 and updated in 2007, the Danone Way programme remains to this day, a key element of Danone's **sustainable development strategy**. With the ambitious goal of ensuring compliance by all CBU with the fundamental sustainable development criteria, it provides the reliability necessary for the proper management of extra-financial performance. This focus on social outcomes seems particularly necessary in the current context of economic instability.

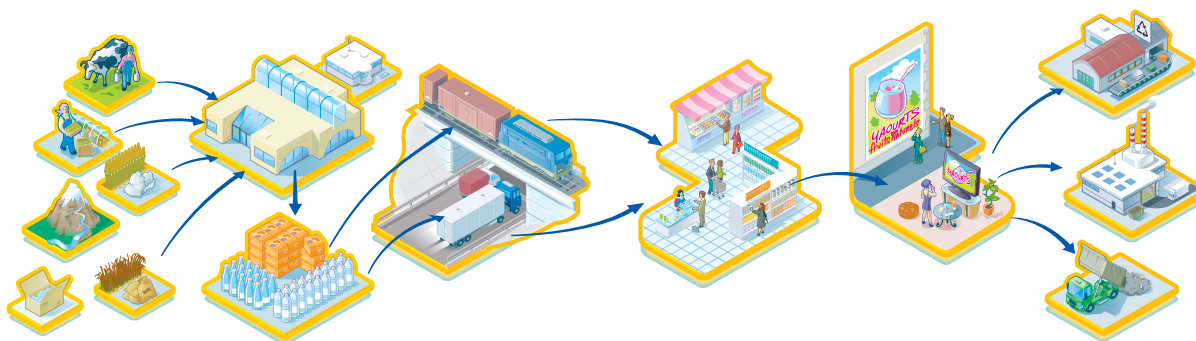
In 2009, the Executive Committees of CBU around the world renewed their commitment within the Danone Way framework by setting their goals and objectives and validating their self-assessment results. Whereas the latter is currently carried out by the vast majority of entities within the Fresh Dairy Products (FDP) and Waters divisions, its deployment is under way for companies within the Baby Nutrition and Medical Nutrition divisions

2009 Methodology

Review of the method

The Danone Way evaluation process concerns Danone's main responsibilities at different stages of operational activity, from the purchase of raw materials to the recycling of finished product packaging.

Stages in Danone's operational activities



The corresponding fundamentals

Environmental Impact of raw materials
Standards for Suppliers

Human rights, Human relations
Environmental Performance
Governance for employees

Environmental Footprint of plants
Environmental standards for suppliers

Product Quality
Standards on nutrition & health for consumers

Environmental impact of packaging

In concrete terms, for each individual Country Business Unit (CBU), it translates into an **annual self-assessment** process that is measurable and quantifiable, of sustainable development performance graded against **16 fundamental principles**. These principles are grouped into five broad themes: Human Rights, Human Relations, Environment, Consumers and Governance.

For each of the 16 Fundamentals each CBU should respectively establish:

- Their level for **policies**. This corresponds to all established management practices that have been formalised and documented.
- Their level for **indicators**. These are concrete results represented via data in figures to quantitatively measure their social performance.

By consolidating the evaluation of policies and indicators for the 16, criteria each CBU obtains a total number of points (a total overall score of 1000) which in turn determines the number of stars (range from 0-5) reflecting the level of progress of their Danone Way sustainable development performance. This is **the Star Challenge!** Stars are awarded according to the schedule provided below:

> 900 points	★ ★ ★ ★ ★
> 800 points	★ ★ ★ ★
> 700 points	★ ★ ★
> 600 points	★ ★
> 500 points	★
≤ 500 points	No star

This annual self-assessment is validated by the **Executive Committee** of each CBU who is also responsible for determining the appropriate objectives for the next year and for developing the corresponding action plans. The objectives related to performance indicators are established at the level of either the group or the Business Division, or the CBU.

Finally, the Danone Way results are automatically integrated into the **bonus** determination process for **General Managers** and members of their respective Executive Committees for all CBU in which the final score is strictly less than three stars. For other units scoring three stars and above, it is left up to the Executive Committee of each unit to decide in favour of the inclusion or otherwise, of these results in the bonus system.

The 16 Danone Way Fundamentals

Prerequisites

- No Child Labour, no Forced Labour

Human Rights

- Equal opportunities & diversity
- Safety at work
- Health at work

Human Relations

- Social dialogue
- Working hours
- Wage policy
- Development & training

Environment

- Management of environmental footprint
- Control of environmental risks
- Raw materials management
- Reduction in packaging

Consumers

- Quality management
- Standards on nutrition & health

Governance

- Policy for Conducting Business
- Corporate social responsibility applied to suppliers
- Relationship with local communities

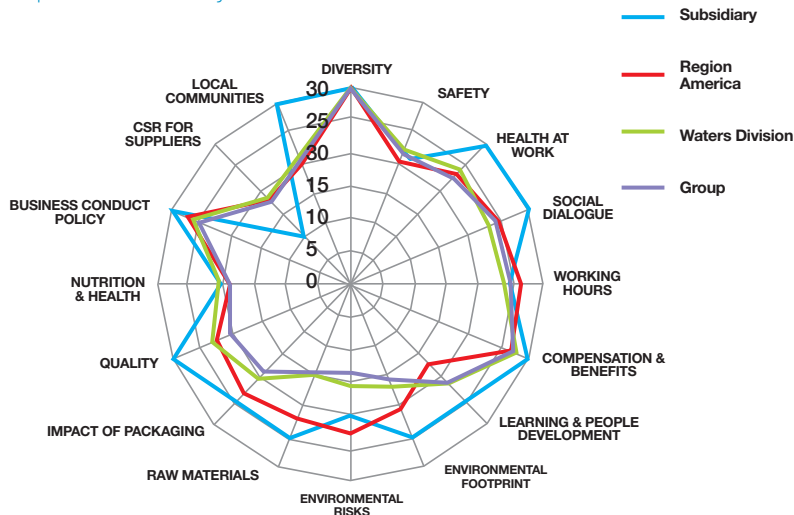
Our approach to Corporate Social Responsibility

Dedicated management tools

DDanone Way – a sustainable development management tool for Country Business Units (CBU)

Following the Danone Way evaluation process each CBU receives from the Corporate team their “Scorecard” or “Dashboard” containing their own results, as well as **elements of benchmark**, with respect to their results for the previous year and compared to averages for the Division and the region where the CBU operates. According to their results, the CBU then has the opportunity to identify priorities and develop concrete action plans.

Sample Danone Way Scorecard



Danone Way in the bonus system

The integration of Danone Way results into the bonus consideration for General Managers and members of their Management Committee reflects the seriousness of the approach and the strength of Danone’s commitment.



Stars in 2008



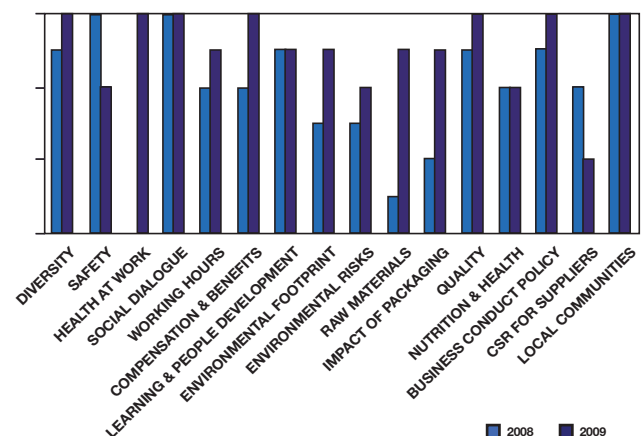
Stars in 2009



DETAILED RESULTS

Fundamentals		Policies	Points	Indicators	Points	Total
DH2	DIVERSITY	4	90	4	90	60
DH3	SAFETY	5	20	5	20	40
DH4	HEALTH AT WORK	4	90	4	90	60
RH1	SOCIAL DIALOGUE	4	90	4	90	60
RH2	WORKING HOURS	5	20	4	90	50
RH3	COMPENSATION & BENEFITS	4	90	4	90	60
RH4	LEARNING & PEOPLE DEVELOPMENT	4	90	5	20	50
ENV1	ENVIRONMENTAL FOOTPRINT	5	20	4	90	50
ENV2	ENVIRONMENTAL RISKS	5	20	5	20	40
ENV3	RAW MATERIALS	5	20	4	90	50
ENV4	IMPACT OF PACKAGING	5	20	4	4	50
CO1	QUALITY	4	90	4	90	60
CO2	NUTRITION & HEALTH	5	20	5	20	40
GOV1	BUSINESS CONDUCT POLICY	4	90	4	90	60
GOV2	CSR FOR SUPPLIERS	2	10	2	10	20
GOV3	LOCAL COMMUNITIES	4	90	4	90	60
Results [illegible]			990		920	810
Total out of 1000						844
Star Challenge			****			

Change in relation to 2008 (Average – Policies and Indicators)



Evolution of the methodology compared to 2008

Since the introduction of the new Danone Way approach in 2007, the group's intention is to not fundamentally change the methodology in the interests of ensuring better readability and comparability of results.

In 2009, it must nevertheless be noted that there was a **very significant tightening** of the Danone Way methodology in that it has become **more demanding and more ambitious** than in 2008. This corresponds not only to the ambitious goals of the group but also to the increasingly higher expectations of stakeholders. This strengthening of the evaluation is manifested in several ways:

- The criterion of “child labour and forced labour” was removed from the methodology. It therefore is no longer counted in the final calculation of star points but is now considered a prerequisite necessary for a company to belong to the group.
- Instead, a new criterion on “Health at Work” has been added. It aims to measure the manner in which the Country Business Units (CBU) meet the health challenges of their employees in the workplace: from employee health insurance systems, to training on a balanced nutrition, through to the promotion of physical activity.
- Levels for policies have been re-evaluated and revised for certain criteria. This is particularly the case for “Social Dialogue” and “Packaging Impacts”
- Levels for indicators have also been strengthened, for example, for “Compensation & Benefits Policy” and “Corporate Social Responsibility for Suppliers”.

Furthermore, until 2009 the method of calculating the final scores was based on one strict principle: the fundamentals apply to all entities regardless of their size and their field of activity. If the CBU defined certain criteria as “not applicable”, the latter were considered as cases of non compliance and they thus negatively influenced the overall results. This particularly severe position has been called into question at the present time with the deployment of the programme across the CBU of the Baby Nutrition and Medical Nutrition Divisions as well as small CBU of the two historical divisions (Fresh Dairy Products and Waters divisions). Indeed, their sustainable development issues may differ from those of the CBU who have been implementing Danone Way to date. From 2010, the fundamentals deemed “not applicable” for certain CBU will therefore, no longer be taken into account in the consolidations by fundamental.

Dedicated management tools

Danone Way audits

Since its launch, the Danone Way initiative has been supported by a system of audits carried out in two different ways. On the one hand, it has been integrated into the internal audit process of the group. On the other hand, a selection of Country Business Units (CBU) is made to undergo special audits carried out by environmental and sustainable development experts from KPMG Audit. These audits are conducted both by Danone's internal auditors and by KPMG auditors who retain control of the final results. The objective of the Danone Way audit methodology is twofold:

- It serves primarily to assess the reliability of the information from CBU.
- It is also a way for them to gain a better understanding of the issues and challenges related to the Danone Way methodology, as well as the group's requirements; become familiar with good practices; analyse the issues that require attention; and build appropriate action plans.

After two trial audits in 2007, six special audits were conducted in 2008 by KPMG Audit. This year, 10 audits covering the 2009 fiscal year were conducted by KPMG. These audits and the consolidation of evaluation results at group level serve as the basis for issuing the review report on the policies and social and environmental indicators of the "Danone Way Fundamentals" programme.

The KPMG Audit review report is published on page 159 of this report.

2009 Results

Scope of Danone Way evaluation

In 2008, 58 entities participated in the Danone Way self-assessment process (representing 76% of total group turnover). The target for deployment in 2009 was to reach at least 75 entities. This year the goal was exceeded with **77 CBU being included in the Danone Way review scope (89% of group turnover)**. This represents a net increase of **19** companies: **five** companies were excluded from the perimeter while **24** others joined in. The **77** CBU concerned in 2009 are distributed as follows:

- The vast majority (57 CBU) belong to the two traditional divisions of the group: 41 CBU from the Fresh Dairy Products (FDP) division and 16 from the Waters division.
- The Danone Way programme has also been deployed across 16 CBU of the Baby Nutrition division: in addition to the three pilot tested entities from 2008 (including Blédina), 13 new entities carried out the evaluation for the first time.

«Danone Way transforms an abstract notion into concrete tools for Country Business Units»

Filip Kegels, General Manager, Fresh Dairy Products - Eastern Europe Region

- Also to be noted, the first test carried out on a Country Business Units (CBU) of the Medical Nutrition division.
- Finally, three entities termed under “Corporate” which includes World Headquarters, and the Research Centre conducted the evaluation for the second consecutive year.

Quality of self-assessment

This year special attention has been paid to the quality of the assessment, that is to say, the seriousness with which firms execute the Danone Way process. To improve this quality, many methods have been implemented by Danone throughout the year: organising working groups, practical exercises, regular communication and exchanges with CBU, etc. The outcome of this work to enhance reliability has been positive overall as is evident in the actual increase in level of involvement of CBU since 2008. These efforts shall be continued and even increased in 2010.

Baby Nutrition, Medical Nutrition

With regard to the CBU associated with the Numico takeover in 2007, the strategy chosen by the group is to gradually extend the Danone Way method to these entities. The success of the two test evaluations in 2008 led to the deployment of Danone Way being extended to 14 new CBU in 2009. This year, the satisfactory results in terms of involvement, quality of self-assessment and roll out of the process have allowed to confirm the usefulness of the approach for CBU. Finally, these good results have also recently been confirmed by the first Danone Way audits completed on two CBU of the Baby Nutrition division.

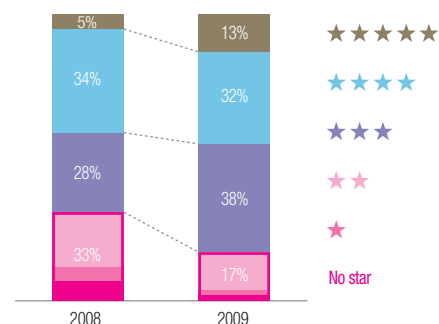
Detailed results

Methodological note: The 2009 perimeter selected for all the results presented below corresponds to the 2008 perimeter less five entities (entities that have been sold or underwent reorganisation). The CBU that participated in Danone Way for the first time in 2009, including the 14 entities belonging to the Baby Nutrition and Medical Nutrition divisions, have not been taken into account. With regard to these new Country Business Units, the group will allow another year following this “test” deployment to ensure reliability and to consolidate their results. This selection of perimeter has thus been done deliberately to ensure better consistency and readability of results.

1. Star Challenge Results

In terms of number of stars, an outright improvement has been noted in results obtained, in general, especially when taking into account the demanding ratings grid that requires at least 500 points for the first star.

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



Dedicated management tools

The number of Country Business Units (CBU) achieving **five stars has more than doubled**, with this number going from three to seven in one year. Amongst these seven exemplary entities, six belong to the Europe and the Americas regions. The number of entities with four stars has remained constant while the number of CBU at three stars has clearly increased. This reflects the far lower number of CBU having less than three stars. Indeed, these CBU accounted for 33% of the total in 2008, whereas they represent no more than 17% this year: there are practically half as many as last year which represents a real breakthrough.

It should also be noted that among these CBU with less than three stars, only 4% are at one star or zero stars against 13% at two stars.

2. Results by theme

In 2009, the general trend of the **results by theme was on the rise**: Four out of five show increasing scores. The moderate decline in the theme “Human Rights”, is clearly explained by the toughening of the Danone Way methodology and in particular by the elimination of the criteria related to forced labour and child labour and the introduction of the ambitious new criterion “Health at Work”.

Scores on other themes were also on the rise, even showing significant improvement especially as regards the Environment which gained four points. This increase reflects the strategy the group has engaged in with respect to environmental matters, with very concrete goals to measure and reduce the overall environmental impacts.

3. Results concerning the 16 fundamentals

Human Rights

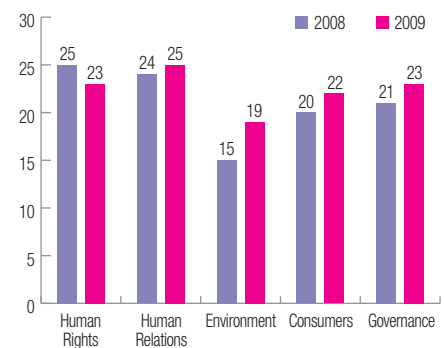
The two historical criteria that include “**Diversity**” and “**Safety**” have consolidated **their gains** of 2008 and continue to grow respectively by two points and one point. Efforts undertaken in the area of diversity with programmes such as “Leadership for Women” in France and Mexico, or like the employment forum “*Job Meeting delle Diversità*” in Italy, are making a difference and showing results in 2009.

Safety performance has also improved, notably with the deployment of the WISE (Work In Safe Environment) methodology. For its first year, the “**Health at Work**” fundamental has achieved a good score of 23 points, thanks largely to the promotion of sports and physical activities and through regular medical examinations guaranteed by the CBU. However, the good results obtained for “Health at Work” do not compensate for the omission of the criterion on “Forced Labour” (30 points out of 30 in 2008), and thus explains the general decline by two points on the theme “Human Rights”.

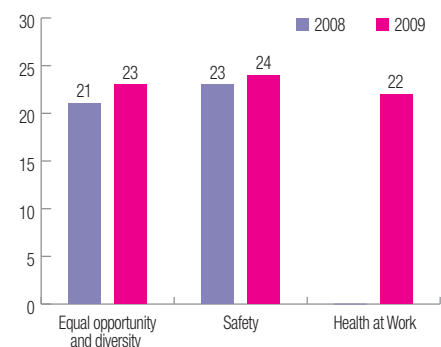
Star Challenge

With regard to Country Business Units placed below the bar of three stars, Danone has included them on its list of priorities for action in 2010. This bar indeed corresponds to the minimum level of sustainable development performance considered acceptable by the group. The 2009 results are therefore encouraging because they prove that Country Business Units tend to be able to naturally cross over this bar.

Change in the average score (out of 30) of Country Business Units for each of the five Danone Way themes between 2008 and 2009.



Droits Humains



Human relations

Within this theme, scores for the fundamentals concerning “Social Dialogue”, “Working hours” and “Learning and People Development” have all increased with only “Compensation & Benefits” criterion showing a slight decrease. The decline is attributable to the very significant strengthening of the indicators related to this criterion: the distribution of pay slips for all employees has been replaced for example, by the systematic verification that the salaries of managers and directors do indeed fall within the relevant salary or pay bands for the sector. In spite of these factors however, its overall score of 25 points makes this criterion one of the best among the total of 16 criteria. The “Social Dialogue” criterion continues its progress thanks to better collective representation in the Country Business Units. The criterion “Working hours” also saw a good increase in scores. So did “Development and Training”, gaining one point with a 7% increase in the number of employees trained and through improved processes of formalisation and communication of the group’s learning policy.

Environment

The four environmental criteria have all registered significant increases and correspond to an overall increase for the Environment theme of four points, which represents the largest increase for 2009. The increase is greatest for “Environmental footprint” (consumption of water and energy, Chemical Oxygen Demand and carbon footprint) which gained six points in 2009. This is followed by “Packaging impacts” where progress is linked to formal procedures put in place to reduce such impact and also to a general improvement in the recycling of packaging waste in the Country Business Units. It also corresponds to the deployment of the FOAM project launched by the Danone Fund for Nature, whose objective is to reduce the weight of the yogurt pot by using polyretane foam. The control of “Environmental risks” and the management of the “Environmental impact of raw materials” also had higher scores, although the increases were more moderate.

Consumers

The “Quality Management” criterion ended up with 23 points attributable to the progress on indicators relating to product compliance in terms of quality. The group’s “Nutrition / Health Policy” criterion improved further in 2009 with better formalisation of communication concerning the health benefits of products. The overall score for this theme has therefore increased by two points.

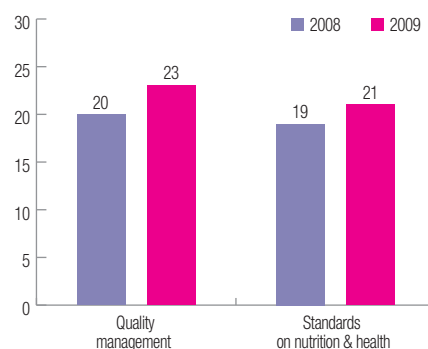
Human Relations



Environment



Consumers



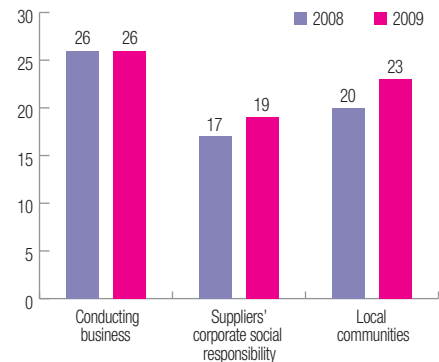
Our approach to Corporate Social Responsibility

Dedicated management tools

Governance

The “Governance” criterion showed an overall increase of two points, the increase being driven mainly by the good results obtained on the criterion “Local Communities”, the score for which rose by more than three points. This is largely explained by the number of social projects launched by the Country Business Units (CBU) and by employee involvement in these projects. Once again, these results reflect the group’s strategy and in particular the deployment in 2009 of the Danone Supporting Life initiatives, and the first projects supported by the Danone Ecosystem Fund. The criterion related to “Business Conduct Policies” is the best scoring of the 16 Danone Way criteria and still continues to advance independent of a certain tightening of the reporting framework. Finally, and despite a change in methodology in the sustainable sourcing policy (RESPECT programme), this criterion is again showing growth. This increase should be more straightforward in 2010 when the new methodology should be fully deployed.

Governance



Danone Way in 2010

Our objectives

In 2009, with 77 CBU representing **89%** of total turnover, almost all of the large CBU evaluated their sustainable development performance through the Danone Way methodology. For 2010 and future years, the group aims to continue expanding the deployment of Danone Way to the smaller entities, taking into account their specificities. The big challenge as regards the scope of evaluation will be to gradually integrate all CBU of the Baby Nutrition and Medical Nutrition divisions in the evaluation process.

The priority action in 2010 therefore concerns the Star Challenge and in particular, the entities having a rating of less than 3 stars. The main objective is to ensure that all CBU conducting the assessment for the third time are in a position to overpass this level. This mainly entails “personalised” support and monitoring efforts undertaken throughout the year so as to more effectively improve performance and results. Concurrently, it is certainly our intention to continue working to improve and enhance the reliability of results by providing our CBU with all the information and tools necessary to ensure the successful roll out of Danone Way. This will notably include ensuring the involvement of Executive Committees and in particular with respect to the CBU belonging to the Baby Nutrition and Medical Nutrition divisions.

Danone Way 2010 methodology

In keeping with the previously mentioned imperative to ensure the clarity and effective management of results, the new version of Danone Way will be almost identical to that of 2009. Only minor changes or clarifications will be applied. A new version of Danone Way, the so-called Danone Way “Light” version will also be established to respond to the specific challenges of smaller Country Business Units (CBU). Globally, the goal of Danone Way is to reflect the general strategy defined by the group, particularly through the “New Danone” approach, and to help CBU in the implementation thereof. The analysis of results obtained in 2009 has already been proven to be in line with the strategic priorities underlying the new strategy. The **Danone Way on the Environment**, for example, is rapidly trending upwards, which endorses the significant efforts made by the group within the context of the **New Danone strategic focus area “Nature”**. This is also the case for the “Governance” theme which has been drawn upwards by the scoring on **“Local Communities”**, which in turn corresponds to the strategic focus area **“People”**. Moreover, the addition of the **“Health at Work”** Fundamental, the results for which are very satisfactory for its first year, corresponds to the strategic focus area **“Health”**. The Danone Way adjustments for future years will thus be very deeply linked to the New Danone strategy.

RESPECT: a joint approach with suppliers

History

A company like Danone works with thousands of suppliers worldwide. Relations with suppliers go beyond the direct activities of the enterprise; it involves a very complex area where different and often conflicting interests are encountered. Danone also considers the relations with its suppliers to be partnerships that promote the sharing of best practices, support growth with shared beliefs and values, while also being mutually challenging. Among the values Danone holds dear, the economic and social dual project occupies a truly special place. This “dual project” is an integral part of the group’s legacy: we are convinced that economic performance and social progress are closely linked. That is why Danone formalised the **Fundamental Social Principles** in 2001, that were founded on the standards set forth by the International Labour Organisation. These principles constitute the absolute basics to be adhered to by all Danone companies, CBU, partners and suppliers.

The 7 Fundamental Social Principles

1. Child labour

The company does not, in any case, 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 care 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.

Dedicated management tools

The **RESPECT programme** has been in place since 2005 – the programme concerns the protection of the Fundamental Social Principles across the entire supply chain. In 2006, this programme was operationally launched: after a pilot phase, RESPECT was deployed in all divisions of Danone with special tools to monitor and ensure compliance with these 7 fundamental social principles.

The RESPECT methodology was based on a control-monitoring system including:

- Risk mapping of suppliers carried out by purchasing managers,
- Inspection visits to “at risk” suppliers by Danone Quality / Purchasing / HR Managers (internal inspection visits);
- External Social Audits of the most “at risk” suppliers;
- The corrective action plan in case of instances of non-compliance noted during the audit and monitoring of this action plan by the Danone purchasing managers. Between 2005 and 2009, the RESPECT programme gained significant momentum within the global sourcing-procurement strategy.

This resulted, in particular, in the following developments:

- A special contractual clause relating to the Fundamental Social Principles has been included in Danone’s General Terms and Conditions of Purchase, as well as in all other contracts entered into between Danone and a supplier;
- All Danone Country Business Units belonging to the Fresh Dairy Products (FDP) and Waters divisions have carried out the risk mapping of their suppliers;
- Nearly 150 external social audits have been conducted on the sites of Danone’s suppliers, with corrective action plans established following these audits.
- RESPECT has been deployed in the group’s new business divisions (Baby Nutrition and Medical Nutrition) thereby becoming a unique approach for the identification and management of social risks among all of Danone’s suppliers worldwide.

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. Working Hours

The company must ensure that applicable legal restrictions on working hours, including overtime, are complied with. 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.

RESPECT in 2009

2009 was a year of strong acceleration for the RESPECT programme with the deployment of this approach in the group's new business lines (Baby Nutrition and Medical Nutrition) and a great deal of effort being focused on external social audits. Of a total of 150 audits conducted under the framework of the methodology, 64 were commissioned and carried out in 2009! *For more details on 2009 results, see page 236 of the report.* 2009 was also a year for strategic forward-thinking with regard to the programme: RESPECT has changed considerably in terms of its content and its monitoring-control procedure which will henceforth be based on collaborative tools shared with other companies of the food industry.

Content of the new RESPECT programme

As stated above, the RESPECT programme initially involved only the social standards (Fundamental Social Principles). In 2009, its scope was broadened to also include the Environmental component, with the Fundamental Environmental Principles, and the Ethical component with the Principles of Business Ethics. Founded on these three pillars - Social, Environmental and Ethical - RESPECT became a real mechanism for control and monitoring of sustainable development standards amongst suppliers.

Fundamental Environmental Principles

1. Preservation of natural resources

Production / The company shall work on minimising the consumption of energy coming from all the sources. It will develop the use of renewable energy.

Packaging / The company shall work on minimising product's packaging for optimising the product service (Eco-conception). To do so, the company shall privilege the recycled raw materials, contribute to developing recycling and recycling fields.

Logistics / The company shall optimise transportation to reduce fuel consumption.

Water / The company shall minimize water consumption.

2. Chemicals

The company shall reduce the use of chemicals and fertilisers and exclude the use of chemicals and fertilisers which are hazardous to the health of consumers.

Business Ethics Principles

The highest standards of ethical, moral and lawful conduct are expected from our suppliers. In particular, we expect our suppliers, their agents and their contractors, to be familiar with and comply with all legal and contractual obligations relating to their business activities, and we will not accept any conduct (including by omission) that is unlawful or that violates such obligations.

Further, we prohibit the offer or receipt of gifts, hospitality or expenses whenever such arrangements could affect the outcome of business transactions and are not reasonable.

Dedicated management tools

Fundamental Environmental Principles (continued)

3. Climate change and greenhouse gases emissions

The company shall work at measuring direct and indirect greenhouse gases emissions of its different activities.

The company shall work at minimising its overall greenhouse gases emissions.

4. Environmental Management

The company shall work at measuring and controlling its environmental risks.

The company shall work at measuring its transported, imported and hazardous wastes according to the Basel Convention.

The company shall aim to put in place the environmental management system recognised by national/international authorities.

5. Animal testing

The company shall work at measuring and controlling its environmental risks.

The company shall work at measuring its transported, imported and hazardous wastes according to the Basel Convention.

The company shall aim to put in place the environmental management system recognised by national/international authorities.

The new RESPECT monitoring-control procedure

The implementation of these sustainable development principles by suppliers is monitored using a new procedure that has become:

- **simpler** – with a specific dedicated system - Sedex (“Supplier Ethical Data exchange”) - Internet platform that enables suppliers to provide information online regarding their production sites, their policies on sustainable development and corporate social responsibility, to download the results of social / environmental audits, etc. Once the supplier gives Danone access to its online profile, the Danone’s purchasing managers can access all this information and determine the level of risk for each of its suppliers which is automatically identified by the system in relation to various different criteria;
- **more collaborative:** the same IT platform - Sedex - allows suppliers to share their information with several clients at the same time. Such information sharing has been made possible through the cooperation of several companies in the agri-food sector under the framework of the AIM-PROGRESS initiative. This initiative aims to pool the requirements that large companies expect their suppliers to comply with in regards to sustainable development.

AIM-PROGRESS et Sedex

The main objective of the AIM-PROGRESS group which brings together leading companies in the food sector (Danone, Nestle, Kraft, Unilever, Diageo, Mars, PepsiCo, Cadbury, etc.) is to develop common standards on Corporate Social Responsibility (CSR) structure around four pillars: Health and Safety, Labour Standards, Environmental Management and Business Ethics, with the purpose of mutualising the information and results of audits concerning their common suppliers. Members have agreed to share experiences, ideas and solutions while ensuring compliance with the rules of confidentiality.

With common standards being thus imposed on suppliers, the improvement of the CSR performance of food industry suppliers is hence facilitated: the grouping of customers having greater impact with regard to a particular supplier. In addition, it makes possible the sharing of audit results, which is an advantage in terms of cost and time, for both suppliers and customers.

The AIM-PROGRESS group has decided to use the **Sedex platform** as a tool for the pooling and sharing of information.

Sedex stands for **Supplier Ethical Data Exchange**. Sedex is a non-profit organisation whose members are the links in the supply chain for consumer / convenience goods: retailers, distributors, processors, producers. The main product / service offered by Sedex is a web-based database.

This database gathers and contains information on the CSR performance of member companies. After registering on the platform, the food industry suppliers fill out a self-evaluation questionnaire for each production site responding to questions around the four pillars (Health and Safety, Labour Law, Environmental Management and Business Ethics). The details from this questionnaire form the basis of an evaluation of the risk of non-compliance with standards developed by the AIM-PROGRESS group, represented by an indicator: high risk = red, moderate risk = orange, low risk = green. Moreover, the Sedex database allows suppliers to share audit results with their various clients.

Les membres du groupe
AIM-PROGRESS-Sedex :



-
2. Once the clause has been signed, the supplier gets registered on the dedicated **web-based platform, Sedex**. On Sedex, the supplier fills in the online self-evaluation questionnaire containing questions concerning the main areas of sustainable development:
 - social and Health and Safety at Work Issues,
 - environmental Issues,
 - issues relating to Business Ethics.
 3. **The risk mapping** of suppliers is done automatically by the Sedex system taking into account the following four criteria:
 - the country / countries where the supplier's production site(s) is / are located,
 - the purchasing category,
 - the "profile" of the site (number of employees, share of unskilled labour, etc.),
 - the results of the self-assessment questionnaire completed by the supplier.

After this mapping process, the suppliers presenting a potential risk are identified. Depending on their level of risk, they are distinguished as follows:

- suppliers without potential risk ("green" suppliers),
- suppliers representing a moderate risk ("orange" suppliers),
- suppliers representing a significant risk ("red" suppliers).

Another method (running parallel to Sedex which is the main process) to identify potential risks is by subjecting suppliers to inspection visits carried out by the Danone quality teams. Under the framework of regular inspection visits to suppliers undertaken to ensure they meet the group's quality standards, quality managers carry out a quick initial review concerning Fundamental Social Principles with the supplier. Following this visit (called "internal inspection visits"), quality managers may ask questions concerning non-compliance with the Fundamental Social Principles to the purchasers responsible for the relations with the concerned supplier.

Dedicated management tools

4. **All suppliers identified as “potentially at risk”** - through Sedex or following the alert notification from quality managers - must be audited by an external audit firm. The results from each audited site are compared with the conditions prevailing on average in the business sector or the region concerned. Compliance with local laws and regulations is also integrated into the audit. The audit results are submitted to the supplier who is responsible for making these results available to Danone by posting them online on the Sedex platform.
5. If the supplier is at the same time also working with other members of the Sedex Group, it may decide to give access to the audit results to all of its customers.
6. The audits performed by one of the members are accepted by all companies within this group. If during the audit certain instances of non-compliance have been discovered, the supplier undertakes to implement a **corrective action plan** to solve them as early as possible. The appropriate action plan is **built jointly by the Danone purchasing manager and the supplier concerned** on a case by case basis. The action plan, depending upon the nature of non-compliances found, may provide for a follow-up audit to be conducted within a period of between three months and a year to monitor the implementation of corrective actions. Naturally, some instances of non-compliance will be easier to correct than others both in terms of cost and time, especially in the area of health and safety at work. However, for other topics, such as working hours and remuneration, the cost of compliance may be significant and may pose competitiveness issues for the plant concerned. Depending upon the different situations and to better take into account any additional costs or, to possibly avoid them through better organisation, such compliance must be managed over time. The founding principle upon which RESPECT is built, is one of continuous improvement with the goal of advancing the suppliers who need it, and who have the willingness to make such progress. The presence of instances of non-compliance on a site does not mean that all commercial relations stop suddenly. However, if, after dialogue, the supplier continues to refuse to put in place suitable corrective actions, Danone reserves the right to cease all activity with this supplier.

At group level, the RESPECT Committee comprising of Purchasing Directors from the various divisions, and representatives from the Department of Social Affairs and Corporate Social Responsibility, convene twice a year to monitor the implementation of the process, to analyse the consolidated results of supplier audits and identify strategic directions for RESPECT.

Future priorities in this area have been identified as follows:

- Continuing to **build the “new” RESPECT programme** integrating all the main pillars of sustainable development, particularly through expansion of the scope of evaluation of external audits, which must include, in addition to the social component, the Environmental Management and Business Ethics components;
- Use of the **Sedex system as the primary tool to monitor the sustainable development performance** of our suppliers, and to ensure registration of Danone’s main suppliers on the Sedex platform;
- **Development of tools** that enable purchasing managers to easily interpret the results of **supplier audits**, initiate and monitor corrective action plans.

Our approach to Corporate Social Responsibility

The bonus system integrating social performance

The social dimension thus constitutes a strong determinant in the company's ability to create a sense of meaning and commitment for Danone employees. At the level of performance management, since 2008 the criteria for evaluating the performance of 1,400 executives has been based on the bonus determination rule structured in three tiers as follows:

- one tier based on economic objectives,
- one tier based on social and environmental objectives,
- one tier based on individual performance goals and objectives.

More specifically in 2009, the short-term variable remuneration policy for executives provided for bonus to be granted conditional upon performance determined on the basis of economic, societal and managerial goals and **calculated in relation to objective and quantifiable criteria**, in line with three types of objectives:

1. **Economic goals of the group and published market guidance:** Net Turnover, Operating Profit (EBIT, Earnings Before Interest Taxes), Operating Free Cash Flow (OFCF) applied to the manager's specific perimeter, and Earning per Share (EPS) applied across Danone.
2. **Danone social goals** have been defined along two areas:
 - a. the **"Social Fundamentals"** (employee training, safety at work and all the Danone Way indicators) for Country Business Units who failed to achieve the minimum requirements in 2008.
 - b. the **New Danone strategic thrusts**, for example, with regard to Nature: establishment of tools for measuring carbon, CO₂ impact and with the objectives of reducing CO₂ emissions and water use or with regard to People: talent development plan or Danone Leadership College deployment plan, development of all employees (% of employees with a minimum of 24 hours training, % of internal promotion, % of change versus the "glass ceiling").
3. **Individual objectives specific to the individual's perimeter** and consistent with the group's strategy.


The uniqueness of Danone's approach on this subject is based on the short-term variable remuneration being structured in three tiers that helps manage the group's economic and social strategy "from up close".

The effectiveness of the goal-setting and performance management system over the year 2009 was undeniably demonstrated, inasmuch as:

- the economic objectives and goals of the group are in line with published market guidance.
- performance on social goals (measurement and reduction of CO₂, water consumption, deployment of leadership college, talent development and employee development, etc.) are either on or above target levels.

Beyond these results, the bonus allocation system has helped to change attitudes and to deepen Danone's commitment to the continuation and enhancement of the economic and social dual project that has motivated Danone teams for nearly 40 years, in the process benefitting Danone's employees and its ecosystem.





2009-2011

Reinventing the Company



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**FOUR STRATEGIC PRIORITIES
UNDERLYING DANONE'S STRATEGY**

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**A NEW ORGANISATION TAILORED
TO THIS STRATEGY**

Four strategic priorities underlying Danone's strategy

2008 was the pivotal year in the evolution of Danone's Economic and Social "dual project". The group's strategy was revisited in a particularly extraordinary context:

- an increasingly strained economic situation in 2008 with the start of the economic-financial crisis around mid-year,
- integration of Numico (Baby nutrition and medical nutrition),
- growing challenges related to issues of public health and malnutrition,
- rising concern with regard to the environment and nature protection.

With the cornerstone being Danone mission "to bring health through food to as many people as possible", the executive committee defined a three-year strategy (2009-2011) that integrates business performance with the creation of social and environmental value.

This strategy aims to transform and reinvent the company against the backdrop of its willingness and desire to embrace a sustainable growth philosophy.

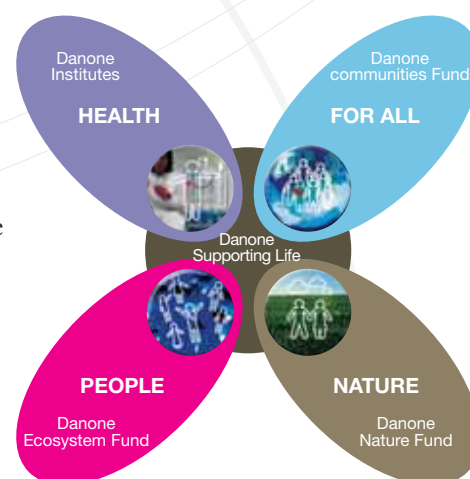
Four strategic priorities at the core of Danone's mission

This strategy is based on four strategic priorities that are consistent with the major social issues:

- Health
- For All
- Nature
- People

These priorities are important levers for growth which should result in:

- strengthening of the group's ability to deliver relevant benefits that address issues of nutrition and health (Health);
- new business and economic models to provide quality nutritional solutions to people with low purchasing power in a growing number of countries around the world (For All);
- accelerating the momentum to take into consideration environmental impacts (Nature) through the reduction of water and carbon footprint;
- the company evolving as a venue for development for all employees and encouraging their involvement in social programmes (People).



A unique mission that addresses the four strategic priorities

2009-2011: Reinventing the Company

Four strategic priorities underlying Danone's strategy

Each of these strategic priority areas has since their origin been sponsored by Danone Executive Committee members to ensure strong linkage with the economic approach.

- Health: General Manager, Research and Development
- For All: General Manager, Dairy Products
- Nature: General Manager, Dairy Products and Group Chief Financial Officer
- People: General Manager, Human Resources.

2009 marks the operational integration phase

In 2009, Danone embarked on a phase of acceleration and full integration of this social strategy into the company's operations.

In order to accomplish this, the "New Danone" programme was created to facilitate the implementation and propagation of the process across all Country Business Units.

The latter having taken ownership of the new strategy, were able to establish numerous initiatives thereby also strengthening their specificities (examples: transformation of the Dairy Products Business Units in Japan, "from Old to New" project. Access to water and health: Aqua Indonesia).

Furthermore, each strategic priority has been reinforced by the creation of platforms or funds that enable the acceleration of this ambitious direction:

- Danone Ecosystem Fund (April 2009),
- Danone Fund for Nature (late 2008),
- danone.communities Fund (2007).

A new organisation tailored to this strategy

The roll out of this strategy was accompanied by the creation and implementation of a new organisation in 2009.

Within Danone the **organisation** of the various components of what is commonly called **Sustainable Development is now (March 2010) as follows.**

At the Group Corporate team level, we have:

- firstly, the **Department of Social Affairs and Corporate Social Responsibility**, responsible for management and enforcement initiatives relating to compliance with sustainable development fundamentals (Danone Way, RESPECT), relations with extra-financial rating agencies, and cross-functional projects with a strong social dimension (employability, social dialogue, diversity, employee safety, etc.). The Danone culture, the economic and social dual project as well as employee commitment being key aspects of this department, **it reports to the Human Resources General Manager, who is a member of the Danone Executive Committee.**
- secondly, the establishment of departments with dedicated teams for each strategic priority or social innovation platform. Each of these departments has a hierarchical relationship with a member of the Executive Committee to ensure alignment and consistency between the company's social strategy and economic activity.
 - the **Ecosystem Management Department** in charge of the Danone Ecosystem Fund aims to strengthen and develop the stakeholders within Danone's ecosystem, on the economic, social and territorial levels. With a view to ensuring that these innovative projects are helping to transform the company and the manner in which business is conducted, this department **reports functionally to the Human Resources General Manager, who is a member of the Danone Executive Committee.** Also integrated in this Department is the team responsible for social innovation that in particular works to develop the Danone Supporting Life platform.
 - the **Nature General Management** that oversees the Environmental Management strategy and programmes related to various partnerships and activities pertaining to the DANONE FUND FOR NATURE. In order to effectively anchor all these programmes within the core of the company's business, this department reports **to two sponsors who are members of the Danone Executive Committee**, that is, hierarchically, to the General Manager for Fresh Dairy Products, and functionally, to the Group Chief Financial Officer.

2009-2011: Reinventing the Company

A new organisation tailored to this strategy

- **the Department for “Base Of the Pyramid and Social Business Unit”** is responsible for developing initiatives that support the mission to bring health through food to as many people as possible . This department **reports to the General Manager for Fresh Dairy Products - Africa / Middle East Region, who is a member of the Danone Executive Committee.**
The teams managing the **danone.communities** projects are also integrated into this new department.
- In order to ensure **coordination of the various programmes** under these three departments, the position of **General Manager Sustainability & Shared Value Creation**, reporting to Danone’s Deputy General Manager, has been created. This position is also responsible for relations with strategic opinion leaders for the group. In addition, three dedicated committees have been established to support the activities of the above mentioned departments, the Nature Committee, the Social Innovation Committee and the “Base of the Pyramid” Committee.





The strategy in action:
2009 main results and outlook

Focus on the four strategic priorities



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**HOW SYMBIOSIS AMONGST
DANONE'S FOUR STRATEGIC
PRIORITIES CREATES
ADDED VALUE...**

Health

Since its creation, Danone has closely observed changing human lifestyles and has promoted scientific research, with the aim of developing food and beverages that answer to people's nutritional needs whilst providing health benefits.

Given the current health issues related to food, Danone, as the sixth largest global agrifood group, is conscious of having to play a tangible role in health through nutrition and diet, by contributing to the fight against malnutrition in a wider sense (over-nutrition and under-nutrition) as well as by helping consumers to choose a balanced diet.

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

1. Developing products that combine nutritional benefits and organoleptic qualities, and which satisfy consumers' needs and preferences. These products may result from adaptation of the nutritional profile of existing products, including optimising the levels of certain nutrients if necessary (decreasing fat, sugars, increasing fibre, vitamins and minerals, etc.) and / or an innovation process taking into account the evolution of scientific knowledge and technology.
2. Developing products with relevant, scientifically proven health benefits and supported by an appropriate nutritional profile.
3. Developing affordable products with high nutritional values for people with low or very low incomes.
4. Helping consumers to adopt a healthy diet and healthy lifestyle through responsible communication, promotion of healthy eating habits and encouragement to practice regular physical activity, in consultation with the relevant authorities.
5. Participate in developing knowledge on the linkage between diet and health, both at a scientific and practical level.

This strategy is reflected in the form of voluntary commitments in the new Danone **Food, Nutrition & Health charter** published in October 2009 (*see PRI for more details*).



Health

Designing products that combine nutritional benefits and organoleptic qualities, and which satisfy consumers' needs and preferences

Each year Danone develops plans of products nutritional improvement in order to respond to evolving public health issues in the countries where products are consumed. This approach is based partly on the *Nutripacks*, which are surveys drawn from the analysis of scientific literature and expert opinions, and provide a snapshot of the nutrition and health issues of different population groups (children, adolescents, seniors, etc.) living in countries where Danone is operating (incidence of diseases related to diet, dietary / nutritional intakes, nutritional deficiencies, local health and nutrition policies, etc.). It also relies partly on the *NutriProgress* diagnostic tool that positions the nutritional quality of Danone products (particularly the fat and added sugar contents) in relation to public health issues and the market.

In 2009, over 1500 recipes belonging to the portfolio of dairy products and 700 recipes of complementary foods were analysed using *NutriProgress* diagnostics; this work led where necessary, to a plan of nutritional improvement (for example, by reducing the sugar, fat and salt content), while maintaining consumer preferences with the help of the organoleptic quality monitoring programme known as BEST.

Danone is also developing new products such as:

- **Densia**, for women over the age of 45 years which provides 50% of the daily calcium requirement,
- **Bebelac**, a range of baby foods providing complete nutrition for babies and children up to 3 years of age and successfully launched in China in 2009.

See PR1 for more details on page 251 of the report.



**DANONE
RESEARCH**

CENTRE FOR SPECIALISED NUTRITION

Danone Research, a unique asset to the Danone strategy

With a complement of 1,200 employees located in two international research centres (Palaiseau, France and Wageningen, The Netherlands) and in the local R & D centres, Danone Research has developed considerable scientific expertise in four areas: nutrition and human physiology, yeasts and probiotics, prebiotics, consumer science. In addition, it collaborates with prestigious external institutions in the context of more than 200 programmes and is in constant contact with leading scientific experts through “advisory boards” focusing on Danone’s strategic themes (nutrition, hydration, digestion, cardiovascular health, etc.).

2009 budget: 208 million euros

Developing products with relevant, scientifically proven health benefits and supported by an appropriate nutritional profile

In 2009, with the purpose of studying the benefits of Danone products for health, more than 120 clinical trials have been conducted by Danone Research, of which 60 were newly launched. The **study results** have been published in leading international scientific journals and reported in major scientific conferences.

The **main areas of investigation** in terms of benefits are:

- the influence of intestinal flora on health,
- the impact of early nutrition (pre-and postnatal) on future health,
- the impact of hydration on health condition and prevention of health problems,
- the importance of adequate and appropriate nutrition to facilitate healing of the sick,
- nutritional deficiencies and appropriate nutritional solutions.

In 2009, the scientific dossiers relating to the benefits of two of our products received a positive opinion from the **European Food Safety Authority** (EFSA): helping to reduce cholesterol level in the case of Danacol; supporting growth and enhancing bone strength in the case of Danonino. The Thai authorities have also issued a positive opinion on the scientific dossier relating to the benefits of our product Activia.

In addition, we have developed our Brand Nutritional Platforms (BNP), serving as real identity cards for our international brands with claims, in order to precisely describe the overall global characteristics of the products, thereby ensuring perfect consistency between a product's advertised nutritional and/or health benefits and its content (nutrients, active ingredients, etc). In 2009, Danone developed BNP (*see page 45 of the report*) for all major brands of dairy products (Actimel, Activia, Danonino, Vitalinea, Danacol).

See PRI for more details on page 251 of the report.



Health

Developing affordable products with high nutritional value for people with low or very low incomes

Danone's mission to bring health through food to as many people as possible drives the development of new programmes designed for low-income populations, most often in partnership with local communities and NGOs.

The Gizikita product range launched in 2009 in Indonesia, and developed in partnership with a major Indonesian NGO (PKPU) includes milk for pregnant and nursing women, a porridge for 1-2 year olds, and a topping for 3-5 year olds, with the products allowing for the coverage of a significant proportion of daily needs in essential nutrients such as calcium, iron, zinc, iodine, and even vitamins A and B9, at a very low cost (from 5-15 euro cents per serving). This launch was accompanied by a nutrition education programme by volunteer workers working in nurseries/child care centres who provide dietary advice for mothers and young children.

In Mexico, a range of "basic" yoghurts was re-launched in 2009 with a view to making these products more accessible to consumers in the low and very low income groups, who comprise 67% of the population. Thus **Danone 90 años** was launched at a price 30% below the previous range (14 euro cents per 125g pot) while at the same time providing all the nutritional quality of yogurt. The result: 20 million more Mexicans enjoy the daily benefits of yogurt.

See PRI for more details on page 251 of the report.

Helping consumers to adopt a healthy diet and lifestyle

Danone seeks to help consumers make informed and beneficial health choices, in terms of food, while being respectful of their preferences, their traditions, culture, etc.

Responsible communications regarding Danone products

As of late 2009, all Danone products display their nutritional content on their packaging as follows:

- per 100g for baby nutrition and medical nutrition products (in accordance with the relevant regulations in force),
- per serving and in % of Guideline Daily Amounts (GDA) for dairy products and beverages (on a voluntary basis, according to the scheme defined by the **CIAA**, European Confederation of Food Companies, European food industry good inter-professional practice – when not in conflict with the local regulation).

Our baby nutrition products also display pictogram symbols on the packaging allowing parents to easily identify suitable products for their babies with rapidly changing, growth-induced, nutrition needs.

Furthermore, product health claims are also subject to a very strict internal development and validation process to ensure they are easily understandable by consumers and comply with the scientific evidence demonstrating the product benefits. Danone forbids the making of any nutrition or health claims for pure-pleasure “indulgence” products.

Danone is fully committed to responsible advertising, particularly in compliance with the International Chamber of Commerce **Code** of Advertising Practice with respect to food and beverage products, with a view to, for example, avoiding any type of message that could encourage overconsumption of any of Danone’s products and / or the pursuit of unhealthy lifestyles. Moreover, Danone has made a commitment to **restrict its advertising to children under 12 years of age**, to advertise only those products whose nutritional profiles are specifically adapted to children, and not to advertise Danone products in schools.



The strategy in action: 2009 main results and outlook

Health

Danone has put this principle into full effect across the European Union (**EU pledge**), where compliance is monitored by independent external auditors, as well as in the U.S. (**US pledge**) and Brazil (**Brazilian pledge**).

Danone is working to expand this practice of self-discipline to other countries.

See PR3 and PR6 for more details - pages 258 & 261 of the report.

Information and initiatives beyond Danone products

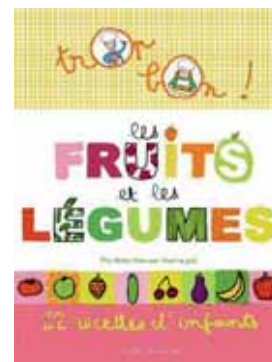
Information made available to consumers is not limited to labels and products. Numerous programmes and tools (brochures, websites, blogs, forums, call centres etc.) intended for the general public provide information on nutrition and food in general, for example, the website Gallia (www.laboratoires-gallia.com) launched in 2009 provides detailed information and practical advice on nutrition for children and pregnant women.

In the Czech Republic, Danone, in partnership with the Danone Institute and with the active involvement of employees, launched the programme “The Healthy ABC” in kindergartens and primary schools to participate in the education of children in a fun way on the importance of diet to health.

Moreover, Danone’s Business Units undertake numerous activities designed to promote the practice of physical activity and healthy lifestyles:

- Each year, Danone hosts the **Danone Nations Cup**, a football tournament sponsored by Zinedine Zidane; in 2009 the tournament involved more than 2.5 million children aged 10-12 years in 40 countries (the event having involved more than 14 million children around the world since 1999)
- In the United States, **Dannon’s Next Generation Nutrition Programme**, set up in 2006, aims to provide a financial support for associations that develop nutrition education programmes for children in order to fight against obesity. In 2009, four new programmes were funded for a total of about 85,000 euros
- In France, in 2009, the Danone Institute published the cookbook “Fruits and Vegetables” to help develop the taste in young children, for fruits and vegetables, often consumed in insufficient quantities.

See PR3 and PR6 for more details - pages 258 & 261 of the report.



Helping to develop knowledge on the linkage between diet and health, both at a scientific and practical level

Danone seeks to be an active partner of the scientific and medical communities in order to develop and advance knowledge about the links between diet, nutrition and health and to contribute to this knowledge being put into practice by health professionals and practitioners.

This commitment is embodied in various initiatives, including through institutional research partnerships; thus 2009 saw the renewal of the partnership between Danone Research and the Institut Pasteur in Paris to develop new research projects on probiotics. Furthermore, Danone Research organised an international convention on probiotics in Shanghai, which brought together over 130 international experts.

The four business divisions are also very active in providing training to health professionals and practitioners regarding nutrition issues in the areas of digestive health, cardiovascular health, hydration, nutrition, baby nutrition and medical nutrition with more than 1600 seminars organised around the world in 2009.

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Main achievements of the Danone Institutes in 2009

- In 2009, Danone Institute International awarded **Professor Johan Auwerx** (EPLF, Switzerland) the 7th Danone International Prize for Nutrition, which is awarded every 2 years in recognition of novel concepts and innovative research undertakings in the field of nutrition that make a major contribution to public health.
- Each year, all of the Danone Institutes grant roughly sixty scholarships and prizes to support research in nutrition, for a total of one million euro. They also organise around a dozen scientific and practice related conferences and publish numerous books and newsletters in order to keep practitioners, journalists, educators, etc. informed of recent scientific advances in nutrition.
- In France, the Danone Institute has been running since 2004 a programme called “**Ensemble surveillons sa corpulence**” (Watching their BMI together). It calls for health professionals to monitor children’s body mass index, so as to identify those at risk of becoming obese as early as possible. Other tools intended for physicians and parents also provide advice on healthy lifestyles. More than 14,000 kits have been distributed since 2004 as part of this programme in line with the objectives of the **National Health Nutrition Plan** of the French Ministry of Health.
- In Germany, the Danone Institute organised in 2009 a two-day seminar led by a dozen leading scientists on the theme “**Food Risks, Fears and Phobias**” attended by about forty journalists working for the major German media outlets.
- The Danone Institute of Turkey published in 2009 a reference book on the portion size of foods for the Turkish population.
- In Mexico, the Danone Institute published in 2009 the new Recommended Nutrient Intakes for the Mexican population, a book resulting from the work of fifty local experts and approved by the Mexican Ministry of Health.
- The Danone Institute in Indonesia in 2009 published the proceedings of a meeting of experts on child growth and micronutrient deficiencies in Indonesia.



Danone Institutes, a unique international network

Since 1991, Danone has been supporting Danone Institutes, independent non-profit organisations, with the aim of contributing to the development of knowledge on the links between diet, nutrition and health. Based in 19 countries, their activities and programmes range from supporting scientific research, to disseminating information, public education and providing training to health professionals and practitioners. The network of 18 Danone Institutes today involve more than 250 highly reputed independent experts (researchers, physicians, dieticians) covering all aspects of food and nutrition (biology, medicine, social sciences).



Product quality at the core of Danone's health mission

With its Nutrition and Medical Nutrition divisions, Danone seeks to address the needs of the most vulnerable population groups, for whom it is imperative to provide foods with the highest safety standards. Similarly, with regard to Fresh Dairy Products, the flagship products (“blockbusters”) offer health benefits: the recipes may contain active ingredients that require the utmost vigilance to ensure adherence to specifications.

Through a process ensuring the constant pursuit of excellence, the Danone Quality team is committed to providing consumers with innovative and high quality products that meet their needs and expectations in terms of nutritional content, taste and health benefits. The concept of accessibility is also taken into account; the new concept of “affordability” has Danone teams working on the development of products with high nutritional value that are affordable.

Since the past two years, with the acquisition of new divisions that are more quality sensitive and the adoption of a position that is 100% health focused, Danone has redesigned and enhanced its Quality services.

A “product governance” approach has been adopted. It incorporates business concerns along with issues relating to science, regulatory requirements and consumer demands.

Today, the group's quality functions and services are more focused on proactive anticipation than on reaction, and on quality assurance rather than on control...

This product governance encompasses **three main phases, each intended to secure product safety:**

- upstream, the quality of product design (quality design), right from the marketing team briefs to product specifications phase;
- quality of execution (quality execution), from product manufacturing to the finished product phase;
- and finally, the quality assessed by consumers that improves on the first two.

In order to ensure this process is implemented throughout the chain - “from farm to fork” - the **organisation has been redesigned, with new skills and expertise having been recruited.**

Today, Danone employs 380 quality professionals working as directors and managers.

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During the first phase, for example, that of product design, the risks and benefits are evaluated with the Research & Development department. For Phase 3, consumer services have been improved and harmonised at the international level, in such a manner that the data collected are pooled and the contacts are qualified in identical fashion.

For example, as part of ongoing efforts to ensure and provide for the nutritional compliance of Danone products everywhere, on a day to day basis, quality teams manage the implementation of procedures with tools and indicators throughout the product life cycle in order to effectively meet the group's commitment expressed in the nutrition and health charter.

From a strategic standpoint, Danone has identified **three ambitious goals, which respond to the growing demands of the consumer:**

- ensuring food security: the product must be healthy and safe
- ensuring product compliance with specifications and conformity with the claims or promises associated with it
- making Danone products the brand most preferred by the consumer.

The first two are considered as pre-requisites, while the third will become a competitive advantage.

All standards and indicators have been redefined and are constantly being improved. New indicators have been established to evaluate the group's performance on the criteria expected by consumers: food safety and compliance of products, and their nutritional superiority in relation to competitive offerings.

With regard to Fresh Dairy Products, consumer claims related to food safety have declined over the years:

- 2005 15%,
- 2006 19%,
- 2007 57%,
- 2008 30%,
- 2009 7%.



Alignment of quality management systems with consumer expectations

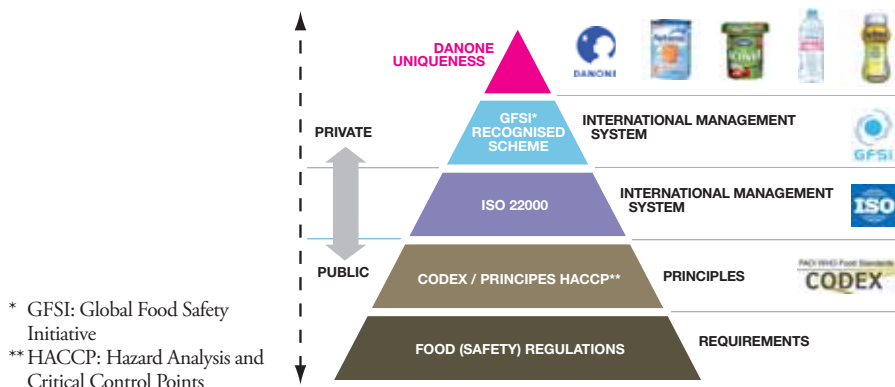
As regards mineral waters, the overall rate of consumer claims in this beverage segment has been reduced from 8.1 claims per million bottles in 2006 to 6.9 in 2007, 3.3 in 2008 and 1.1 in 2009.

As regards baby nutrition, depending on product type and region, the rate of reduction in number of claims is between 5% to 40%.

Food safety is indeed a basic condition for Danone, as it is for all the major players in the agri-food industry who have pooled their food safety standards and requirements over the past two years to develop a reference document and a single audit system, to facilitate co-operation with suppliers.

In the downstream sector, similar efforts have been undertaken with key players in the mass market retail / distribution segment, such that food security is now controlled, harmonised and pooled throughout the chain, the idea being that a possible crisis is likely to affect all the players, who thus have an interest in working together. This was true in the case involving melamine in China, which affected the entire category. Danone was able to demonstrate the superiority of its quality system as Dumex, its local brand of milk formula, was unaffected and was even able to strengthen its market positions.

By linking science to risk assessment, and with the support of the Danone Food Safety Centre and a dedicated laboratory, Danone has put in place all the appropriate means aligned with its strategy.



Expectations of public authorities vis-à-vis Danone. From standards to Danone uniqueness.

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For All

The origin of this strategic priority is strongly linked to Danone's mission which is to bring health through food to as many people as possible. The assigned objective thus is to enable Danone to fulfil its mission and in particular with regard to the dimension: "**For All**". In order to accomplish this Danone progressed step by step through experimentation, with two stages:

The first experiment (or lab) in this area is the creation of the **danone.communities Fund**. Franck Riboud and Muhammad Yunus, following a meeting in 2005 decided to create this fund to develop a new growth model, the **Social Business**. In October 2006, the first "lab" was launched with the creation, in partnership between Danone and the Grameen Bank, of **Grameen Danone Foods** in Bangladesh.

In 2008, the **danone.communities Fund** would lend its support to two new projects: "*La laiterie du Berger* (The Shepherd's Dairy)" and "*1001 Fontaines pour demain* (1001 Fountains for Tomorrow)".

Two years later, in 2009, with the benefit of its experience in Bangladesh, Danone decided to accelerate the implementation of its mission by creating a standard business organisation internally within Danone called "**Base Of the Pyramid**". The desired goal is to work differently in order to invent new models to maximize the impact on health for the greatest number of people.

Today, the strategic priority "**For All**" is supported on two organisations:

- danone.communities, with a revised strategy in its Version 2, the fruit of three years of experience and which remains an advanced social business laboratory
 - Base Of the Pyramid,
- which constitutes two complementary strategic approaches for the same mission, that is, Danone's mission.



Establishment of the “BOP” organisation in 2009:

In 2009, a dedicated “Base of the Pyramid” business organisation was created within Danone with the General Manager of Fresh Dairy Products for the Africa - Middle East Region at the head.

It is a transversal organisation across the different businesses of the group. The “Base of the Pyramid” (BOP) business approach is truly integrated within the Danone organisation. It aims to balance the social criteria, particularly with regard to nutrition, with the economic criteria of profitability.

This BOP organisation was materialised in 2009 with the establishment of an internal organisation with a dedicated team that operates as a subsidiary (CBU) and includes multi-functional skills: Operations, Finance, Marketing, R & D and Human Resources and a General Manager BOP who coordinates the entire unit.

This organisation’s uniqueness also comes from its ability to rely heavily on the network culture that exists at Danone, which allows it to capitalise on experience, to develop cross functional capabilities and speed of execution.

The priority of this team is to innovate so as to develop business “solutions” tailored to the “Base of the Pyramid” target, with the priority in 2010 being focused on the Indian subcontinent and Africa.

The prerequisite is to have in-depth knowledge of the needs, nutritional habits and culture of the target populations.

In light of this objective, various levers are being retooled and adjusted so as to translate into possible innovations on multiple aspects at the product and the organisation levels: for example, smaller and more flexible plants, tailored consumers benefits, new product formulations and packaging, new distribution channels and new organisations.

Given this context, **danone.communities** must also reinvent itself with respect to its own mission, which is to develop, fund and promote “social businesses” in order to maximise the social impact (the impact on health and on poverty reduction). In efforts to achieve this goal, co-creation projects with external partners (NGOs, etc.) remain a major focus of the strategy being pursued. For danone.communities Version 2 the ambition is to remain an advanced social business laboratory.



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For All

The Board of Directors, at a meeting in the first half of 2009, decided to expand the danone.communities mission, extending its scope beyond the businesses of Danone, by going even further in experimentation and innovation, and especially by increasing both the number of projects in which danone.communities will be able to invest as well as the amount of funds that will be invested. Tools will be developed to increase fundings coming from countries other than France. This extension of the mission will certainly lead to the opening of danone.communities to new emerging countries, but also to developed countries where Danone already has a presence.

From 2010, the Fund will enter a phase of expansion with the aim of increasing from 3 to about 15 projects in 2012.

Creation of the danone.communities fund

The **danone.communities** investment fund project was born in 2005 from a meeting between Franck Riboud and Muhammad Yunus, Grameen Group President (founder of the Grameen Bank specialising in micro-credit lending to the poorest segments) and Nobel Peace Prize recipient in 2006. Danone thus affirms its willingness and desire through this initiative, to venture further in the field of social innovation.

The ambition for danone.communities is to promote social innovation by supporting the development of businesses having a strong social impact, and which are consistent with Danone's mission. Indeed, the purpose of these companies is primarily to maximise social and environmental value created while also contributing to economic development.

The fund's objectives notably include encouraging projects that:

- offer children suffering from nutritional deficiencies food products tailored to their needs and at very low prices,
- create employment,
- preserve the environment,
- are economically viable.



Franck Riboud & Muhammad Yunus

danone).communities

The performance of this fund has social and economic components. Social performance indicators are thus equally to be monitored along with the economic performance indicators. These social indicators are dependent on projects and can be, for example, improvement in nutrition / health and / or reduction of poverty.

Where are the danone.communities projects?

Grameen Danone Foods, in association with Danone and Grameen Bank, is committed to improving the health of children in Bangladesh through a micronutrient fortified yogurt available at very affordable prices (6 cents), and thus helping in the development of local populations by creating a sustainable economic activity. The milk is collected locally and the local distribution is undertaken through the shops in villages or door-to-door by the Grameen Ladies, who totalled around 650 at year-end 2009.

After starting operations in October 2006 with the first “micro-plant” in Bogra, an investment in a second plant is planned for the 2010 timeframe. With over 55,000 yogurt units produced per day currently (December 2009) and distributed mostly within a radius of 40 km around the plant in Bogra, the percentage of the population affected is estimated at 40% in the villages in the area. The Grameen Danone project is working towards an ambitious goal to have a real impact on the health of children living in the region. That is what is being measured by the study currently being conducted by GAIN (Global Alliance for Improved Nutrition) with the assistance of the John Hopkins University. Grameen Danone Foods began its deployment in the major cities of Bangladesh and has expanded its range with two new flavoured products.

In **December 2008**, danone.communities also invested in two new independent companies with a social purpose: **1001 fontaines** (1001 fountains) in Cambodia for the distribution of “drinking” water in rural areas and the **La laiterie du Berger** (The Shepherd’s Dairy) in Senegal to process milk collected from the Fulani herders. “Bringing health-through food to as many people as possible” is always the underlying objective.



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For All

In Cambodia, the Fund has purchased shares in a company created by the association “**1001 Fontaines pour demain** / 1001 Fountains for tomorrow”. It provides clean water for drinking, for about 1 euro cent per litre to rural populations. Many remote villages are isolated and having no access to drinking water, are experiencing health crises related to use of pond waters. The association members have developed an environmentally friendly and economical process to clean water by using solar energy. It is then bottled and distributed. As of December 2009, 1001 Fontaines is present on 23 sites, each distributing over 1,000 litres of water per day. It is **danone.communities**' ambition to support the growth of 1001 Fontaines towards the development of about 60 fountains and expanding to 200 by providing support for technical and marketing-sales training for local teams.

In Senegal, the Fund lends its support to “**La Laiterie du Berger** / The Shepherd's Dairy”, a family business founded by a young Senegalese veterinarian. The company offers 600 Fulani herders scattered in the desert, the opportunity to sell the milk from their livestock and thereby earn their livelihoods, through a pooled collection network. As an alternative to their dependence on imported milk powder, local consumers can now access the production of fresh milk and various quality products made from fresh milk (yoghurt, sour cream, etc.). With a volume of approximately 100 tonnes per month at the present time, this project will positively impact the incomes of about 600 farmers.

In addition to the financial contribution, Danone has also sent teams on site. Through these micro-enterprises, the group is learning how to devise new business models and develop nutritional formulas adapted to the needs of new markets.

Other projects are currently under study in Asia, Africa and Europe. Within the spirit of this unique model, partnerships are being sought with local actors or NGOs that will combine the expertise of these entities with Danone's own.

Videos of these projects may be viewed at the blog site www.danonecommunities.com.

Project 1001 Fontaines pour demain
(1001 Fountains for Tomorrow)





Project La Laiterie du Berger /
The Shepherd's Dairy

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Nature. Safeguarding nature, safeguarding health

Danone's products are directly in line with nature's cycles. Therefore, in order to accomplish its mission of bringing health through food to as many people as possible, while also responding to consumers' current and future needs and demands, the group believes it is essential to safeguard the nature and the health of Danone ecosystems.

Our perennial alignment with nature, radically reinforced since 2008

«**There is only one earth...**»: Thus begins the speech of the founder of the group's Economic and Social Dual Project marking Danone's staunch commitment to nature protection that since 1972, has been firmly ingrained in the group's DNA. Since 1992, Danone has focused the core of its work in this domain on the preservation of water resources, with the subsequent adoption in 1996, of an environmental charter. In 2000 the group for the first time set long-term quantitative targets for reducing its environmental impact over a period of 10 years. In 2008, with most of its long term environmental objectives attained, Danone decided to go even further. The group has identified the five areas related to its activity along the whole chain where its environmental impact is most significant – climate risk, packaging, the protection of water, agriculture and biodiversity – and is giving itself new ambitions. CO₂ which is considered to be a synthetic indicator that 'leads to' many other environmental indicators has therefore been chosen by the group as an indicator and as its first line of focus to initiate the rapid transformation of the company.



Getting the basics right

In 1995, for the manufacture of its products, the group established demanding environmental standards of production ("Green Plants Programme") and has ensured compliance with these standards by means of internal audits since 1997 (in collaboration with ERM).

In 1999, the group registered its first 14001 certifications (16 sites).

In 2009, 51% of sites had been certified.

In 2006, the group deployed its **GREEN** (Global Risk Evaluation for Environment) Project, a tool that synthesises in one standard rating that is audited by an external partner (ERM), all of the environmental risks of the group's industrial sites (real risks, reputational risks and administrative impacts based on European regulations).

Indicators (2000-2010 results)

Objectives 2000/10	Res.2009
Water (l/kg product)	-30% -35%
Total energy (kWh/t)	-20% -45%
Packaging (Pack ratio)*	-10% -5%
Waste Recovery (%)	80% 86%

*2008

To date, over 49% of the industrial sites of the group have conducted an external GREEN audit and are engaged in implementing concrete action plans. It is noteworthy that in 2009, Danone was recognised as the benchmark company in its category in terms of environmental reporting by the **DJSI** (Dow Jones Sustainability Index).

Outlook: The group's ambition is to eventually carry out a GREEN audit in 100% of its strategic sites. In 2010, the group will develop a GREEN LIGHT measurement system applicable to small sites.

Focusing on five areas where our environmental impact is significant

Combating climate change across the entire direct and indirect chain

- **Ambition:** Since 2008, Danone has set a goal of reducing its CO₂ footprint per kg product by -30% between 2008 and 2012 across the **entire chain** in Danone's direct business activities, areas where the group has direct responsibility (industrial sites, packaging and end life, transportation and storage). The challenge of this ambition inaccessible a priori is to require the company to question and reconsider its practices so as to reinvent itself.
- **Measure:** To do this, the group has developed a **tool to measure the carbon footprint** of Danone products: **Danprint**, which is audited by PricewaterhouseCoopers and certified by the Carbon Trust and ADEME (French Environment and Energy Management Agency). Established in 2008 in all Country Business Units of the Waters and Fresh Dairy Products Divisions, it was deployed in 2009 in the Baby Nutrition and Medical Nutrition Divisions. Its integration with the group's IT systems is being tested through an initial pilot programme currently in progress in Spain (co-creation project with SAP) with an ambitious goal for the end of 2012: to be able to consolidate CO₂ measures just like one consolidates sales-turnover figures, in an integrated manner and across all product references (perimeter including Waters and Fresh Dairy Products).
- **Reduce:** Since 2008, the group has been accelerating efforts involving the identification and expansion of its good environmental practices. Thus in 2009 the deployment of the Energy Campus, a university bringing together Danone's international experts helped Danone to record a reduction of -11% of energy consumption (kWh/t) in Fresh Dairy Products. The establishment of an initial CCE (carbon tax) programme to replace trucks by train (Marco Polo) will achieve a 30% reduction of CO₂ related to Volvic's transportation needs between France and Germany.

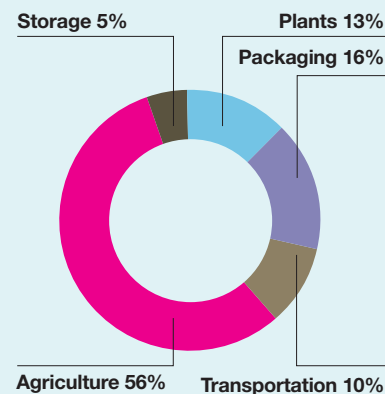


Danprint

This new tool for measuring CO₂ in the upstream and downstream sectors across all of the group's direct business activities (1,200 references measured, at a minimum of 10 references per country) that are representative of product categories.

This tool is for the Waters division, audited by PricewaterhouseCoopers and certified by the ADEME and Carbon Trust. Its critical review in the other divisions is currently underway and should be completed and available in 2010.

Results: The total carbon footprint of Danone = 16.8 MtCO₂ eq distributed as follows:



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Moreover, to generate breakthrough innovation, numerous laboratories have been established. Thus, in 2009, the Ochsenfurt plant in Germany (which is targeting carbon neutrality) mobilised its employees and identified many breakthrough innovations that are currently being studied over more than 20 sites around the world.

Results for 2009: -7.4% of CO₂/kg over the Waters and Fresh Dairy Products divisions (vs. a target of -5%). Finally, in 2009, the group began **mobilising its suppliers** around its progressive approach in developing a “**Carbon Pact**” (3-years plan for measurement and reduction). 40% of the purchasing perimeter of the Fresh Dairy Products division is already covered by a pact. The pact will be extended in 2010 to the whole group.

- **Carbon Offset:** Under the framework of the **Danone Fund for Nature** established in 2008, the group engages in co-creation of carbon offset programmes with external partners such as **IUCN** and **RAMSAR** in areas related to the sectors upstream from its businesses. The first pilot project for the restoration of mangroves was launched in Senegal in 2009. The objective of the carbon offset activities is to neutralise the carbon impact of the Evian brand (after having exhausted all carbon reduction efforts possible) by the end of 2011.

Outlook: In 2010, the group shall determine its new master plan (2010-2020) by capitalising on recent lessons learned. Specific targets will be set to increase the use of renewable resources.

Protecting our springs, reducing our water consumption and helping to protect world water resources

- **The 2000-2010 goal** for reducing water consumption of the group's industrial sites was achieved one year earlier than targeted (-35% vs. -30% targeted) in particular, thanks to the strong performance of the Waters division in 2009 (-13%). Water resources are at the core of Danone business lines. The group's strategy revolves around three focal points:
 1. **Protecting water resources:** The protection of water resources initiated and led by the Waters Division since 1992 through the creation of the *Association pour la protection de l'impluvium des eaux minérales d'Evian*, **APIEME** (Association for the Protection of the Evian Mineral Water Catchment Area) has been extended to the rest of the world through the group's Ground Water Policy in 2004. The underlying principle is based on respect for natural cycles (not to extract more water than the resource safely allows), protection of catchment areas (impluviums) and their ecosystems, working in collaboration with all local actors. In 2009, the Spring programme established a “Best in Class” management standard for each spring



Oceanium

In 2009, Danone in cooperation with IUCN and the NGO Oceanium undertook a programme of mangrove restoration in Casamance and the Saloum (Senegal). The mobilisation of several villages has led to the planting of 36 million mangroves over an area of 2,000 hectares. This action should help to capture the equivalent of 150 kt of CO₂ over a period of 10 years.

operated by the group for its bottled water. By year-end 2012, 100% of sites must conform to the objectives defined. In other divisions, resource protection is managed through the promotion of responsible farm management.

2. **Reducing the water consumption footprint:** All Danone Country Business Units have quantitative targets for reducing water use on sites.
3. **Contributing to protection of water resources in the world:** Danone is a signatory to the Ramsar agreements (1998), the International Convention for the Protection of Wetlands that promotes the conservation and wise use of water resources. In 2007, Evian created **Water Protection Institutes** with Ramsar and local NGOs in Thailand, Argentina and Nepal. Finally, the mission of carbon offset activities supported by the Danone Fund for Nature is to protect the restoration of wetlands, which is key to water cycles.

Outlook: In 2010, the group will test a pilot tool measuring the overall Water Footprint. Developed in the Waters division in collaboration with Quantis and the Water Footprint Network, it will be tested in a subsidiary of each group Division. In addition, the group will define its long-term aspirations concerning its water footprint.

Rethinking packaging solutions to transform waste into resources over time:

- **The objective of the 2000-2010 plan has not yet been achieved** due to the development of small size formats). In 2009, the action plan on packaging was re-prioritised and the group's Global Packaging Platform strengthened to better respond to these new challenges.
- **Reducing the environmental impact of packaging:** The group has always sought to address its constant concern about reducing the environmental impact of its packaging by incorporating a 360° approach from upstream to downstream of its activities: it initiated the creation of Clean Vacations in 1971 to fight against litter and educate consumers about the problem. In 1992, the company contributed to the creation in France of the Eco Packaging organisation which defined the principle of the Producer's extended responsibility with regard to packaging and is now present in 27 countries. Since then, several efforts have taken shape around four key points:
 - A. **Reducing packaging weight:** An analysis of overall packaging life cycle can help optimise its shape, weight and volume. The weight of 1.5 l Evian bottles have thus decreased by 24% in 15 years, while the weight of the Actimel bottle has been reduced by 50% since its launch. With regard to yoghurt pots, the group has invested in new technologies with low density plastic (**Foam Project**,

EVIAN, a RAMSAR site

In 2009, the Evian site was classified as a Ramsar site, by the global body that operates under the auspices of UNESCO and specialises in the protection of wetlands.



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resulting in -19% density/g, that is -12% CO₂), which were tested in 2008 and deployed on a large scale in 2009. Moreover, Danone has eliminated the cardboard outer packaging in dairy products (Canaries, USA), this measure will be deployed in other countries in 2010.

- B. **Developing recycling:** for water activity, the group is engaged in the development of the rPET (PET made from recycled PET bottles) sector. In 2009 the Waters division achieved an average use of 8% rPET (25% for Evian and Volvic 1.5L). The group aims to achieve 20-30% in 2011 and 50% eventually. This strategy requires the development of the sector positioned upstream (assistance in structuring the collection like in Mexico) and downstream (rPET plants in France).
- C. **Encouraging the use of renewable materials:** several experiments on renewable materials carried out in 2009 should result in project launches in 2010.
- D. **Engaging the consumer:** the progressive extension of inducements to practise sorting with respect to packaging and on industrial sites.

Outlook: The 360° strategy (upstream / downstream) applied to PET should gradually be extended to other plastics used within group activities (a special effort will be made on end of life cycle treatment).

Supporting the development of more environmentally respectful agricultural models:

- **Ambition:** to promote farming practices that create social value, are respectful of the great natural balances and capable of generating a better nutritional balance. In this area where our decisions are shared (Danone does not generally control its dairy industry upstream) representing less than 1% of the global collection (less than 4% in larger countries), the group initiates actions to reduce the environmental impact of its dairy activities with farmers and agricultural organisations.
- **Internal commitment:** since 2004, the group has incorporated into its audited charter of Good Agricultural Practices (**Danone Quality Safety Environment**), seven environmental criteria in particular pertaining to farm practices.
- **External commitments:** In addition, since 1999, the group has taken several initiatives. In 1999, Danone integrated the approach of FARRE (Forum de l'Agriculture Raisonnée Respectueuse de l'Environnement / French Forum for Environmentally Friendly Integrated Farming), and contributed to the establishment of environmental standards and their deployment (in 2008, 50% of farmers involved in "integrated farming" in France were under contract with



rPET

- Commissioning of the first rPET production lines linked to our partnership with France Plastique Environnement. Objective: securing 50% of the required supply of rPET for Evian Volvic Worldwide
- First 100% rPET bottles launched in Mexico

Danone, the same situation also held true in Spain with “Gota Verde”). In 2002 the group co-created, with Nestle and Unilever, the SAI (Sustainable Agriculture Initiative). In 2009, in collaboration with the SAI, the FAO (Food and Agriculture Organisation) and IDF (International Dairy Federation), Danone participated in the development of the reference document “Global Dairy Agenda for Action on Climate Change”, which aims to develop good agricultural practices and help reduce methane emissions.

- **Experimentation and Research:** Also since 2002, Danone has been engaged with scientific partners in various experiments (addition of flaxseed in the diet of cows, i.e. **Linus**, up to 800 farms in Normandy) which established the link between feed for cows and reduction of methane emissions.

Outlook: Finally, since 2009, Danone has undertaken programmes involving carbon absorption through soil restoration and use of biodigesters (tests in Indonesia and at Evian); which could become an opportunity for the development of long-term farm sustainability while fighting against poverty.

Protecting biodiversity on our sites and in the world

Defending biodiversity is at the heart of Danone’s strategy to protect resources which has been established in the Waters division. The policy of protecting catchment systems associated with the development of agricultural practices without using pesticides in Evian has fostered the biodiversity of fauna and flora and has allowed the site to be recognised as a Ramsar site in 2009. In Indonesia, in the Klaten catchment area, the process of rain water drainage has helped to reconstitute a forest of native trees. In Argentina, a nature park of 74,000 ha has been created around the **Villavicencio** (see page 189) catchment area. In the fresh dairy products division, the Littry Molay plant in France was rehabilitated into a Natura 2000 area. Finally, protection of biodiversity is one of the three key missions that the Danone fund for nature has adopted (in addition to the fight against poverty and against global warming).

Outlook: The measurement of performance on biodiversity remains very complex and controversial. In order to be able to measure the progress enabled by its numerous activities aimed at promoting biodiversity, the group will work in collaboration with external partners to develop and adopt a measurement tool within two years.

LINUS

- Expansion of the Linus experience (methane reduction by adding flax in the cow feed) in the United States (15 farms) and Spain (4 farms).
- In October 2009, in collaboration with INRA and Vallorex, publication under “open source” in the “Journal of Dairy Science” of an article that for the first time establishes the link between the presence of certain fatty amino acids and methane emissions. A simple routine measurement, will allow the extrapolation of methane emissions from cows... and thereby enable their better control.



Nature. Safeguarding nature, safeguarding health

Changing organisations and internal procedures

- **Organisation, remuneration, internal procedures and training:** To achieve its new ambitions, Danone has transformed its organisation: appointment of two Nature sponsors within the Executive Committee, establishment of a Nature General Management (with an General Manager with a business background) and reporting directly to the group Executive Committee, deployment of Environment Directors in each of its businesses, creation of a Nature Finance Management, creation of a community of **110 Carbon Masters** (facilitators and champions in each subsidiary of the Carbon Reduction Plan) . In addition, the given objective of reducing the carbon footprint has now been integrated into the bonus system applicable to all General Managers of Country Business Units and group Directors. Finally, the CO₂ indicator is now included in all important corporate decision making processes and procedures (committee for investment and innovation decisions, etc.).

Outlook: In 2010, an information and awareness outreach plan intended for all Danoners as well as a specific training plan (responsible communication) will be deployed. Finally, all internal training materials developed since 2000 will be updated.

Conclusion

By nature, respect for the environment is ingrained in the DNA of Danone. It is now deeply integrated within the core of corporate strategy. This progressive approach, accelerated today, relies on the historical foundations of the group's actions: co-creation with external partners and full integration of all of the environmental, economic and social impacts. The challenge of a radical mobilisation around the reduction of the carbon footprint is not only to reduce the footprint but also, and especially, to completely transform and overhaul the company's practices to ensure the group's sustainable long-term economic performance.





People

The year 2009 was marked by the global financial and economic crisis. In terms of employment, it was by far the biggest recession in 60 years, with a very sharp rise in unemployment levels in all countries and massive destruction of jobs. As a result, employment once again became the number one social concern, particularly because employment is inseparable from employee commitment.

In this context, inspired by its economic and social dual project, Danone decided to **safeguard jobs, by developing a resolutely aggressive strategy of conquering volumes** and also **strengthening the social fundamentals for all its employees**. Beyond the jobs themselves, **employment conditions and employability** with regard to Danone employees and its Ecosystem represent a major challenge. Moreover, Danone has launched programmes and actions to increase the **autonomy /accountability and responsibility of its employees**, qualities that have helped to effectively adapt the Danone model to the crisis with very high responsiveness. Finally, Danone has always believed that the development of the company was intimately linked to development of its Environment: This belief has led in particular to the creation of a **Danone Ecosystem Fund**, but also to a number of **social projects** initiated by the Country Business Units, which reinforce the **commitment and pride of Danone employees** in belonging to a meaningful organisation.



Strengthening social fundamentals

Making the safety of employees and subcontractors a daily priority

In view of the group's economic and social dual project Danone has made safety at work a fundamental priority. In its mission to bring health through food to as many people as possible, Danone has made the health and safety of all personnel working in the group a top priority.

Danone has been involved for several years in a global programme, known as WISE, to develop a culture of safety across all of our sites, by drastically reducing the number of accidents at work within the group. This approach, which has enabled the group to reduce the frequency rate of accidents with work stoppage by 50% in four years, was deployed in the Baby Nutrition and Medical Nutrition Divisions with audits conducted on site, and then extended to both to marketing-sales and distribution activities, as well as to subcontractors working on site: henceforth, policies and processes related to on site subcontractor safety management are routinely and systematically audited during the various audits carried out within different sites of Danone (roughly one hundred per year).

The objectives for reducing the frequency rate of accidents with work stoppage have been achieved (minus 24% as compared to 2008 figure and minus 26% as compared to 2008 on a like for like basis). Danone's objective is to continue to make progress in this area, in order to be positioned at the level of the best companies and to definitively anchor the culture of safety within the company.

Safety performance has progressed steadily across all industrial sites and appears to be well integrated, on the same level as quality, both as an organisational priority and as a performance lever. Similar efforts are to be undertaken and expanded with respect to the marketing-sales and distribution activities (which started the safety process later than the plants), and particularly in certain at-risk countries (due to the number of Danone drivers on the roads and the high accident rate in the countries concerned). The Executive Committee and all General Managers have reaffirmed their commitment to developing safety within Danone by signing the safety charter: "Safety Engagement" in Evian, in September 2009.



-24%
reduction in frequency rate
of accidents with work stoppage
as compared to 2008

People

Developing health and well-being

Beyond the physical safety of employees and subcontractors, other actions were also undertaken in 2009, on several fronts:

- **Ensuring coverage over time of a minimum level of social and medical insurance for all employees.**

In 2009, Danone mapped out the respective situation in each country, taking into account the structure of benefits plans with a view to preparing a plan of action in 2010 that will lead its Country Business Units to gradually improving the medical coverage for their employees and their families over the ensuing three years.

- **Preventing stress at work, improve working conditions.**

A group agreement for France was signed with the Union Organisations on March 11, 2010. This ambitious agreement follows in-depth work carried out over two years with the unions on the subject, with in particular, the establishment of the Observatoire Médical du Stress, de l'Anxiété et de la Dépression, OMSAD (Medical Observatory for Stress, Anxiety and Depression) in partnership with Institut Français de l'Anxiété et du Stress, IFAS (French Institute for Anxiety and Stress). The idea is to measure the stress level of each employee during their annual medical check up in order to be able to carry out stress-mapping to identify high-stress populations, with a view to determining solutions to address identified cases and improving measures to prevent these situations.

Moreover, negotiations have also been initiated with the IUF (International Union of Food) to enter into a global framework agreement concerning health, safety, working conditions and stress.

- **Ensuring the health and wellbeing of employees.**

Given its mission “to bring health through nutrition to as many people as possible”, Danone has multiplied its initiatives, both at its headquarters and across its Country Business Units, to promote, through its “Health @ Work” programme, the notion of health through food and healthy lifestyles among employees of the group.



The internal development of good food and eating habits and healthy lifestyles revolves around four issues:

1. Organisation of work and working conditions.
2. Nutrition (better knowledge about one's food).
3. Health (provision of sports facilities, vaccination campaigns ...).
4. Maintaining a balance between work and private life (work-life balance).

The Health Ambassadors Programme instituted at Danone headquarters has been rewarded with a mention in the **Great Place To Work** Index.

Strengthening international social dialogue

Danone is a pioneer in the field of international social dialogue: As early as in 1972, a European Information Committee was established at BSN (Boussois-Souchon-Neuvesel, precursor to Danone) for its sheet glass business. In 1988, the first global **framework agreements** were signed with the **IUF**, before the establishment in 1996, of the European Information and Consultation Committee (CIC). 2009 was the year of enlargement of the CIC so as to extend its scope of coverage worldwide, with the opening of geographical representation to employee representatives of its Country Business Unit in Asia (Indonesia), North America (U.S. and Canada), Latin America (Mexico, Argentina, Brazil, etc) and Africa (South Africa, Algeria, etc).

The expansion of the CIC's scope of coverage was necessary for three reasons:

- Danone's geography has profoundly changed during the last several years, as the presence in countries outside Europe has increased significantly. It became imperative to take into account the globalisation of Danone by including representatives from Asia and America (North & South).
- It was necessary to incorporate in the thinking, the evolution of organisations for international social dialogue, due to the integration in the group of new divisions, in particular, Baby Nutrition and Medical Nutrition (formerly Numico) and their European Works Council. The objective was to be guided by the best practices originating from both systems (CIC, European Works Council for Baby Nutrition and Medical Nutrition) so as to be able to develop a model well-suited to the new context and respectful of the roots of social dialogue consistent with the "Danone spirit".
- Finally, Danone and the IUF sought to intensify the economic dialogue by creating Business Sector Committees: in addition to sharing the group's strategy within the CIC, the Business Sector Committees (Fresh Dairy Products, Waters, Baby Nutrition and Medical Nutrition) bringing together the Corporate Affairs division and the relevant employee representatives concerned, engage in dialogue about the specific division's strategy, its organisation, its HR policies, major cross-functional / cross-enterprise projects, etc. These discussions help employee representatives to take on board the major issues concerning their Business line.

People

Apart from this information and consultation forum, Danone and the IUF signed eight agreements having worldwide application.

Each year a representative from Danone and an IUF representative jointly visit several countries and sites together in order to promote these agreements and the international social dialogue; and in a concrete fashion, they also check and verify in the field, whether these agreements are subject to implementation and adaptation locally.

A new Agreement on health, safety, working conditions and stress is in the process of being negotiated

Developing employability skills for all employees

The ongoing development and enhancement of employability skills in employees is critical: development of skills and professional competence is the employee's only real and active security when faced with potential loss of employment.

It is for this reason that even in 2009, a year during which many companies reduced their training budget, Danone decided to maintain and even increase its training budget. The figures are proof of this:

- The number of hours of training per employee per year has increased from 24 hours to 28 hours on average
- Training has increased overall in the number of training hours (+16%) or 300,000 more hours (of which 213,000 hours of training were provided to Workers, Employees, Technicians, Supervisors), and in all divisions
- The number of employees trained has meanwhile also risen by 8%.

Danone's strategy for training relies on the training programme offering being both global and local with, in particular:

- Business sector or function oriented training courses (marketing, finance, human resources, purchasing...) and management programmes for all managers, as well as "Danone Learning Solutions" ready for use in each country
- The Campus "without walls" by geographical regions that brings together 200 to 300 managers per session and encourages the promulgation of the group's culture
- Synergies offered by countries such as the "Skills College" in France and offerings developed by Country Business Units, such as the "workers academy" at Danone Belgium, with other offerings originating closer to the community which integrate the needs of employees at all levels.

+16%
increase in the number of hours
of training per Danone employee
in 2009

Danone aims to expand each year the number of employees having access to innovative and structured programmes. As such, the year 2009 was noteworthy for the introduction of the programme “**Dream Store College**”, developed in response to the requirement for improving the effectiveness of marketing-sales teams in the field in the Africa Middle East region. This training programme is unique in many respects (no presentations, solely exercise based, led and facilitated by supervisory / managerial staff, delivered in modules lasting no more than one hour, complemented by several weeks of in-the-field follow-up, and the granting of a skills passport), and has already proven to be very effective (between 20% and 30% increase in sales turnover) with an initial deployment to 2800 employees belonging to Danone’s marketing-sales staff population in the Africa Middle East region in 2009.

In France, the programme entitled **Evoluance** (a training process leading to a diploma and conducted in partnership with Education Nationale / French Ministry of National Education, professional sectors, the French Ministry of Agriculture, the French Ministry of Labour, in all of Danone’s French companies) continues to make progress: More than 1000 Danone employees have already participated in this programme by pursuing training allowing them to obtain a CFG (certificat de formation générale / certificate of general education), VAE (validation des acquis de l’expérience / validation of prior experience), or a CQP (certificat de qualification professionnelle / certificate of professional qualification).

Beyond training, other levers are used to maintain and develop skills and professional competence, such as the introduction of better qualified and more efficient collective work organisation arrangements with the aim of developing collective efficiency without degrading working conditions.

People

Developing employee autonomy and efficiency at Danone

CODE and Danone Leadership College

Convinced that Danone's successful transformation, and particularly its sustainable growth prospects in a world that is increasingly becoming "unpredictable", calls for new attitudes of leadership, total employee involvement and accountability at all levels of the organisation, development of localised management to engage and nurture all employees to grow in their respective roles in the organisation, and as individuals, Danone decided to launch in mid 2008 a major programme to transform its leadership.

The objective of this programme is to increase autonomy and employee involvement and accountability with regard to **80,000 Danoners** (all of Danone's employees), with the ambition to turn Danone into a "**Great Place to Grow** (where everyone can grow, learn, and develop), and not just a "**Great Place to Work**".

The first initiative was to identify and formalise the "Danone Brand" of leadership attitudes, in keeping with the group's values: the Danone Leadership "**CODE**" - Which stands for "Committed, Open, Doer & Empowered / Empowering". This characterisation of the leadership attitudes has been fashioned from the Danone values of (Openness, Humanism, Proximity, and Enthusiasm). The leadership attitudes and terms of reference materials have already been translated into 30 languages, with their integration into all HR processes (recruitment, performance appraisal, training, development and identification of talent / potential) that have been tested in several Country Business Units. The HR related IT systems associated with these changes are ready to be used starting in 2010.

Once this common framework was established, the "Danone Leadership College" was designed as a platform to develop leadership skills in the 15,000 "team leaders" (all persons with responsibility over a team) in order to obtain a leveraging effect enabling these team leaders to use these same foundations to develop their own teams.



The Danone Leadership "CODE":
"Committed, Open, Doer,
Empowered - Empowering

The “**Danone Leadership College**” is more than an education and training programme: the aim is to create the optimal conditions for the transformation of Danone, with the three following objectives:

1. developing the leadership skills and attributes of all the “team leaders”, based on “CODE”;
2. contributing to improving business performance;
3. contributing to employee growth and development and empowering all Danoners to strengthen overall accountability.

To ensure that the Danone Leadership College is well adapted to each situation and each context, the programme is rooted in the reality of each group company. This requires strong preparatory work to gain an understanding of the existing situation, the level of managerial maturity, and business ambition, and thus allow for the programme to be appropriately customised making it as relevant as possible to the local situation. Similarly, the CODE standards and terms of reference materials have been translated into all relevant languages, so as to enable all employees in each subsidiary to adopt and take ownership of the programme.

To deploy this programme, Danone has mobilised over 100 internal managers to become “internal trainers”, and provide training and coaching to most of the “team leaders”: this model of internal training leadership and facilitation will contribute to anchoring the “CODE” culture more strongly, in its being supported internally by both these training facilitators and the managerial ranks.

In 2009, nearly 36 group companies embarked on the journey, across all continents: United Kingdom, Unites States of America, Mexico, Brazil, Spain, France, Japan, Russia, Indonesia, Poland ... with the involvement in the programme of their respective management committees and for some, a greater number of managers. In total, nearly 1,200 people participated in the “Danone Leadership College”, and 27 internal trainers have already been trained.

In 2010, the goal is to double the number of companies engaging in the programme and to increase the number of “team leaders” trained to more than 5,000.



People

Developing diversity by capitalising on CODE

The attitudes described by CODE are the very elements that make up the DNA of Danone, providing the common language that enables the group to go even further in terms of diversity of profiles, given that the foundational vision is clear and shared.

In this regard, in 2009, Danone focused on enhancing the diversity of its teams on the basis of three strong reasons:

- Ensuring equal opportunities by developing and enhancing the talents and skills of everyone in the company, regardless of personal characteristics
- Stimulating creativity and innovation by using the “friction” generated by different personalities
- Being close to consumers and society’s expectations in the broad sense through supporting gender integration, diversity of professional / backgrounds and labour organisations, at the collective level



In developing its policy, Danone has in particular relied on the [Global Diversity Agreement](#) entered into with the IUF in 2007, which serves as a frame of reference and dialogue with social partners, and is cited in reference in the agreements signed by group companies.

Various different levers are used to develop diversity:

Social dialogue: 13 local agreements have been signed with trade unions to fight against discrimination and encourage diversity. Other agreements have provided for measures to better reconcile work life and parenting responsibilities (signing of the Parenthood Charter by Bledina and Danone Fresh Products France and establishment of a multi-company crèche on a French site). The trade union Solidarity in Poland recognised a managerial programme that includes a guide for managers having pregnant women in their teams and the opportunity for all employees to benefit from flexible work schedules. Several agreements on the management of employment of senior citizens have been signed in the French Business Units.

Training: Disability awareness training delivered to more than 200 employees, training related to diversity awareness in recruitment for HR and line managers responsible for recruitment, an inter-company module “Career Management for Women” intended for young managers and “Danone Women Contributive Leadership”, a special programme for women executives including directors and General Managers (more than 100 people were trained in two years).

Laboratories (Labs): at conducted at the level of a subsidiary or a function on various themes:

- “Open Sourcing” for non-traditional approaches in recruiting and promotion (four laboratories in progress).
- The first Danone Women Leadership LAB, bringing together 80 people, with 80% of these being women and the participation of Danone’s President and CEO. The objective is to work on determining the ways in which opening up to multiple forms of leadership and progress made in gender equity at all levels of the organisation can contribute to the future of Danone. Two laboratories (Mentoring and Career Pathways) have continued work to remove barriers to women’s advancement up the organisational hierarchy. They will present their findings at the second edition of the Danone Women Leadership LAB in 2010.

These policies also rely on the Danone Way managerial evaluation process, as much in terms of policies implemented as on quantified goals and objectives that the CBU sets for itself (rate of internal promotion at the junior managerial levels, % of women prospects versus % of male prospects, integration of disabled persons, etc.). In terms of disability, Danone continues to make progress, with an average rate in France of integration of disabled employees of 4.9% at year-end 2009 (3.1% in 2007, 4.2% in 2008). Several Country Business Unit (CBU) or plants are at more than 6%. Moreover, Danone has also taken into consideration its consumers with disabilities, with the establishment in 2009 of an interface (with the assistance of the agency Guide Caro) that enables the deaf and hearing impaired to communicate with our consumer services centre in France.

A guide “Value the Differences”, including good practices and diagnostic modalities, helps CBU to develop practical tools and methods to address this complex subject.

Encouraging and supporting the culture of agility through new ways of working

The culture of agility is one of Danone’s key strengths: it is the CBU that are at the heart of the strategy: they are best placed to sense and identify the expectations of their consumers, their customers, their employees. Given the benefit of significant manoeuvring room and encouraged to take risks, they are able to adapt quickly to new situations, and in particular to any potential / emerging crisis. This culture of agility, an ability to demonstrate “nimble footwork”, is deeply rooted within Danone, at all levels of the organisation.



The strategy in action: 2009 main results and outlook

People

This culture is now supported by new tools: under the framework of the New Danone strategy (*see page 73*) a programme called Danone 2.0 was initiated in 2008, in order to harness new technologies to strengthen and support the networking culture, while emphasising speed, the sharing of useful practices and cross-enterprise cooperation. Networking being an integral part of the culture at Danone, the deployment of the new technology facilitating these exchanges has met with real success: very quickly, **12,000 Danoners** (Danone employees) have been equipped with new tools to connect with each other through web conferencing. Videoconferencing equipment and facilities have also been increased (150 rooms). These new tools have allowed them to work more efficiently in non-traditional ways and in particular, enabled the development of co-creation projects or programmes.

12,000

Danoners equipped with new technological tools in 2009

Remote communication has also provided other benefits: for example, by allowing group Corporate headquarters, to reduce travel by 30%, providing the means for working more efficiently and with positive impacts both in terms of reducing the group's carbon footprint, as well as reducing employee fatigue, and of course, also by reducing costs. "Face to face" meetings should certainly be maintained, but some types of exchanges may now be done remotely. In addition, numerous internal communities have been created, supported by the internal Wiki tool.

Continuing to create meaning, a source of commitment and strategic differentiation

A high rate of employee commitment

The rate of participation in the Danone People Survey 2009 was excellent (82%), especially given that this time, it was addressed to all Danoners. Compared to the previous edition, the results show a positive general trend within the group, exceeding the results of the consumer / convenience products sector and approaching the scores of "high performance" companies on most subjects.

The involvement and commitment of employees in particular, remains at a very high level (85%), driven by three main levers: the leadership; autonomy and accountability of staff; the culture and values of the group.

82%

rate of participation

85%

rate of employee commitment - indicated shown in the Danone People Survey

These positive results were confirmed by the high rankings of various Danone Country Business Units (CBU) who won top spots in various national rankings lists and Great Place to Work indices: Danone UK was ranked No. 1 in **the Great Place to Work** Index in Great Britain, Danone Place (corporate headquarters) was in third place in the rankings list in France, Danone Spain was ranked among the TOP 10 in Spain.

Developing a strong commitment within our ecosystem by accelerating Danone's economic and social initiatives

Danone Ecosystem Fund

The creation of the **Danone Ecosystem Fund** was approved at the Danone General Meeting held on April 23, 2009. It is managed under the regime governing endowment funds with general interest purposes. Financed by Danone, it has been allocated an initial endowment of 100 million euros in 2009, to be complemented from 2010 onwards by a further annual matching contribution of up to 1% of Danone's net yearly profits, for a period of five years.

The Fund is intended to expand the economic and social dual project to support, strengthen and develop the activity of its ecosystem, that is to say, all stake-holders whose business is impacted by Danone and who act in very close proximity economically, socially and territorially, with its CBU: farmers, suppliers and subcontractors, transportation and logistics operators, distributors, territories.

The Fund may undertake projects in the following areas:

- helping to create and strengthen economic activities and entrepreneurial projects, promoting job creation and the development of small and medium-sized enterprises;
- supporting skills development and professional integration schemes, notably through the provision of training.

Also, the Fund will only support suppliers whose practices comply with the RESPECT programme (Danone's charter of fundamental social rights; *see page 233 of this report*). The Fund focuses exclusively on projects proposed by CBU of Danone and acts in cooperation with partners such as NGOs, microcredit organisations or advisory bodies.



The strategy in action: 2009 main results and outlook

People

The Fund's first investment decisions have been taken over the fourth quarter of 2009, as is the case with project Proximity in France and the Ukraine Milk Communities Project (*see inset below*).

In addition to the above, roughly thirty other projects were identified, in partnership with local NGOs, these responding mainly to three major issues, with relevance to both developing countries and developed countries:

- **The supply of agricultural raw materials:** in all countries where Danone produces fresh dairy products, raw materials supply is sourced almost exclusively locally. Thus in about forty countries, many breeders and farmers are engaged economic activity that is strong linked to Danone's business. For the small farming operations in particular, farmers often face many challenges and must be able to adapt continuously to new constraints, whether these be national or international. Through the Fund, initiatives may be launched to better organise collection, for example through cooperatives, that can help improve the living conditions and incomes of farming families. Diversification and good environmental practices are also part of the programmes supported by the Fund. One of the first projects to have been validated and approved by the Fund is the creation of 20 agricultural cooperatives in Ukraine with the cooperation of the NGO Heifer which is outlined below.



«This project, supported by the Ecosystem Fund, fits perfectly with the mission of Heifer Ukraine, which is to work with rural communities in order to improve the well-being of families, while respecting the environment».

Viktor Teres, Director, Heifer Ukraine.

The first 2 projects supported by the Danone Ecosystem Fund

PROXICITY FRANCE

Danone Produits Frais France (Danone Fresh Products France) and La Petite Reine (Little Queen), an integration business specialising in the eco-transport of goods by delivery tricycle, are launching a new distribution service aimed at local independent retailers (bakeries, takeaways, etc.). Besides developing a new means of environmentally-friendly local commerce, the service is intended to provide jobs for people who are experiencing serious difficulties in finding employment. The Ecosystem Fund, in conjunction with La Petite Reine, is helping to finance the launch costs including necessary capital investments (vehicles, computer equipment). The aim is to open three initial sites in Paris, generating 19 jobs. In the future, the initiative could be extended to other sites in Paris or towns and cities in other parts of the country.

UKRAINE MILK COMMUNITIES

By joining forces with the NGO Heifer to help create 20 agricultural cooperatives, each including between 60 and 80 farmers, Danone Ukraine (with support from the Danone Ecosystem Fund) is set to strengthen its small dairy producers and add value to their entire agricultural output. These cooperatives will be supported on three pillars: milking and storage equipment and facilities to improve milk quality and productivity; agricultural training to increase the skills of farmers; common agricultural services (milk collection, purchase of fodder, veterinary services, etc.) to help optimise costs. Around 1,000 farmers and their families should thus see improvements to their quality of life and incomes, amongst the lowest in the country (approximately 80 euros per month and per family).

- Waste management:** In many countries, the recovery of packaging, particularly from our products provides a source of income for often disadvantaged groups of people who work in very difficult conditions without receiving a fair share of the revenue related to this activity. The Danone Ecosystem Fund can financially support the work of local NGOs who seek to structure these channels through the creation of cooperatives that collect, recover and process these packaging waste materials to give them a market value which is subsequently redistributed to the persons employed. The Pemulung (waste pickers) project in Indonesia was also taken up by the Fund. Its objective is to create 15 cooperative waste picking structures capable of waste sorting and recovery activities. Ultimately, this project aims to augment the incomes of around 5,000 waste pickers (from \$ 60 per month to \$ 100 per month) and improve access to schools for their children at the secondary level. It will also generate 50 tonnes of PET for Danone Aqua, whose bottle now contains 25% recycled PET. The project will be undertaken in cooperation with the Ashoka Network.
- Micro-distribution:** in most markets where Danone is present, the products are marketed through a very extensive distribution network consisting of thousands of widely scattered small shops and sales outlets. Conventional logistics solutions are poorly suited to supply these outlets. This situation represents an opportunity for alternative micro-enterprises and small players that the Danone Ecosystem Fund could help. Indeed, the delivery of products in small quantities to a multitude of small shops can be an important focal point of development and social integration. The Proximity project described below is an example of a micro distribution project being implemented with the NGO ARES.

«Proximity is living proof of the ability of our firms, whatever their size or line of business, to think outside the box and devise alternative business models that serve society's needs».

Gilles Manuelle, MD of La Petite Reine



The commonalities amongst of all these initiatives are as follows:

- An element of transformation of the practices of Country Business Units.** Each project is run by a subsidiary with the involvement of its management committee. The presentation of the project to the Fund's validation bodies involves a particular process that leads to measurement of the subsidiary's employment footprint (dissemination of the methodology is in process) and to the evaluation of the project according to five critical aspects (sustained economic viability of the activity, the creation of social value, the ability to develop or replicate the initiative, the project partner and dedicated resources, the innovative nature and the opportunity for differentiation).

People

- **A process for co-creation and new governance.** The model requires three organisations to work together to bring the project to successful fruition: a subsidiary of Danone, a non-profit organisation, and an organisation that is the final beneficiary of the financial support granted by the Fund. This entails a shared common vision but also a new form of cooperation in setting out the goals and deadlines for achieving them.
- **An alternative notion of performance that involves new measurement tools.** Measuring the performance of these projects is a key point in the process. The tool that is in the process of being developed is based on the following four themes: improving the quality of life for the project's beneficiaries, self-sufficiency / employability, development of the recipient/beneficiary organisation (and cooperative relationships), and environmental footprint. The diversity of projects undertaken and the contexts have led to a consolidation, not of indicators that are very different, but in terms of the progress made relative to the objectives for the impacts defined at the time of project launch. The first results of these measurements are expected in 2010-2011.

For 2010, the challenge for the Fund team is to create conditions conducive to the acceleration of Ecosystem projects and to ensuring support for the programmes undertaken, by enhancing the professionalism and strengthening the competence of the teams in charge of these projects (with regard to co-creation or measurement of social impact, for example).

Danone Supporting Life

With the establishment at the group level, of three Funds (danone.communities, Danone Ecosystem, Danone Fund for Nature), Danone is seeking to accelerate and support ambitious social projects in terms of impact and sustainability.

Danone Supporting Life is the new platform that regroups all of the various local initiatives developed by Danone Country Business Units that will benefit their communities. It serves as a network that supports and facilitates the honing of the process surrounding the construction and management of a social-societal programme. In this manner Danone Supporting Life contributes to the acceleration and achievement of the impact expected in this area.



In the continuation of the “Children hours” and “Children days” programmes, the goal is to support the group’s nutrition / health mission through Danone Supporting Life initiatives based on the triple benefit concept:

- addressing an issue related to the subsidiary’s business activity
- contributing to the strengthening of Danone employees’ commitment and engagement
- participating in local development efforts in areas related to our expertise (nutrition / health, protection of nature).

By late 2008, 93 active programmes and 24 programmes in the course of development had been identified and documented. In 2009, these initiatives were analysed and it was decided to pay particular attention to 47 of them representing examples of “good practices” considered to be so-called “triple wins” or deemed to be on the way to quickly become one. Among these programmes:

- 28 address issues of nutrition / health education, and improving the wellbeing especially of children with 12 initiatives (in particular through partnership with the NGO SOS Children’s Villages),
- 12 programmes relating to access to water (Volvic programme “1 litre for 10 litres”) and food products for people in difficulty (including the network of world food banks),
- 7 programmes pertain to nature protection measures.

This analysis will continue in 2010 on other initiatives.

The objectives for the coming year are:

- nutrition / health education,
- professional development and enhancement of the teams in charge of these projects.

In 2009, 21 Danone Supporting Life programmes participated in the internal “**Dan Awards**” competition which recognises and rewards the best “**triple win**” programmes.

1. **The Wash programme from Danone Aqua** in Indonesia won the Dan Awards prize. This programme, which to date has provided more than 30,000 people with access to piped water supply and sanitation systems, has involved nearly 400 employees of Danone Aqua and five NGO partners. The Indonesian consumer was able to participate in the programme through the initiative “1 Litre buys 10 Litres” distributed to local communities. The Wash programme that falls in line within the Millennium Development Goals should benefit nearly 66,000 people by year-end 2011.



People

2. The **“Doing more for children” programme from Danone Hungary** was placed second. It has been in existence since the last 12 years and has provided assistance in the rehabilitation of more than 5,300 children treated for cancer, especially with regard to the financing of appropriate nutrition programmes. This year, 100% of the employees of Danone Hungary participated in the programme, notably by coordinating activities in clinics and recording children’s stories onto CDs.
3. In third place was the programme from **Danone Baby Nutrition and Medical Attention in Spain** which has helped two villages with SOS Children’s Villages in Spain, in particular with nutrition / health programmes, as well as one village in Senegal. In total, nearly 150 children have benefited from the activities funded by donations collected from, and by the employees of Danone.
4. **Danone’s partnership with the “Restaurants du cœur /Restaurants of the Heart” (a French charitable organisation) in France**, now in its second year, was recognised for its success. A total of 1,000 employees participated in a two-day food collection drive in Carrefour stores that had joined in the programme, and 2.5 million meals were collected. In addition to this, 1 million meals have been financed by Danone / Carrefour and consumers through a promotional campaign: five Danone products purchased = one meal for the Restos du cœur.

danone.communities

25% of the employees of Danone’s French Business Units and two thirds of employee from Danone headquarters have invested all or part of their profit-sharing or shareholdings in the danone.communities FCPE (Fonds Commun de Placement d’Entreprise / company employee mutual fund), thereby demonstrating their sensitivity towards and support for social business (*see page 92 of the report*).

Furthermore, an increasing number of employees are offering to put their skills to good use for a specified period, in the service of danone.communities projects. The social dimension thus constitutes a strong determinant in the company’s ability to create a sense of meaning and commitment for Danone employees. At the management level, the new criteria for evaluating the performance of 1,400 executives (the bonus allocation system is based on the three tier rule: one tier tied to economic objectives, one tier tied to social and environmental objectives, one tier tied to individual performance goals and objectives), have helped to change attitudes and to deepen Danone’s commitment to the continuation and enhancement of the economic and social dual project that has motivated Danone teams for nearly 40 years, in the process benefitting Danone’s employees and its ecosystem.



In conclusion on the strategic priority People, the “Reset” strategy of investment on volumes enabled Danone to remain globally stable in terms of employment in 2009, which would not have been the case if this strategy – which continually seeks to maintain a balance between the economic and social components – had not been implemented. It is precisely the desire to achieve this balance that drives Danone to constantly work to improve its efficiency and effectiveness, not just to achieve higher levels of performance, but also to anticipate the right responses to changes in the market, projects, competitors, whether those responses concern the company’s organisation, employment, skills or leadership. All of the group’s Human Resources policies are designed to drive the continuous transformation of Danone, its organisations, its skills and competencies, while also striving to maintain and enhance its organisational culture which contributes to its uniqueness, and to ensure that the economic and social components grow in tandem to yield higher performance and growth.

Share your meal -
Pologne



Danone's partnership with
the “Restaurants du cœur” -
March 2009

How symbiosis amongst danone's four strategic priorities adds value ...

Danone's mission, "bringing health through nutrition to as many people as possible" in and of itself conveys its specificity as regards the usual sphere of influence of a large group belonging to the agrifood industry.

This definition of the mission implies that Danone products must be accessible to the greatest number of people, which means increasing the number of people in contact with Danone brands and products, knowing that Danone is committed to having products that best meet the nutritional needs and improve the health of its consumers.

Danone has chosen to go further than simply expanding its product line, notably by developing an approach aimed at melding together the four strategic priorities underlying its strategy (Health, For All, Nature, People), by offering:

- products that meet the nutritional and health needs of populations,
- products designed, manufactured and distributed in accordance with policies aimed at protecting the environment,
- products manufactured and marketed in accordance with processes and methods designed to increase local employment.

The challenge for Danone is to ensure that the manner in which the mission is deployed and implemented, creates value that can be shared with all stakeholders: the social performance is however not only the result of Danone's action: often, this social performance is also the source of value creation for Danone and its environment.

Examples of this symbiosis between value creation and social performance, related to the four strategic priorities underlying Danone's mission:

The Pilot Project: Grameen Danone Foods

Grameen Danone Foods, launched in October 2006 in a partnership between Danone and Grameen Bank, is the pilot initiative based on the integration of the four Danone priorities in the same project: the objective is to improve the nutritional status (and thereby contribute to improving the health) of children living within the zone of influence of the plant in Bogra, by distributing a yoghurt fortified with micronutrients at a very affordable price (six cents), and by thus contributing to the development of local people by creating sustainable economic activity.

Thus local employment is developed and supported, since the milk is collected locally and the local distribution is handled through the shops in villages or door-to-door by Shokti ladies, who totalled around 650 at year-end 2009.

With over 55,000 yoghurt units produced per day currently (December 2009), the percentage of the population directly or indirectly impacted by the project is estimated at 40% in the villages in the area within a radius of 40 km around the plant in Bogra. The NGO Gain (Global Alliance for Improved Nutrition), who was involved in product development, particularly for its nutritional content, is currently monitoring the change in nutritional status of children in the Bogra region to assess the impact of consumption of the yoghurt.

Beyond this case study, which allowed Danone to capitalise on this experience to develop new projects, the company has set up a dedicated business organisation internally, called BOP “Base Of the Pyramid”, whose objective is to develop better nutrition in markets in Africa, Asia, and at times also in developed countries.

Co-creation of value upstream from the production process

Several Danone initiatives aim to strengthen the agricultural upstream sector, notably by promoting farming practices that create social value, respect the great natural balances and generate a better nutritional balance with, for example:

- Project Linus, which enables the reduction of methane emissions from cows through the addition of flaxseed in their feed
- Support for small farming operations, through the Danone Ecosystem Fund, with initiatives designed to better organise the collection, for example through cooperatives, that can help improve the living conditions and incomes of farming families. One of the first projects to have been validated and approved by the Fund is the creation of 20 agricultural cooperatives in Ukraine with the cooperation of the NGO Heifer, which should allow about 1,000 farmers and their families to improve their quality of life and incomes, amongst the lowest in the country (approximately 80 euros per month and per family).
- Diversification (Organic milk) as well as best environmental practices is also part of the programmes supported by the Fund.

How symbiosis amongst danone's four strategic priorities adds value ...

Co-creation of value downstream from the production process

The symbiosis between social performance and value creation can also take place downstream of the production activity, particularly over the micro-distribution sector with the creation of jobs: in most markets where Danone is present, the products are marketed through a very extensive distribution network consisting of thousands of widely scattered small shops and sales outlets. Conventional logistics solutions are poorly suited to supply these outlets.

This situation represents an opportunity for alternative micro-enterprises and small players, as seen above with the example of the Shokti Ladies in Bangladesh, or in France, with the Proximity project, administered jointly with the NGO ARES, supported by the Danone Ecosystem Fund. Indeed these micro-distribution systems constitute an important focal point of development and social integration.

Co-creation of value by protecting the natural environment

This co-creation of value for Danone and its environment can also occur in connection with the protection of the natural environment. Danone's main project was undertaken in 2009 in Senegal, in collaboration with the IUCN and the NGO Océanium; it is a programme involving the restoration of mangroves in the Saloum and Casamance. The issue also concerns carbon compensation (or carbon offset). The mobilisation of several villages has led to the planting of 35 million mangroves over an area of 4,000 hectares. This action should help to capture the equivalent of 150,000 tonnes of CO₂ over a period of 10 years, but also and above all, result in sustainable and positive impacts on the local ecosystem, with the replanting of trees regenerating fishing activities that had disappeared due to the lack of fish stocks. By building with local communities in Senegal a true and lasting global project, the replanting of trees can help transform ecosystems by recreating biodiversity and viable economic activities to prevent people from leaving the villages.

Co-creation of value in the health field

Danone's integration of stakeholder interests in its strategy and the leadership role assumed in the creating and sharing of value are also deeply reflected in the health field:

In each country in which it operates, Danone is committed to:

- taking into account public health policies,
- developing products that improve the nutritional status of its consumers,
- contributing to the effort to bring about positive change in food habits and eating behaviours.

In many emerging countries, Danone's strategic priority is to develop products with high nutritional value for the low or very low income population groups, often in partnership with local communities and NGOs.

The Gizikita product range launched in 2009 in Indonesia, and developed in partnership with a major Indonesian NGO (PKPU) includes milk for pregnant and nursing women, a porridge for 1-2 year olds, and a topping for 3-5 year olds, with the products allowing for the coverage of a significant proportion of daily needs in essential nutrients such as calcium, iron, zinc, iodine, and even vitamins A and B9, at a very low cost (from 5-15 euro cents per serving). This launch was accompanied by a nutrition education programme for volunteer workers working in nurseries/child care centres who provide dietary advice for mothers and young children.

All these examples illustrate the interconnection between value creation and social performance, which feed into each other, and the symbiosis amongst the four strategic priorities underlying Danone's mission, which are closely intertwined.

The basis for this symbiosis can be found in the very roots of the group, notably reflected in the economic and social dual project and the staunch belief held for 40 years, that "the boundaries of the company do not stop at the doors of its factories" and that "the company cannot develop and grow in a desert".

This dual project is firmly anchored on an ambitious goal of sustainable and shared development which is fully integrated into Danone's core values and mission that translate into the unflinching desire and will to create value "for all".



Performance

Dashboard: 2009 commitments to stakeholders and outlook

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COMMUNITIES



A key component of Danone's sustainable development strategy is to listen to stakeholders so as to better understand and know the expectations of its customers, consumers, employees, suppliers, scientists, residents of areas adjoining its sites, government representatives and non-governmental organisations. Danone's strategy with regard to dialogue with stakeholders is outlined *on page 49 of the report*.

The following pages contain tables presenting Danone's formalised commitments vis-à-vis stakeholders, the major achievements or progress made in 2009 against established goals and objectives, as well as the short-term outlook..

The Environment

OUR COMMITMENTS TO STAKEHOLDERS	OUR OBJECTIVES	PERFORMANCE 2008	OBJECTIVES 2009	
THE ENVIRONMENT				
Managing the fundamentals	Number of ISO 14001 certified sites - (% of industrial sites)	69 (43%)		
	Number of GREEN Sites (Global Risk Evaluation for Environment), Danone audit methodology certified by ERM	54		
	Solid waste from plants (in % of weight)	85%		
Participating in the fight against global warming	MEASURE			
	Expansion of the DANPRINT system - Percentage of number of CBU (Country Business Units) that have deployed the tool	60%		
	REDUCE			
	Energy consumption (total kwh/t)	-3%	-5%	
	Reducing the carbon intensity (kg CO2 eq/kg) across the Danone perimeter (packaging, plants and transportation) - %	-4%	-4,5%	
	Carbon Pact to involve and engage our suppliers: % of purchasing spend of Fresh Dairy Products Division	0	-	
	OFFSET			
Co-creation of carbon offset programmes with high biodiversity and social value (number of programmes)	0	1		
Supporting the development of more environmentally respectful agricultural models	Deployment of the sustainable milk management model (DQSE) with the agricultural industry sector	50%	70%	
	Linus Programme (addition of flax to the cow feed) - number of farms	300	-	
Redesigning packaging to eventually transform waste into resources	REDUCE			
	Decreasing the ratio of "pack weight/product weight" (pack ratio)	-3%	-5%	
	RECYCLE			
	Increasing the bottle to bottle recycling rate: rate rPET in water bottles (% of weight)	4%	4%	
Protecting our springs, reducing our water consumption and helping to protect the world's water resources	USE RENEWABLE MATERIALS			
	% of packaging made from renewable materials (volume)	5%	-	
Protecting our springs, reducing our water consumption and helping to protect the world's water resources	Reduction of water consumption in our plants (l/kg product)	-3%	-3%	
	Reduction of the impact of industrial activities: reduction of pollution load (COD/kg product)	-3%	-	
Helping to protect the biodiversity on our sites and on the world	Protecting the catchment area / systems (impluviums) of springs: % of sites applying the Danone charter and its frame of reference	60%	90%	

PERFORMANCE 2009	LONG TERM OBJECTIVES		CUMULATIVE PERFORMANCE	2010 COMMITMENTS AND OUTLOOK
85 (51%)		-	NA	Objective: 100% of sites excluding HOD (Home & Office Delivery)
78		-	NA	Objective: 100% of strategic sites in 2012. Creating a GREEN light, applicable to small sites
87%		-	NA	Renewing the long-term plan (2011-2020)
87%				Integrating Danprint in the IT system of the group. Objective 100% of CBU (Country Business Units) with the SAP information system in 2012
-12%	2000-2010	-20%	-41%	Renewing the long-term energy reduction plan (2011-2020)
-6,1%	2008-2012	-30%	-10,5%	2010: -6.8%, defining a long-term plan (2011-2020) based on the learnings from 2008/2009
36%			36%	Extending the Carbon Pact to the Waters and Baby Nutrition divisions 3-year timeframe objectives: 100% of strategic suppliers
1				Evian Carbon Neutral by 2011 (estimate 150 kt CO ₂ eq after 40% reduction in carbon intensity)
70%	2000-2010	100%	70%	Eventual goal: 100% coverage of farms supplying Danone
250				Defining a 2011-2020 long-term sustainable milk management plan and continuing to contribute to the progress (through research and co-creation with the agricultural and science sectors) of innovative experiments
	2000-2010			
-2%		-10%	-5%	Renewing the long-term (2011-2020) objectives and accelerating our progress in all divisions thanks to our new Packaging research platform
8%	à fin 2011	20% à 30%		Eventual goal of 50% rPET per bottle on average
7%				Defining an ambitious quantified long-term 2011-2020 goal
-11%	2000-2010	-27%	-35%	Renewing the long-term water consumption plan in our plants (2011-2020)
-5%	2000-2010	-	-18%	Establishment of a pilot project to measure the water footprint in collaboration with Quantis in the Waters and Fresh Dairy Products divisions
90%	2000-2010	90%	90%	Establishment by 2012 of a tool for measuring biodiversity for the group and continuing measures and actions to protect biodiversity supported by the Danone Fund for Nature (objective of 5/10 programmes by 2012)

Consumers

OUR COMMITMENTS TO STAKEHOLDERS	OUR OBJECTIVES	PERFORMANCE 2008	
CONSUMERS			
Monitoring the evolving health- and nutrition- related consumers' needs	<ul style="list-style-type: none"> Establishing nutrition- and health- related issues-mapping (nutripack, planetcheck) in countries where we operate (scientific literature review, expert opinion) Conducting where necessary, epidemiological studies to determine and evaluate nutritional / dietary intakes and any local deficiencies 	+ 2 Nutripacks: 24 countries covered at year-end 2008 1 study in Brazil	
Developing and offering products having appropriate nutritional profiles and providing health benefits to meet consumers' needs	<ul style="list-style-type: none"> Regularly evaluating the nutritional quality of our products versus the recommendations of health authorities and competing products (NutriProgress programme) and defining reformulation objectives, if necessary (reducing sugar-, fat-, salt content, enrichment with vitamins and minerals, etc.) Extending existing ranges, innovating 	35 business units of the Dairy division involved (90% sales of the division)	
Demonstrating the health benefits of products by means of convincing scientific evidence	<ul style="list-style-type: none"> Conducting clinical trial and studies, publishing and communicating the results 		
Providing clear, factual and practical nutritional information	<ul style="list-style-type: none"> Providing consumers with nutritional information based on Guideline Daily Amounts (GDA) for products having no regulatory requirement related to labelling (dairy products, beverages) 	70% of eligible products providing nutritional information, in compliance with the Danone Charter, on their packaging in EU countries	
Communicating on product nutritional and health benefits in reliable, consumer-friendly language	<ul style="list-style-type: none"> Ensuring that all product health claims are clear and easily understandable by consumers (accurately reflecting product benefits demonstrated by scientific evidence) and reliable (reflecting the level of scientific evidence)) 		
Limiting advertising to children (<12 years) to products whose nutritional profile and portioning meet children's needs and refraining from advertising in schools	<ul style="list-style-type: none"> Implementing the restriction on advertising in EU countries (under the framework of the E.U. Pledge - 27 countries as at year-end 2007) and the USA (under the framework of the CFBAI) Extending our commitments to other countries outside the E.U. 	Extension to the USA	
Developing new products with good nutritional value which are affordable and accessible to low income population groups	<ul style="list-style-type: none"> Expanding the roll out of existing programmes, launching new programmes 		

2009 PERFORMANCE AND NOTEWORTHY ACHIEVEMENTS	2010 COMMITMENTS AND OUTLOOK
<ul style="list-style-type: none"> • Plus 2 Nutripacks (Indonesia and Algeria) ; 26 countries covered at year-end 2009" 	<p>2010 Objectives</p> <ul style="list-style-type: none"> • Expanding Nutripacks to 4 new countries in 2010 • Updating 2 existing Nutripacks
<ul style="list-style-type: none"> • Dairy products: 1,514 recipes evaluated in 28 countries representing 91% of the sales of the Division • Baby Nutrition products / Complementary food: 753 recipes evaluated in 39 countries representing 75% of the sales of the category • Baby Nutrition products / growing-up milks: 68 recipes in 39 countries evaluated representing 100% of the sales of the category • Launch of Densia in Spain (yoghurt for women over 45 years that provide 400 mg calcium / pot, that is 50% of their requirements in this nutrient), launch of Bébélac in China (product line of complete nutrition for babies and children) 	<ul style="list-style-type: none"> • Analysing the entire product portfolio every 2 years
<ul style="list-style-type: none"> • 106 clinical trials underway in 2009 for all divisions of the group • 48 scientific publications in peer reviewed journals • Positive opinion from EFSA on the scientific dossiers for Danacol (contributing to cholesterol reduction) and Danonino (supporting growth and enhancing bone strength) • Regular meeting at the request of our four divisions of forty advisory boards bringing together local and international scientific experts on various topics (Nutrition, probiotics, cardiovascular health, hydration, baby nutrition, medical nutrition) (between 5 and 10 members each); favorable opinion from the Thai authorities on the scientific dossier on the product Activia benefits 	<ul style="list-style-type: none"> • Obtaining the results of clinical studies done on key brands
<ul style="list-style-type: none"> • 98% of eligible products providing nutritional information in compliance with the Danone Charter on their packaging in EU countries • Provision of information on the Internet (local and/or brands websites) 	<p>Ongoing objective</p> <ul style="list-style-type: none"> • Expanding the provision of off-packaging nutrition information (especially through the Internet)
<ul style="list-style-type: none"> • All of our product health claims are covered by our internal process for validating health claims (local, division, corporate levels) 	<p>Ongoing objective</p> <ul style="list-style-type: none"> • Continuing this approach and enhancing our process by disseminating guidelines on best practices
<ul style="list-style-type: none"> • Compliance with the commitments in the EU countries (measured under the framework of monitoring of the E.U. Pledge) and in the USA • Extension of commitments to Brazil under the framework of the Brazilian Pledge 	<p>2012 Objectives</p> <ul style="list-style-type: none"> • Extending our commitments to other countries (Russia, Mexico, etc.)
<ul style="list-style-type: none"> • Expansion of the roll out and distribution of children's product Sektidoi in Bangladesh • Launch of the Gizikita product line in Indonesia (products for pregnant women, nursing mothers, and children 1-2 years and 2-5 years) • Launch of the Danone yoghurt 90 anos in Mexico (30% cheaper than the previous line) while maintaining the nutritional value of the yoghurt) 	<p>2013 Objectives</p> <ul style="list-style-type: none"> • Expanding the roll out of existing programmes, launching new programmes to reach one billion consumers

Employees

OUR COMMITMENTS TO STAKEHOLDERS	OUR OBJECTIVES	PERFORMANCE 2008	
EMPLOYEES			
STRENGTHENING THE SOCIAL FUNDAMENTALS FOR ALL			
Safety at work	<ul style="list-style-type: none"> By 2011, reducing the frequency rate of workplace/occupational accidents with work stoppage to be closer to best in class levels: 2.5 	5,2	
	<ul style="list-style-type: none"> Extending the Safety initiative (WISE) to: <ul style="list-style-type: none"> - activities of the Medical Nutrition and baby Nutrition divisions - sub-contractors on site - commercial (marketing & sales) and distribution activities 	NA	
	<ul style="list-style-type: none"> Reaffirming safety as the top priority among the fundamentals Ensuring group level leadership with regard to Safety Policy 	NA	
	<ul style="list-style-type: none"> Defining a common general framework in order for the divisions and Country Business Units to set out the standards with regard to guidelines and procedures 	NA	
Ensuring social and medical benefits coverage for all employees and improving working conditions	<ul style="list-style-type: none"> Providing a minimum level of social and medical insurance coverage to all employees, starting from an audit of existing systems in 15 countries representing 85% of Danone employees 	NA	
	<ul style="list-style-type: none"> Preventing stress at work and improve working conditions 	NA	
	<ul style="list-style-type: none"> "Initiating a workplace health related awareness / training program designed for Danone employees: "health induction" and "health at work programmes" 	New	
Innovation in social dialogue	<ul style="list-style-type: none"> Integrating the representative bodies of the baby Nutrition and Medical Nutrition businesses Including representatives from Asia and America (North & South), while retaining a majority 	NA	
	<ul style="list-style-type: none"> Intensifying the economic dialogue 	NA	
	<ul style="list-style-type: none"> Deploying the Danone / IUF Conventions in all countries where the group operates 	NA	

2009 PERFORMANCE AND NOTEWORTHY ACHIEVEMENTS

2010 COMMITMENTS AND OUTLOOK

<ul style="list-style-type: none"> • Reduction of the incidence rate: 3.9 in 2009 versus 5.2 in 2008 • Deployment of the WISE methodology in the baby & Medical Nutrition divisions, with audits launched across all industrial sites 	<p>2010 Target frequency rate with work stoppage</p> <ul style="list-style-type: none"> • 3.1, further dropping to 2.5 in 2011
<ul style="list-style-type: none"> • Training for Wise Auditors • Audits carried out on all baby Nutrition and Medical Nutrition industrial sites • Integration of a 13th criterion in audits to assess safety policy vis-à-vis sub-contractors on site • Development and validation of driving safety standard and introducing WISE audits on these activities 	<ul style="list-style-type: none"> • Ensuring that our off-site sub contractors set up high safety standards for their employees (mostly drivers) • June-end 2010: Establishing the sub contractor management standard validated by the Safety Steering Committee, • Developing and establishing a specific action plan for countries at risk in terms of road safety (Saudi Arabia, Russia, Mexico, Indonesia, China, Argentina.) • Defining the structural measures (e.g. GPS, Danone certified permits issued after specific training, etc.
<ul style="list-style-type: none"> • "Safety Engagement" signed in September 2009 by the Executive Committee and all General Managers • Setting up of a Safety Steering Committee at the group level. Its role is to: provide medium-term vision for Group Safety Policy, validate goals & objectives by division and monitor the progress of action plans, ensuring the proper allocation of human and financial resources, and validate the proposals of the Safety project team (8 safety professionals) in terms of methodology and guidelines 	<ul style="list-style-type: none"> • Communicating on the safety priority by strengthening presentations and ensuring speaking opportunities (safety contact) regarding safety issues in all meetings • Inclusion in the Safety Steering Committee of representatives of Sales & Distribution activities
<ul style="list-style-type: none"> • 4 standards (Accident Investigation, Driving Safety, Contractor Management, Hazardous Energy) validated by the Safety Steering Committee for implementation no later than December 31, 2010 	<ul style="list-style-type: none"> • Ensuring & verifying deployment of the four standards during audits and of their implementation being done in consultation with staff representatives • Identifying other standards to be deployed in 2011
<ul style="list-style-type: none"> • Mapping of the current situation by country, taking into account different criteria (level of general coverage, State / Employer distribution, covered risks, plan costs, the amount of the remaining charges to be allocated...) 	<ul style="list-style-type: none"> • In 2010, preparing an incremental action plan, for the next three years, providing for the improvement by Country Business Units of medical coverage for their employees and their families
<ul style="list-style-type: none"> • Establishment of an exploratory group on stress with French unions representing the various Danone Business Units in France on April 7, 2008 • Establishment of a Medical Observatory for Stress, Anxiety and Depression (OMSAD) in five pilot sites, including at group headquarters, with the support of IFAS (French Institute for Anxiety and Stress) 	<ul style="list-style-type: none"> • Negotiating a group level framework agreement in March 2010, on the basis of which the various Business Units in France would negotiate individual agreements at their respective companies • Negotiating with the IUF (International Union of Food Workers), a global framework agreement on health, safety, working conditions and stress
<ul style="list-style-type: none"> • 3 pilots of the "Health Induction" programme were carried out in Spain, the USA and Argentina in 2009, with 100 people • Setting up of about fifteen participatory workplace training programmes on the importance of a healthy and balanced diet and physical activity; and practice aids: lectures, seminars and practical workshops on food, nutrition, sleep, etc., providing for sports / fitness centres, organising voluntary medical checkups, screening and prevention campaigns, etc. 	<p>2010 Objectives</p> <ul style="list-style-type: none"> • Deploying the "Health Induction" programme in 30% of Country Business Units • Deploying the "Health at work" programme more broadly (further development of existing programmes, creation of new programmes, organising the Danone World Cup which every 2 years involves approximately 10,000 employees in over 40 countries) <p>2011 Objectives</p> <ul style="list-style-type: none"> • 100% of Country Business Units have implemented this training and established active and sustainable long term programmes promoting employee health
<ul style="list-style-type: none"> • The first experiment of the new CIC: geographically opening up to representatives of the employees of Country Business Units in Asia, North America, Latin America and Africa • Organisation of Business Sector Committees dealing with topics focused on Fresh Dairy Products and Waters, with involvement of the General Manager of the divisions 	<ul style="list-style-type: none"> • In 2010, integrating representatives of the European Works Council (EWC) of baby and Medical Nutrition divisions in CIC, with representatives of the Danone/IUF Steering Committee in the negotiating team • Expanding the current Steering Committee to include Danone employees in Europe, North America and South America so as to continue the internationalisation process
<ul style="list-style-type: none"> • Economics oriented training-education conducted jointly at the IUF Steering Committee and the EWC office of the baby & Medical Nutrition Divisions 	<ul style="list-style-type: none"> • Preparation in 2010 for the establishment in 2011 of a new model through advanced discussions with the IUF and the EWC office of the baby & Medical Nutrition Divisions
<ul style="list-style-type: none"> • Organising joint visits by Danone / IUF in 5 countries (Argentina, Russia, Czech Republic, Poland) to promote the Danone / IUF Framework Agreements • Evaluation of local variations of agreements and explanation of the international bodies for social dialogue 	<p>2010 Objectives</p> <ul style="list-style-type: none"> • Continuing with joint visits (visits to countries planned as a minimum: Italy, Belgium, Turkey, Hungary, Brazil) • Negotiating an international framework agreement with the IUF on health, safety, working conditions and stress

Dashboard: 2009 stakeholder commitments and outlook

OUR COMMITMENTS TO STAKEHOLDERS	OUR OBJECTIVES	PERFORMANCE 2008	
EMPLOYEES			
STRENGTHENING THE SOCIAL FUNDAMENTALS FOR ALL			
Development of skills, competence and employability of our employees	<ul style="list-style-type: none"> Increasing access to training for all 	24 hours	
	<ul style="list-style-type: none"> In France, continuing the programme leading to acquisition of diplomas through the process of VAE (validation or accreditation of prior experience) 	1044	
	<ul style="list-style-type: none"> Accommodating young workers in apprenticeships and helping young people acquire skills and qualifications 	3% of workforce in France	
	<ul style="list-style-type: none"> Developing marketing & sales related training methods adapted to the specificities of local cultures 	New	
Ensuring compliance by all Country Business Units with the fundamental criteria of sustainable development (Danone Way)	<ul style="list-style-type: none"> Strengthening enforcement of the 16 Danone Way Fundamentals by increasing the number of Country Business Units included in the implementation, in particular from the baby & Medical Nutrition businesses 	58 Country Business Units and 76% of Net Net Turnover (CANN)	
	<ul style="list-style-type: none"> Raising the requirement level of sustainable development standards in Danone Way 	Less than 3 stars: 33%	
ENCOURAGING RESPONSIBILITY AND AUTONOMY IN RESPECT OF ALL EMPLOYEES			
Developing autonomy and efficiency in respect of all Danone employees	<ul style="list-style-type: none"> Developing autonomy and efficiency of Danone employees 	New	
	<ul style="list-style-type: none"> Developing autonomy and efficiency of Danone employees 	New	

2009 PERFORMANCE AND NOTEWORTHY ACHIEVEMENTS	2010 COMMITMENTS AND OUTLOOK
<ul style="list-style-type: none"> • Increase in the number of hours of training per employee per year from 24 hours to 28 hours on average • Increase in number of hours (+16%) and number of employees trained by + 7% 	<p>2012 Objectives</p> <ul style="list-style-type: none"> • All employees should participate in / benefit from some form of training-education at least once in 3 years and all employees should benefit from at least one position change every 5 years
<ul style="list-style-type: none"> • 1082 employees graduating with qualifications obtained through VAE at year-end 2009 since the the project began, versus the 2009 target of 1,100 employees • 47 new employees were engaged in this process in 2009 • This figure is consolidated since the beginning of the programme (April 2004) which includes the 261 employees of the biscuits business in France (sold in 2007) 	<p>2010 Objectives</p> <ul style="list-style-type: none"> • 65 new employees entering into the programme, adding up to a cumulative total of 1149 qualifying graduates
<ul style="list-style-type: none"> • Maintenance of percentage of apprentices accepted in France: 3% of the workforce in France (idem 2008) • Active promotion and participation of senior citizens in the transfer of skills included in most agreements signed with the social partners of French Country Business Units 	<p>2010 Objectives</p> <ul style="list-style-type: none"> • Enhancing the role of tutors by including it in the performance objectives and evaluation of the employees involved
<ul style="list-style-type: none"> • A pilot project was initiated in Danone's "Pays de Bray" plant around a programme designed to accommodate a cohort of unskilled/unqualified youth with the aim of leading them towards achieving a vocational qualification, the CAP Diploma (Certificat d'aptitudes professionnelles) - Warehousing and Deliveries Clerk, with the contribution of other actors in the area 	<p>2010 Objectives</p> <ul style="list-style-type: none"> • Setting up under the framework of the French Government's Youth Employment Plan, a pilot programme to change the profile of apprentices at Danone (currently 70% Bac + 2 years or more) in order to be able to accommodate youth without a diploma on a pre-qualification basis through local partnerships (employment agencies, non-profit associations, training institutions) to enable them to access diplomas like the Certificat d'aptitudes professionnelles (vocational proficiency certificate) or Brevet d'études professionnelle (vocational training diploma). • Involving 12 sites and accepting 100 youths in the programme <p>2012 Objectives</p> <ul style="list-style-type: none"> • 20 sites and 500 youths
<ul style="list-style-type: none"> • Development of the "Dream Store College", an ad hoc training module to respond to the need for improving the effectiveness of marketing-sales teams in the field in the Africa Middle East region • Initial deployment in the Fresh Products Country Business Units involving 2800 marketing-sales staff in the Africa - Middle East region in 2009. Results: between +20 and +30% increase in turnover 	<p>2010/2011 Objectives</p> <ul style="list-style-type: none"> • Extension to other divisions and other emerging countries, particularly Latin America and Asia <p>Year-end 2012 Objectives</p> <ul style="list-style-type: none"> • 10,000 trained sales staff
<ul style="list-style-type: none"> • 2009 Scope of Application: 77 Country Business Units (CBU) representing 89% of group Net Net Turnover (CANN) versus 58 CBU's and 76% of group Net Net Turnover (CANN) in 2008 • Integration in Danone Way of 10 new CBU's from the Dairy and Waters divisions, 14 new CBU's from baby Nutrition and 1 new CBU from the Medical Nutrition divisions 	<ul style="list-style-type: none"> • Integrating into the Danone Way scope of application all of the Country Business Units that were taken over more than a year earlier
<ul style="list-style-type: none"> • The percentage of Country Business Units with less than 3 stars: 17% in 2009 (comparable structure basis) versus 33% in 2008 • The percentage of Country Business Units with 5 stars: 13% in 2009 (7 CBU's) versus 5% in 2008 	<p>2011 Objectives</p> <ul style="list-style-type: none"> • All Country Business Units must achieve a three star rating by the end of their third self-evaluation period
<ul style="list-style-type: none"> • Definition of Danone leadership attitudes, CODE (Committed, Open, Doer, Empowered) from the Danone values • Translation of attitudes into 30 languages and integration into all HR processes (recruitment, evaluation, training, development and identification of talent and potential) with pilots in several Country Business Units 	<p>2010 Objectives</p> <ul style="list-style-type: none"> • Integrate CODE criteria in all HR management processes: recruitment, evaluation, training, development, identification of talent and potential. • Provide all employees with training on CODE
<ul style="list-style-type: none"> • 30% of Country Business Units have successfully launched the Danone Leadership College (DLC) 	<p>Year-end 2010 Objectives</p> <ul style="list-style-type: none"> • 70% of Country Business Units should have completed the DLC launch with management committees or expanded teams • 6,000 Team Leaders trained via the Danone Leadership College • 100 individuals should have been trained to deploy the initiative in-house <p>Year-end 2011 Objectives</p> <ul style="list-style-type: none"> • DLC launched by 100% of Country Business Units and 100% of the 15,000 Team Leaders accordingly trained

Dashboard: 2009 stakeholder commitments and outlook

OUR COMMITMENTS TO STAKEHOLDERS	OUR OBJECTIVES	PERFORMANCE 2008
EMPLOYEES		
ENCOURAGING RESPONSIBILITY AND AUTONOMY IN RESPECT OF ALL EMPLOYEES		
<p>Relying on CODE for greater diversity and recruiting candidates having professional profiles / backgrounds considered different from the norm for the positions in question</p>	<ul style="list-style-type: none"> Organising a first Danone Women's Leadership Lab with 70 people facilitating the opening up of plural forms of leadership, accompanied by meaningful increases in terms of gender parity at all levels of the company 	New
	<ul style="list-style-type: none"> Defining the priorities of the Open Sourcing approach supporting implementation of the diversity agreement with worldwide application signed in 2007 and providing everyone the opportunity to join the company and develop at Danone 	New
	<ul style="list-style-type: none"> Setting up in a number of European countries inter-company diversity networks, based on the "Diverseurop" network 	New
	<ul style="list-style-type: none"> Conducting a global survey on the implementation of the Diversity agreement launched in June 2009, via trade unions and HR departments and identifying and disseminating good / best practices 	New
	<ul style="list-style-type: none"> "Signing agreements with social partners on specific issues concerning seniors in the group's French Business Units 	New

Suppliers

Refer to the RESPECT programme on pages 61-69.

2009 PERFORMANCE
AND NOTEWORTHY ACHIEVEMENTS

2010 COMMITMENTS AND OUTLOOK

<ul style="list-style-type: none"> The 1st Danone Women Leadership LAB was conducted in March 2009, with 73 people, with 80% of these being women and the participation of Danone's President and CEO and several members of the Executive Committee (EXCO). Involvement of members of the EXCO in mentoring young women and the establishment of two women's networks Access to training focusing on "leadership for women" in group training offerings, for women directors and general managers 	<p>2010 Objectives</p> <ul style="list-style-type: none"> Organising a 2nd edition of the Danone Women's Leadership LAB and sharing the lessons from the two laboratories; identifying 5/6 pilots in the Country Business Units and the various function <p>2012 Objectives</p> <ul style="list-style-type: none"> Drawing lessons from pilot projects and "open sourcing" laboratory to establish diversity as a business topic throughout the entire Danone organisation supported on the ground by managers from Country Business Units
<ul style="list-style-type: none"> The strategic priorities identified are "Upward Social Mobility" and "New Business Models / New profiles" 	<ul style="list-style-type: none"> Establishing in 2010, "laboratories" on the two strategic priorities: <ul style="list-style-type: none"> 2 laboratories on "Upward Social Mobility" <ul style="list-style-type: none"> Opening of sales and marketing positions to candidates having diverse profiles, particularly in terms of social origin internal social advancement in particular access to the managerial levels. 2 laboratories on new business models or new profiles <ul style="list-style-type: none"> Identification of diverse profiles for activities / operations in emerging countries and enrichment of traditional career paths with this type of experience Reinvention of the purchasing function profiles. <p>2010 Objectives</p> <ul style="list-style-type: none"> Setting up experiments in each of the laboratories <p>2011 Objectives</p> <ul style="list-style-type: none"> Pilot operations in Country Business Units based on the analysis of experiments conducted in year 1 <p>2012 Objectives</p> <ul style="list-style-type: none"> Worldwide deployment of the most effective sourcing methods and arrangements to ensure richness and diversity of profiles
<ul style="list-style-type: none"> Danone Italy has signed the Diversity Charter proposed by the Italian government with companies in the Diverseurop network Danone Spain has signed the Diversity Charter proposed by the Spanish government. Continuation of the Spanish network 	<ul style="list-style-type: none"> Planning and scheduling a meeting in 2010 in a European country to facilitate the formation of a network comprising Diverseurop companies
<ul style="list-style-type: none"> Implementation of a survey whose scope covered existing businesses and activities during the signing of the agreement in 2007 (i.e. 50% of employees, excluding medical and baby nutrition activities) Results: good information at management committee level but little training of personnel relating to issues of discrimination. 13 agreements on diversity related subjects were signed across the group's European companies (11 in France, one in Portugal and one in Spain, of which 3 were on "Diversity and Discrimination", 3 on "men-women gender parity", 4 on disability and 3 on seniors) 	<p>2010 Objectives</p> <ul style="list-style-type: none"> Disseminating to Country Business Units a manual for communicating good / best practices and providing the foundation for shared diagnostics <p>2011 Objectives</p> <ul style="list-style-type: none"> Facilitating the exchange of good / best practices and defining the optimal organisation to ensure the sustainability of measures undertake <p>2012 Objectives</p> <ul style="list-style-type: none"> Establishing a network of Diversity representatives (by Country Business Units or regions, etc)
<ul style="list-style-type: none"> Initiation of further efforts and work with regard to seniors in the group's French companies 	<p>2010 and subsequent years</p> <ul style="list-style-type: none"> Implementing in all French companies of the group, the Seniors Action Plan and the agreement signed with social partners with regard to various actions: <ul style="list-style-type: none"> continued employment of seniors or older workers with quantified targets, introducing mid-career review interviews, adjustments to workstations and integration of an ergonomic component in any new investment, skills development with the guarantee of equal access to training opportunities regardless of the age of employees, transition between working life and retirement with the opening up of flexible arrangements, knowledge transfer and development of mentoring skills with establishment of specific "train the trainer" training programmes

Communities

OUR COMMITMENTS TO STAKEHOLDERS	OUR OBJECTIVES	PERFORMANCE 2008	
COMMUNITIES			
CREATING VALUE WITHIN AND BEYOND OUR WALLS WITH LOCAL COMMUNITIES			
Strengthening our ecosystem	<ul style="list-style-type: none"> Involving Danone stakeholders in the process of creating economic, social and environmental value through the company's daily business activities and specific social projects Contributing to the development of the global ecosystem to which the company belongs 	New	
Encouraging and replicating social projects initiated by our employees worldwide (Danone Supporting Life)	<ul style="list-style-type: none"> Developing Danone-Supporting Life projects based on a "triple win" approach (projects that benefit civil society, strengthen employee engagement and commitment with respect to Danone staff and that provide a suitable response to "business" challenge) that supports Danone's mission through effective partnerships with NGOs Transforming the 93 active social initiatives identified across the group in 2008 into sustainable and impactful programmes around the triple win approach 	New	
THE SCIENTIFIC COMMUNITY AND HEALTH PROFESSIONALS			
Promoting the development and sharing of scientific knowledge	<ul style="list-style-type: none"> Supporting research in nutrition, through scholarships, awards, university chairs, partnerships Promoting knowledge development and exchange through symposia, conventions 		
Promoting nutrition training amongst health professionals and practitioners	<ul style="list-style-type: none"> Publishing newsletters, organising and hosting conferences and training programmes, making available e-learning tools, etc. 		
Supporting organisations (NGOs) engaged in the fight against obesity	<ul style="list-style-type: none"> Awarding annually since 2006, the Dannon Next Generation Nutrition Grants (4 awards for a total of €85,000 / year) 	4 awards €85,000	

2009 PERFORMANCE AND NOTEWORTHY ACHIEVEMENTS

2010 COMMITMENTS AND OUTLOOK

- Launch of the Danone Ecosystem Fund (approved by the general meeting of shareholders on April 09, 2010 with an endowment of 100 million euros) with a view to helping Danone's partners or potential partners in the development of social value creating economic initiatives
- Three fields of action / activity: developing employment, employability and micro-entrepreneurship
- Thirty-projects were under development at the end of December 2009, two projects were approved: agricultural cooperatives comprising nearly 1,200 farmers in Ukraine with the NGO Heifer, and a local distribution system based on goods transportation using electric tricycles in Paris in partnership with Ares ("La Petite Reine / Little Queen", a company involved in occupational integration) creating during an initial pilot phase, about one dozen jobs with the majority involving integration

- 2010 and 2011 Objectives
- Increasing the number of active programmes, facilitating the replication of certain initiatives (e.g. partnerships with small agricultural producers/farmers, organisation of plastics collection system in some countries)
 - Developing and relying on a strong network of non-profit organisations including NGOs and enhancing professionalism and competence of the teams in charge of such projects
 - Measuring the impact of projects using a common approach
 - Better internal and external communication relating to various initiatives and their best practices

- Identification of 47 triple win projects under the Danone Supporting Life platform mostly pertaining to nutrition and health education, providing support / assistance to the network of food banks, access to water and also involving child protection in the baby nutrition division
- 21 Country Business Units have initiated social projects and were candidates for the award dedicated to social programmes

- 2010 and 2011 Objectives
- Creating 60 active "triple win" programmes and reinforcing the 4 strategic priorities established in 2009
 - Even greater mobilisation of Danone employees, increasing knowledge with respect to actions involving consumers, effectively coordinating the network of project leaders
 - Measuring the impact of our projects using a common tool

- 60 Danone Institute scholarships / prizes (€1 million), 8 Nutricia Research Foundation scholarships (€400,000)
- Seventh Danone International Prize for Nutrition (€120,000) awarded to Prof. Johan Auwerx (EPLF, Switzerland)
- Organisation of the Conference on Probiotics in Shanghai (120 participants)

- Nearly 1,700 practical workshops (nutrition, probiotics, cardiovascular health, hydration, infant nutrition, clinical nutrition, etc..) organised by the Dairy Products, Waters, Medical Nutrition and Baby Nutrition Divisions and by the Danone Institutes
- Several Danone Institute publications (proceedings of symposia, reference books including the 'New Recommended Nutrient Intakes for the Mexican population' from Danone Institute Mexico, the 'Food Portion Sizes in Turkey' from Danone Institute Turkey, newsletters in France, Spain, China, and Japan, etc.)
Website : www.danoneinstitute.org
- The programme "Surveillons sa corpulence / Watching their weight together" run by Danone Institute France since 2004, providing practice / clinical aids for healthcare practitioners / professionals for screening children at risk of obesity (1000 kits distributed in 2009, 14,000 kits distributed since 2004). Website: www.institutdanone.org

- 4 prizes awarded to:
 - Ohio FFA Foundation (Columbus, Ohio): offering to children 12,000 more balanced menus and nutrition education programmes
 - The IJ & Jean Wagner Jewish Community Center (Salt Lake City Utah): introducing in kindergartens and primary schools, workshops in cooking, sports and food education courses
 - The Tarrents Area Food Bank (Ft Worth, Texas): offering cooking classes for disadvantaged families focusing attention on good nutrition
 - Cornell Cooperative Extension (Westchester, NY): providing nutrition education programmes for approximately 240 primary schools with the aim of increasing consumption of fruits and vegetables; and creating gardens in schools to grow fruits and vegetables and learning to cook the same

Performance

Company profile and report parameters



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KPMG OPINION

Company profile

The information presented in this section of the report (company profile) is available in the **Registration Document** (Document de Référence) of the group. References to the relevant pages are listed in the GRI index published *on page 148* of this report.

This report covers Danone's economic, social and environmental performance over the period January 1 to December 31, 2009. The published indicators and management systems described in this report have been prepared in accordance with the guidelines of the Global Reporting Initiative (**GRI 3**). They provide a balanced and reasonable presentation of our economic, environmental and social organisation. The indicators are presented in accordance with the titles of the GRI 3 (example: EC2. Financial implications and other risks and opportunities for the organisation's activities linked to climate change).

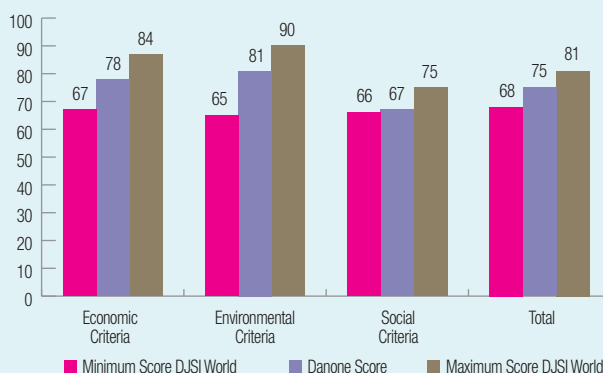
Moreover, they respond to the information required by section 116 of the NRE (New Economic Regulations) law of May 15, 2001 and its implementing decree of February 20, 2002 and take into account the "annual social indicators" that the IUF (International Union of Food) and Danone jointly established in September 2004.

Part of the social and environmental data appearing in this document has been audited by KPMG and is the subject of a statement published *on pages 159-161*.

The previous report which covered the period from January 1 to December 31, 2008 had been published for the General Meeting of shareholders held on April 20, 2009. The figures and information provided in this report are, unless otherwise indicated, reported on a global scale of companies controlled by Danone (list of consolidated companies in the Registration Document), the Registration Document and the Economic and Social Report being complementary to this report may be downloaded from the website <http://www.danone.com>.

Awards / recognition received during reporting period

Danone's Scores by Criteria in the 2009 DJSI Index (in %)



- Danone has been selected in the "**Dow Jones Sustainability Index**" (**DJSI**) for the eleventh consecutive year. It also appears in the main sustainable development indices: **Ethibel Sustainability Index and ASPI Eurozone** (Danone is ranked No. 1 in the food sector in the 2009 index).
- Danone figures in the 2009 honour roll of the "100 most sustainable corporations in the world" released by the extra-financial rating agency Innovest.



Company profile and report parameters

- Danone received the first European Corporate Social Responsibility (CSR) award from "Orga Consultants" and EI Consulting Group (consortium of European strategy consulting firms) having been selected from among 21 European companies competing before a jury of eminent personalities from the fields of European politics, economics, and the non-profit charitable sector.
- In 2009, several Country Business Units were voted "**Great Place to Work**": Danone Waters and Dairy UK were ranked No. 1 in England, Danone Place (Headquarters) ranked No. 3 in France and Danone Spain was placed in the top 10 in the Spanish rankings.
- The Isica Foundation Award was handed to the Health@work programme developed by Danone Place (headquarters) and Danone Research.
- Danone was recognised in the Oddo Securities report of February 2009 entitled "Obesity, a global challenge that knows no crisis". This report analyses the responses offered by the leading European companies in the food, pharmaceuticals and sports equipments sectors. Danone is placed amongst the 10 securities with the best investment opportunities and amongst the four eligible companies in their SRI (Socially Responsible Investment) Europe universe.

Report parameters

This section of the report corresponds to indicators GRI 3.1 to 3.11 (*see page 148 of GRI index of the report*).

Consolidation “Perimeter” (scope and boundary of consolidation coverage)

The financial information contained in this report are consistent with consolidated historical data extracted from the **2009 Registration Document**. They have been prepared in accordance with IFRS accounting standards as adopted by the European Union on December 31, 2009.

The social indicators cover all Danone CBU consolidated by global integration, whatever their activities (production sites, research sites, logistics bases, administrative offices).

The safety indicators also cover all of Danone CBU consolidated by global integration, with the exception of certain entities that are not yet integrated in the safety reporting in 2009.

The environmental indicators cover only impacts of production sites. The environmental impacts of administrative offices and logistics bases are not included in the consolidation perimeter (except for certain indicators, when the logistics bases are adjacent to industrial sites).

Within this perimeter, the social and environmental data are 100% integrated (global data integration).

In order to take into account any disparities in data feedback, a coverage rate is calculated for each of the published indicators. For social and safety data, it is calculated on the basis of the total workforce registered on the books at year-end 2009.

For environmental data, it is calculated on the basis of the percentage of sites with data reported. As a rough guide, a coverage rate relative to annual turnover is also calculated.

Perimeter variations

The perimeter variations are related to creations, acquisitions, transfer/divestiture or liquidation of CBU. To maintain a comparable structure basis from one year to another, the following rules have been defined for financial, social and environmental data:

- **acquisition:** data from the acquired entity are included in the consolidation from the date of takeover by the group;
- **creation:** the entity's data is integrated into the perimeter from the date of creation;
- **divestiture or liquidation:** data from the divested or liquidated entity are removed from the consolidation perimeter at the effective date of the divestiture or liquidation of the current financial year.

Choice of indicators

The choice of social indicators presented:

- corresponds to the group's human resources policies relating to the monitoring of the workforce and social performances, in terms of the management and development of staff,
- takes into account cultural specifics and local disparities (different national legislations, various legal obligations, etc.).

The choice of environmental indicators presented:

- corresponds to environmental policies and reflects the progressive initiatives of production sites, these indicators are relevant vis-à-vis the group's activities,
- enables the monitoring of Danone's environmental performance in relation to major environmental issues

Report parameters

Frame of reference for data feedback

In order to ensure consistency and standardisation of indicators over the entire perimeter, common reference frameworks for feedback and reporting of social data on the one hand, and environment data on the other, are deployed and updated each year following data consolidation work and comments from contributors. They detail the methodologies to be used for feedback on the indicators: definitions, methodological principles, calculation formulae and standard factors. An environmental technical guide, defining all the indicators was developed and published in 2007. It has been provided in French, English and Spanish to environment managers of each industrial site.

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

- **social data:** a specific data sheet in the data feedback system meant for reporting the financial information in the Magnitude system, as a general rule, allows social and safety indicators to be collected for all Danone entities. Moreover, the safety indicators are monitored and consolidated at group level each month under a specific format (Safety barometer). In case of differences observed between Human Resources data recorded with the Magnitude system and the Safety barometer of the Social Affairs Department, the rule adopted is to take into account the data tracked by the Social Affairs Department.
- **environmental data:** the environmental indicators presented in this report are collected, as a general rule, by using a specific IT tool Enablon, developed by the company ERM.

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

Clarifications and methodological limitations

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

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

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

Workforce

- An insignificant fraction of the manager workforce information is not collected within the data feedback framework (this relates to a few cases within the internationally mobile workforce, i.e. employees seconded to other entities of the group).
- Fixed term contracts and internal transfers within the group are not taken into account in entries/exits.
- In addition, long holidays are not applied in the same way by the various Country Business Units.

Moreover, following the work on social data auditing undertaken in 2007 and 2008, the definitions concerning the workforce and training have been further clarified:

Average number of hours of training / Number of employees trained

- The training data for the French Business Units take into account the training eligible to be counted towards continuing professional education, as well as training that is not eligible for such credit.

- Discrepancies in the inclusion or otherwise of certain training offerings may still exist, particularly with regard to programmes termed as training “at the workplace / on-the-job” as well as internal training programmes.
- The average number of hours of training per year per employee is calculated on the basis of the number of hours of training that took place during the year divided by the average number of employees (the average number of employees is obtained by averaging the number of permanent and non-permanent staff, excluding temporary / interim workers registered on the books at the end of each month).

Disabled employees

It should be noted that this indicator accounts for employees declared as disabled workers. The concept of disabled persons is defined by local regulations in different countries. Moreover, because of local regulatory particularities, some countries take into account external disability recognition as well internal disability recognition, issued by the medical officer / occupational physician at the work site.

Frequency rate of accidents at work

The frequency rate of accidents at work is the number of accidents with duration of work stoppage greater than or equal to one day, that have occurred during a period of 12 months, reported per one million hours worked. The hours worked that are taken into account are the actual hours worked; by default, it is the theoretical hours worked that are taken into account based on work time calculated at 40 hours per week. Indicators for accidents at work also cover accidents involving temporary workers / interim personnel working at the various plants.

Accidents occurring during home-workplace travel are not taken into account in this indicator. The perimeter relating to health and safety indicators corresponds to the Danone safety barometer, that is, 98% of the total workforce registered on the books as on December 31, 2009.

Consumption of raw materials

This indicator is estimated across the world on the basis of consolidated information provided by the Purchasing Department via the financial reporting mechanism (Magnitude system). Monetary data are converted into tonnage through the use of average prices. It groups together purchases of milk, sugar, dairy products, fruits, flour, fatty materials and chocolate.

Packaging Consumption

This indicator is also estimated across the world on the basis of consolidated information provided by the Purchasing Department. Monetary data are converted into tonnage with the use of average prices. It groups together purchases of rigid and flexible plastics, cardboard, paper, PET, caps and stoppers and films.

Recycling rate

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

Waste

The feedback of data relating to waste is based on 9 separate categories of waste (glass, PET, miscellaneous plastics, paper/cardboard, wood/pallettes, mixed packaging, materials waste, common industrial waste and hazardous industrial waste). Consequently, some waste not taken into consideration by categories may not be reported. The quantities involved are however not significant.

Water consumption

The consumption of bore well water or surface water may be estimated when the sites do not have meters available.

Report parameters

The definitions and the methods of taking the various water uses into account (including spillages and water pumped/ejected into rivers), are defined in the environmental technical guide and the special tool developed by the company Enablon. The calculation method used by the group is to subtract the quantities of water in the product composition (notably bottled water) from the quantity of water withdrawn from the natural environment, but gaps in the method may exist in certain Country Business Units.

Energy consumption

By definition, environmental indicators only cover impacts on production sites. Note that, when Research and Development centres or local non industrial facilities are adjacent to production sites, estimates can be carried out by those production sites to ensure that only energy consumption of the production site is taken into account (estimations and deduction of the share of energy consumed by local non industrials facilities adjacent to the production site).

Atmospheric CO₂ emissions

Direct emissions are calculated from the methodology and data from the Greenhouse Gas Protocol Initiative depending on emission factors by fuel. To clarify, emissions of greenhouse gases related to the use of refrigerant gases (CFC,s HFCs and HCFCs) and halons are calculated on the basis of quantities of gas refilled in the installations – with taking place, as a general rule, every second year – and the IPCC* global warming potentials (GWPs).

Each family of coolant gases (CFCs, HFCs and HCFCs) is assigned a unique GWP corresponding to the GWP value of the gas most commonly used on the group's sites. As regards emissions linked to halon, the GWP used for reference is the highest among those in the category.

Indirect emissions from other energy sources procured externally are assessed according to emission factors specific to each site. The emissions of other greenhouse gases are not significant compared to those of CO₂. Those originating from transportation linked to material flows are not included in this total. Most of the data relating to energy and CO₂ comes from industrial sites, although, for some sites, indicators also include data relating to a logistics base adjoining an industrial site.

Waste ejected into water

The data presented correspond to effluents from internal or external processing. In the event no information is available regarding external processing, a purification yield of 90% is considered.

* IPCC is the Intergovernmental Panel on Climate Change. The GWPs used to calculate the emissions correspond respectively to the data from the IPCC 2007 reference document, Global Warming Potential Time horizon 100 years for the 2009 emissions, and to those from the IPCC 2001 reference document for the 2008 emissions.

Consolidation and internal controls


Danone's Human Resources Department, the Environmental Department and the Social Affairs - Corporate Social Responsibility Department respectively ensure the consolidation of social and environmental data, based on the information feedback by the group's production sites and Country Business Units (CBU) worldwide.

Social data is collected CBU by CBU. In general, the reported data has come from payroll systems set up in CBU. An initial validation is carried out by the Director of Human Resources of the CBU prior to consolidation in the Magnitude system.

With regard to environmental data, this is collected from each production site by the environment manager. It is then checked and validated by the CBU's environment coordinator before being consolidated in the Enablon system by the firm ERM.

At the time of consolidation, consistency checks are carried out on the data by the Human Resources Department and the Environmental Management Department of the group. These controls in particular involve comparisons with the results of the previous year and the calculation of specific ratios to detect anomalies or misstatements. Any variance deemed to be material is analysed and corrected as necessary.

External controls

In order to obtain an external opinion on the reliability and robustness of our data feedback process concerning extra-financial data, we have asked KPMG Audit to carry out verification testing on a selection of social and environmental indicators that appear in this report and are identified with the following symbol: 

Their examination report that details the work carried out and their comments and findings is included *on pages 159 to 161*.

Furthermore, KPMG Audit has also audited the self-evaluations of the Danone Way Programme and environmental and social indicators present in this report according to international auditing standard ISAE 3000 specific to extra-financial information.

Adjustments to earlier data

Some errors in data feedback relating to previous financial years may be detected during the current financial year. In the event of such a situation occurring, the historical data are adjusted in order to enable better interpretation of results and trends. Such a situation did not arise in 2009.

GRI index and content

	Report Page	Scope - Boundary	DDR page
1. STRATEGY AND ANALYSIS			
1.1	Statement from the most senior decision-maker of the organisation (e.g, CEO, chair or equivalent senior position) about the relevance of sustainability to the organisation and its strategy	5	F
1.2	Description of key impacts, risks and opportunities	8 - 125	F
2. ORGANISATIONAL PROFILE			
2.1	Name of the organisation	143	F
2.2	Primary products and/or services with corresponding brands		F 19/26 - 31
2.3	Operational structure of the organisation, with description of main divisions, operating companies, subsidiaries and joint ventures		F 149 - 155
2.4	Location of organisation's headquarters		F 15
2.5	Number of countries in which the organisation operates and names of countries with major operations or that are specifically relevant to the sustainability issues addressed in the report		F 20 - 25
2.6	Nature of capital ownership and legal form		F 15
2.7	Markets served (including geographic breakdown, sectors served and customers or beneficiaries types)		F 147 - 148
2.8	Scale of reporting organisation		F 84
2.9	Major changes during the reporting period regarding size, structure or ownership		F 15 - 17
2.10	Awards received during reporting period	141 -142	F
3. REPORT PARAMETERS			
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3.2	Date of most recent previous report published, if applicable	141	F
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3.6	Boundary of the report (for example, countries, divisions, subsidiaries, lease facilities, joint ventures, suppliers)	143 -147	F

DDR: Reference document (equivalent of 20 F in English).

F: fully reported (across the scope and boundary / perimeter of companies controlled by Danone) // P: partially reported // NR: not reported

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		Report Page	Scope - Boundary	DDR page
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EN29	Significant environmental impacts of transporting products, goods and other materials used by the organisation in the operation of its business and transporting members of its workforce	206 - 207	F	
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LA3	Benefits provided to full time employees that are not provided to temporary or part time employees, by major activities	217	NR	
Labor/ Management Relations				
LA4	Percentage of employees covered by collective bargaining agreements	218	P	
LA5	Minimum notice period/s regarding changes, indicating whether such notice period is specified in a collective agreement	218	P	

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GRI index and content

		Report Page	Scope - Boundary	DDR page
Health and Safety at Work				
LA6	Percentage of total workforce represented in joint management-worker health and workplace safety committees established to monitor and provide advice on occupational health and safety at work programmes	219	P	
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LA8	Education, training, counselling, prevention and risk control programmes established to assist employees, their families or members of local communities with regard to serious disease	220	P	
LA9	Health and safety issues covered by formal agreements with trade unions	220	NR	
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LA10	Average hours of training per year per employee, by employee category	221 - 222	F	
LA11	Programme for skills management and lifelong learning designed to support the continued employability of employees and help them in managing their end-of-career	222 - 224	F	
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5.4. HUMAN RIGHTS ASPECTS				
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HR1	Percentage and total number of major investment agreements that include human rights clauses or have been subjected to screening on this point	233 - 234	F	
HR2	Percentage of significant suppliers and contractors who have undergone screening on human rights and actions taken	234 - 237	F	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations , including the ercentage of employees trained	237	F	

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	Report Page	Scope - Boundary	DDR page
Non discrimination			
HR4 Total number of incidents of discrimination and actions taken	238	F	
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HR6 Operations identified as having significant risk for incidents of child labour; and measures taken to contribute to the elimination of child labour	239	F	
Forced and compulsory labour			
HR7 Operations identified as having significant risk for incidents of forced or compulsory labour; and measures taken to contribute to the elimination of forced or compulsory labour	239	F	
Security Practices			
HR8 Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations	240	F	
Indigenous Rights			
HR9 Total number of incidents of violation involving of rights of indigenous people and actions taken	240	NR	

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GRI index and content

		Report Page	Scope - Boundary	DDR page
5.5. CIVIL SOCIETY ASPECT				
Communities				
S01	Nature, scope and effectiveness of any programmes and practices that assess and manage the impacts of operations at any stage of development, on communities, including entering, operating and exiting	243 - 244	F	
Corruption				
S02	Percentage and total number of business units analysed for risks related to corruption	246	P	
S03	Percentage of employees trained in the organisation's anti-corruption policies and procedures	246	P	
S04	Actions taken in response to incidents of corruption	246	F	
Public policies				
S05	Public policy positions and participation in public policy development and lobbying	247	F	
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	247	F	
Anti-competitive behaviour				
S07	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and the outcomes of these actions	248	F	
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5.6. PRODUCT RESPONSIBILITY ASPECTS				
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	251 - 256	F	
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	257	P	

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		Report Page	Scope - Boundary	DDR page
Labelling of products and services				
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	258	F	
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	259	P	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	259 - 260	P	
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PR6	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	261 - 262	F	
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	262	P	
Consumer Privacy				
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	264	P	
Compliance				
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	265	F	

GRI index and content

Third party validation

Policy and current practice to ensure validation of the report by persons external to the organisation

In order to obtain an external opinion on the reliability and robustness of our data feedback process concerning extra-financial data, we have asked KPMG Audit to carry out verification testing on a selection of social and environmental indicators that appear in this report and are identified with the following symbol: .

Their examination report that details the work carried out and their comments and findings is included *on pages 159 to 161*.

KPMG opinion report




Danone

Head Office: 17, boulevard Haussmann
75009 Paris

Auditor's Report on the "Danone Way Fundamentals" Initiative and a Selection of Environmental and Social Performance Indicators of Danone for 2009

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

- The policies and resources as well as the performance indicators of the "Danone Way Fundamentals" initiative ("the Results") presented *on pages 52 to 61* of the Sustainability Report for 2009;
- The environmental⁽¹⁾ and social⁽²⁾ performance indicators for 2009 ("the Data") selected by Danone and indicated by the symbol  presented *on pages 178 to 230* of the Sustainability Report for 2009.

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 143 to 147* provides further details on the consolidation scope, and on the definitions and methods used to collect data and calculate the performance indicators. It is our responsibility, based on the work performed, to express a conclusion on the Data and on the Results of the "Danone Way Fundamentals" initiative. The conclusions below only relate to this information, and not to the whole Sustainability Report 2009.

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.

⁽¹⁾ Total production, Total number of ISO 14001 certified sites, Thermal energy consumption, Electricity consumption, Water consumption, Total CO₂ emissions, Final ejection of COD and Total quantity of waste generated (except for sludge from sewage plants).

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

KPMG opinion report

Auditor's Report on the "Danone Way Fundamentals" Initiative and a Selection of Environmental and Social Performance Indicators of Danone for 2009

Nature and scope of our work

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

For the selected information, we:

- Assessed the "Danone Way Fundamentals" 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 Environment Departments;
- Conducted interviews and carried out surveys on the implementation of the Protocol in ten Business Units⁽³⁾ for social data and the "Danone Way Fundamentals" initiative and in nineteen sites⁽⁴⁾ within these 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 Fundamentals" initiative;
- Reviewed the work performed by the internal audit relative to the "Danone Way Fundamentals" initiative.

The contribution of the selected entities represents:

- between 18% and 41%⁽⁵⁾ of environmental Data, or an average of 21%, except for one indicator,
- between 20% and 44% of social Data, or on average 28%,
- and 23% of the "Danone Way Fundamentals" initiative Results.

⁽³⁾ Danone Russia, Bonafont, HOD Mexico, Danone France, Milupa Fulda Baby, Milupa Germany Baby, Dannon Company, Danone Mexico, Fontvella and Danone Netherlands.

⁽⁴⁾ Tchekhov, Volga*, Toluca, Monterrey*, Volcanes, St Just, Bailleul*, Ferrières*, Le Molay*, Villecomtal*, La Capelle*, Fulda, West Jordan*, Minster, Irapuato, Amer*, Lanjaron, San Hilario*, Siguenza*.

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

⁽⁵⁾ The coverage rate of 41% is relative to the indicator « Total number of ISO 14001 certified sites » for which additional work has been performed during consolidation phase.

KPMG opinion report

Auditor's Report on the "Danone Way Fundamentals" Initiative
and a Selection of Environmental and Social Performance Indicators
of Danone for 2009

Comments on procedures


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

- The "Danone Way Fundamentals" initiative has been deployed in some entities of Baby and Medical divisions;
- The reconciliation of social and safety perimeters with financial perimeter has been formalised;
- Our work at entity level enabled to establish that the Protocol has been generally understood and well implemented by the Business Units reviewed.

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 indicator relating to "Number of training hours", to ensure more homogeneous Group reporting practices;
- The internal control system should be improved at each level of collection and consolidation, in particular for the environmental indicators "Water consumption", Final ejection of COD" and "CO₂ emissions due to refrigerants".

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 178 to 230*, identified by the symbol , and the "Danone Way Fundamentals" initiative Results presented *on pages 52 to 61* of the Sustainability Report for 2009 were prepared, in all material respects, in accordance with the above-mentioned Protocol.

Paris La Défense, April 15, 2010
KPMG Audit - Department of KPMG S.A.

Philippe Arnaud

Partner

*In Charge of the Environment and
Sustainable Development Department*

Performance

Governance, Commitments and Dialogue



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GOVERNANCE

164
**EXTERNAL
COMMITMENTS**

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**DIALOGUE WITH
STAKEHOLDERS**

Governance

The information required on corporate governance in accordance with the guidelines of the GRI (indicators 4.1 to 4.10) is available in the Danone Reference Document. References to relevant pages are listed in the GRI index published *on page 148 of this report*.

Danone's strategy on corporate governance is outlined on page 29 of this report.

4.8

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

The Danone Way approach was implemented to address the objective of managing our relationships and our impacts with stakeholders of the company, both upstream and downstream (*see page 52 of the report*). Numerous initiatives and complementary approaches have been established in the areas of environmental and social policy, and relationships with suppliers (see sections on performance indicators relating to the environment, human rights, employment and training).

External commitments

4.11

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

Consumer protection is based on the principle of "due diligence" which is supported at Danone by a team of scientific experts within the company and an external network of international experts. Food Safety Management Systems, based on international standard ISO 22000, ensure the implementation of measures to manage risks in this area across all activities of the company. A regular review of risks with respect to key processes of each Country Business Unit, (Vestalis approach) also helps to ensure that the necessary precautions are taken to limit the risks identified.

Health and Safety aspects related to this issue are also developed as part of the indicator PR1.

4.12

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

Danone's commitments, as defined in the Business Conduct Policy, rely on a number of principles that refer to the following international documents :

- the Universal Declaration of Human Rights,
- international conventions of the International Labour Organisation
- the Organisation for Economic Cooperation and Development's the guiding principles for multinational enterprises,
- the Global Compact on human rights, fundamental labour rights, environmental protection and the fight against the corruption.

Concurrently, in 2005, the seven Fundamental Social Principles drawn from the conventions of the International Labour Organisation (ILO) were incorporated into the conventions signed between Danone and the International Union of Food (IUF). In addition to its Country Business Units, Danone was keen to extend these Fundamental Social Principles to all of its suppliers (RESPECT Programme).

Such commitments are rooted in Danone's values and serve as the foundations for the Danone Way approach.

These commitments apply to all employees of companies controlled by Danone worldwide.

Danone undertakes to promote these Principles in all the companies in which it holds a stake.

Danone has been a participant in the United Nations Global Compact since 2003.

In 2009, Danone's commitment to the United Nations Global Compact was reaffirmed. [The letter of commitment](#) is appended to this report.

4.13

Affiliation or membership in associations (such as industry associations) and/or national/international advocacy organisations

Danone's policy is to hold membership in all sectoral or national associations representing the food industry. The group participates actively in the work of these associations at both local and central (corporate) levels. For example, Danone or its Country Business Units are members of all associations representing the food industry within the European Union as well as the Confédération des Industries Agro-alimentaires / Confederation of Agri-food Industries (CIAA) which represents manufacturers at the European Union level. Danone is a member of more than 100 associations of this nature.

Dialogue with stakeholders

4.14

List of stakeholders groups engaged by organisation, example of stakeholders groups: communities, civil society, clients, shareholders, suppliers and employees, other workers and their trade unions

See indicator 4.13

4.15

Basis for identification and selection of the stakeholders with whom to engage

4.16

Approach to stakeholders engagement, including the frequency by type and by stakeholder group

4.17

Key topics and concerns raised through stakeholders engagement and how the organisation has responded to those key topics and concerns, including through its reporting

A key component of Danone's sustainable development strategy is to listen to stakeholders so as to better understand and know the expectations of its customers, consumers, employees, suppliers, scientists, residents of areas adjoining its sites, government representatives and non-governmental organisations. The strategy concerning dialogue with stakeholders is discussed *on page 49* of the report.

Danone's approach is to promote dialogue with stakeholders at the local level of the Country Business Units; the group does not centrally consolidate all measures and activities undertaken by its various Country Business Units in this area.

Danone's approach relies on specific tools and mechanisms for dialogue to support the Country Business Units in their interactions with various stakeholders at the local level.

- the “sustainability mapping” tool enables the analysis of issues and expectations of stakeholders of the company. It also presents best practices existing in different countries where the group operates. All Country Business Units are encouraged to complete the “sustainability mapping” process annually; this is an integral part of the of Danone Way Fundamentals evaluation methodology.
- in parallel, training on the local environment has been developed for the benefit of plant managers.

Originally developed in France, it was deployed in 2008 in the Eastern Europe region. It enables:

- communication on the role and responsibilities of the plant managers vis-à-vis the local environment,
- identification of key stakeholders,
- building the foundations for action plans for each plant.

Furthermore, since 2007, Danone has been organising and hosting a “**Social Innovation Lab**” once a year, bringing together between 100 and 200 people, employees and stakeholders to share knowledge and exchange ideas on issues relating to sustainable development, and Danone's strategy, and in order to develop a meaningful mechanism for co-creation and dialogue with stakeholders.

In 2009, the 3rd edition of the lab, whose theme was co-creation, attracted more than 100 employees worldwide and approximately twenty solidarity actors (NGOs, social entrepreneurs, international organisations, etc.). They exchanged views on co-creation, in particular, relating to each one's individual contributions, challenges and opportunities related to the pooling of resources and expertise; the objective of these exchanges is to develop with NGOs and other civil society partners suitable models with economic and social added value.



Performance Indicators

Economic



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**ECONOMIC
PERFORMANCE**

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**MARKET
PRESENCE**

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**ECONOMIC IMPACTS
AND INDIRECT IMPACTS**

Economic Performance

EC1

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

For data related to direct economic value created, economic value distributed and undistributed economic value, refer to the Reference Document, chapter 20.1, 20.2.1 and 20.2.2.

More detailed information on the economic performance of Danone is available in the group's 2009 Reference Document.

EC2

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

The group's environmental policy aims to meet the expectations of various stakeholders in this area, including in particular, consumers (who are increasingly attentive to the environmental impact of products), while at the same time managing the various types of risks.

Risks associated with environmental regulations

The group's activities are subject to numerous regulations (mainly concerning water, air, the use of natural resources, noise and waste), that are constantly evolving, becoming increasingly strict.

In Europe, these activities are particularly subject to operating authorisations or prior notification, pursuant to the legislation relative to classified facilities and installations for environmental protection, and in other countries, in accordance with similar regulations.

Packaging is, in turn, subject to specific regulations, including EU Directive 94 / 62 (as amended in 2004) relative to packaging and packaging waste, which imposes requirements such as reduction at source, reducing the content of substances that are hazardous for the environment, end of life reuse and recycling. In addition, the group's activities are subject, on the one hand, to the 2003 EU directive establishing a trading system and on the other hand, to emissions quotas for greenhouse gases and transpositions of National Plans concerning the Allocation of Quotas in the European Union. Five group sites located in the EU are thus subject to quotas (whose impact on the group's financial

Economic Performance

position is not significant), other sites are currently smaller in size than the minimum threshold for eligibility. Should Danone be unable in the future to limit emissions from these five sites to within the allotted quotas, it will have to pay a fine and acquire the missing greenhouse gas emissions quotas on the market.

When the group is unable to reduce its environmental impact through direct action, particularly in the field of agriculture and water resources, the group commits to helping all players in various fields, such as research, education and any other action that is likely to help reduce the environmental impact. The action plans on the environment are detailed in paragraph 8.2 of the 2009 Reference Document.

No significant provision for risks and charges related to the environment are featured in the consolidated balance sheet at December 31, 2009.

Risks related to the choice or preferences or environmental considerations of consumers

The buying preferences of consumers are increasingly influenced by environmental issues (in particular emissions of greenhouse gases and conservation of water resources), sometimes supported by NGOs (Non Governmental Organisations). Distributors are also becoming more aware of communications vis-à-vis consumers (especially product carbon footprinting and labelling). If the group fails to anticipate changes in consumer preferences, including the establishment of measures in terms of emissions reduction and communication / reporting on the environmental consequences, the results could be negatively affected.

Consequently, Danone continually strives to strengthen its social commitment and improve the management of its activities throughout the life cycle of products.

Other risks

Other major risks are those related to water pollution (pollution primarily organic and biodegradable), refrigeration (ammoniac and other refrigerants) and storage of raw materials or products for cleaning and disinfection of facilities (acidic or alkaline products), especially when these facilities are located in populated areas. In the event of the group's environmental responsibility being called into question, due to an accident or serious pollution, the results could be negatively affected.

Development of tools for measuring environmental impact

The group's approach to environmental issues is related to its business and its mission. The environment and natural raw materials are indeed situated upstream of the nutritional activity of the group that uses these materials to process and market products with a strong nutrition / health component.

For many years, the group has sought to improve food safety and the quality of raw materials. It is currently setting up sustainable industrial and agricultural models that are environmentally friendly, thereby reducing the footprint of its activities throughout the entire chain.

Moreover, since 2000, in anticipation of the possible strengthening of measures related to climate change, the group has established a 10-year plan to reduce its environmental impact. Since 2008, this plan has been enhanced and includes:

- the development of a tool for measuring carbon and water footprints, which was deployed in all Country Business Units of the group. In particular, the estimated carbon footprint of the group's products worldwide (Scope 3 UNFCCC) represented a total impact of around 17 million tonnes of CO₂ equivalent (i.e. 0.003% of global carbon emissions). Given the nature of its activities, the direct environmental impact associated with the group's industrial activity (energy and industrial wastes) is very limited, amounting to 11% of the group's total carbon emissions. Agricultural products used by the group represent 58% of these emissions. The balance relates to the packaging and shipping of the group's products;
- the implementation of emission reduction measures: among other things, packaging (15% of the footprint of products) is subject to measures aimed at conservation of resources (reduction at source and design of the packaging mix); promotion of recycling and reuse of recycled materials; transportation (10% of the footprint of products) is subject to the optimisation of the types transport used, including the increased use of rail freight. For the group, these two areas are likely to strengthen the involvement of all suppliers in addressing this risk. In 2008, the group initiated a process of involving its global suppliers with the aim of inducing them to measure and reduce their impact (3 year plan);
- making commitments with regard to measures relating to the voluntary compensation /offsetting of greenhouse gas emissions. In particular, through these actions, the Danone Nature Department is involved in mangrove restoration projects in Senegal in collaboration with NGOs and the local population.

Economic Performance

EC3

Coverage of the organisation's defined benefit plan obligations

More than 210 managers with the status of Danone Director, who were covered under pension schemes governed by French law as at December 31, 2003 are eligible under certain conditions (including seniority and attendance) to receive benefits under a defined benefit pension plan.

This system provides for the payment of an annuity, subject to the employee's presence in the group at the time of retirement, and according to her/his seniority and last salary amounts. The annuity payment is made subject to certain pension deductions (and corresponds for a first category of group Directors, to the sum total of pension rights they have acquired during their working lives, and, for a second category of group Directors, to the sum total of pension rights they have acquired as a result of the implementation of a supplemental pension plan fully covered by the Company). The annuity amount may not exceed 65% of final salary. In the event of departure before the age of 55 years or death before retirement, the employee loses all rights to benefits under this scheme, with the clarification that in case of dismissal after the age of 55 years, the benefits under this scheme are maintained, subject to the employee not returning to paid employment. This pension plan was closed to any new beneficiaries on December 31, 2003.

The amount provided for under this plan represents the commitment of the group at December 31, 2009 for the payment of a life annuity calculated with an estimated life expectancy assessed on the basis of tables by generation.

As at December 31, 2009, the total amount of the group's commitment under the pension plan benefitting the officers of the Company, amounted to 49.9 million euros, it being clarified that this amount takes into account the new charges applicable starting from 2010 (in accordance with the provisions of the Social Security Funding Act 2010).

The total amount paid by the Company under the pension plan in favour of members of the Board of Directors (by virtue of their former functions in the group, to date Mr. Christian Laubie) was 0.6 million euros in 2009.

Market presence

EC4 Significant financial assistance received from government

This indicator is not monitored by Danone.

SUPP EC5 Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation

The monitoring of remuneration levels in comparison with the local market (minimum wage) is carried out as part of the Danone Way self-evaluation initiative. In 2009, Country Business Units of the group estimated that on average 96% of their employees receive a salary higher than the local minimum wage. The group's objective is to reach 100%.

The group collects data that measure the application of instructions in respect of pay, by country, for the least qualified of these categories, the basic operators.

Danone's objective is to position itself within the good practices of the relevant countries for equivalent activities.

Market presence

EC6

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

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 has been active in sixty countries on 5 continents, and embarks on new activities each year in new countries. In that context, Danone continues to pursue its policy of hiring locally with, at year end 2009, 74% of executives hired locally (vs. 70% at year end 2008), that is, more than 650 people out of a total of 880 and an unchanged target of achieving 80% at year end 2012.

Economic Impacts and Indirect Impacts

EC8

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

Danone is committed to actions of general interest revolving around its mission and develops partnerships with public or private organisations in countries where it operates, intended to improve health through nutrition or to fight against malnutrition (undernutrition and obesity).

The Danone Supporting Life platform (*see page 118*) brings together the various local initiatives of Country Business Units that benefit their communities in line with this commitment of Danone.

Of the 47 Danone Supporting Life initiatives identified in 2009, 28 relate to issues of nutrition / health education and improving the well being of children and 12 relate to access to water (e.g. Volvic 1 litre for 10 litres programme) and provision of food products for people in difficulty by the network of world food banks.

Examples of initiatives that illustrate this commitment include:

- The initiative “Share your meal” launched by Danone Poland in partnership with local NGOs such as food banks. It helps feed malnourished children, and has so far helped distribute more than 8 million meals.
- In Indonesia, the subsidiary Sari Husada has launched a programme on baby nutrition called “Srikander”. The idea is to build a collaboration between midwives and the community to help reduce baby mortality and to improve the health of mothers. More than 6,000 midwives are involved.

Moreover, the Danone Institutes, which are non-profit organisations, bring together scientists, physicians and personalities from the world of nutrition, in pursuing their mission:

- to encourage research in Nutrition;
 - to inform and train health professionals on topics related to food;
 - to participate, through educational and informational activities, in helping to improve people’s diets.
- (For more information: www.danoneinstitute.org)

Each year, all 18 Danone Institutes award around sixty scholarships and prizes to support research in nutrition, for a total of one million euros. They also organise on an annual basis, around 15 scientific and practical conferences, and publish numerous books and newsletters in order to keep practitioners, journalists, educators, etc. informed of recent scientific advances in nutrition.

For example, in 2009, the Danone Institute in Turkey published a book on food portion sizes for the Turkish population, while the Mexican Danone Institute published the new Recommended Nutrient Intakes for the Mexican population, a book resulting from a work of fifty local experts and approved by the Mexican Ministry of Health.

More information: www.danoneinstitute.org

Economic Impacts and Indirect Impacts

EC9

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

A large enterprise is first and foremost local, before it becomes international. Factories, logistics bases and registered offices, all co-exist in harmony with the territories in which they are located.

The challenges are economic (wages paid out, procurement and subcontracting, local taxes, etc.) but also social (employment, provision of know-how, training, support for local initiatives, contribution to education in areas of expertise, initiatives of partnership with the environment, etc). The enterprise's ability to develop positive relationships with its local environment plays a significant and undeniable role in its overall performance. The enterprise must find the appropriate balance between this social involvement and the economic objectives that constitute its "raison d'être".

Danone's commitment to local communities is entirely in line with the "dual economic and social project", namely:

- knowing local players and developing long term links with them;
- contributing to the economic and social development of its employment pool;
- developing products that are affordable for as many people as possible and notably to low-income consumers;
- helping to maintain economic activity and employment by reindustrialising those of the group's sites that are being restructured.

Danone has undertaken within its Country Business Units many activities (the APIEME at Evian, CEPIV at Volvic,

AQUA Plant of Klaten, etc.) aimed at the economic and social development of the territories in which the group operates.

The group decided to systematise these numerous initiatives and to enhance them in scale and importance by creating the Danone Ecosystem Fund in April 2009.

The Fund is intended to expand the dual economic and social project, to strengthen and develop the activities of the partners who make up Danone's ecosystem: agricultural producers, suppliers, subcontractors, transportation and logistics operators, distributors.

This fund, financed by an initial endowment of 100 million euros, shall be complemented by an annual matching contribution of one percent of net income. It will fund initiatives identified by the various Country Business Units in the territorial jurisdictions where the group operates: programmes related to the development of skills and competence among local suppliers; the creation of activities in connection with the business lines of Danone (for example, food distribution micro-enterprises, etc.), and programmes relating to occupational integration around its plants.

To date, two projects have been financed and implemented by the Fund in two countries and in two different sectors:

Proximity in France

The first investment was recently made in an enterprise involved in integration, La Petite Reine (Little Queen), specialised in environmentally friendly transportation of goods using electrically-assisted tricycles (trporteur). This initiative consists of establishing a new distribution service intended to serve independent neighbourhood stores while promoting the reintegration of persons experiencing difficulties in accessing employment. This project, currently deployed in Paris, could be extended to other French cities.

Ukraine Milk Communities

The Fund has also begun to finance an investment project in the dairy sector in Ukraine. This initiative, situated upstream of Danone activities, consists of strengthening the business and activities of small dairy farmers by bringing them together in agricultural cooperatives. These cooperatives, located near the factories of Danone Ukraine will provide farmers with: milking and storage equipment to improve milk quality and productivity; agricultural training to help develop the skills and competence of farmers; and common agricultural services to optimise costs. This project thus contributes to the strengthening and overall enhancement of agricultural production.

Performance Indicators

Environmental



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AND WASTE**

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AND POLICY COMPLIANCE**

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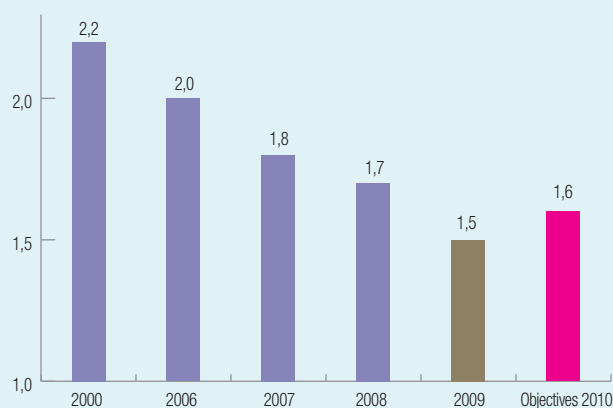
2000-2010 Objectives

In 2001, precise targets were set for the Danone Country Business Units for the period 2000-2010 (sensible plant programme): 20% reduction in energy consumption, 30% reduction in water consumption and 10% reduction in product packaging weight, and an 80% level of waste recycling.

Overall water consumption in our plants

In 2009, water consumption in our plants (1.48 m³/t) was reduced by 11%, mainly due to the exceptional performance of the Waters division (-13%).

Overall water consumption in our plants (in m³/t)

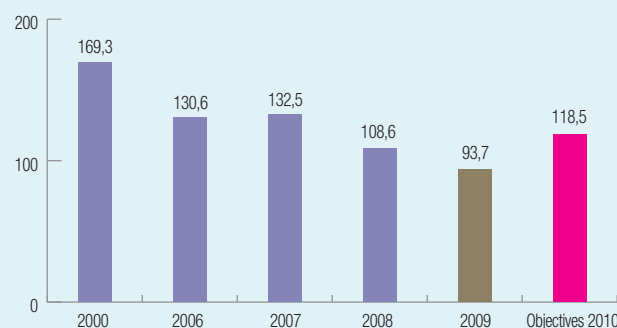


Objective 2010 vs. 2000: 1.56 M³/t

Consequently, the group has achieved and surpassed its long term target fixed in 2010 by almost 6%.

Overall thermal energy consumption in our plants

Overall thermal energy consumption in our plants (in kWh/t)



In 2009, the group, driven by the radical plan to reduce CO₂, reduced the thermal energy used in its plants to 94 kWh/t, that is, a reduction of 16% compared to 2008.

Objective 2010 vs 2000: 118 kWh/t

In 2009, the group's long term target was consequently surpassed by almost 21%. A new master plan for 2011-2020 shall be defined in 2010.

Environmental Performance Indicators

2000-2010 Objectives

Total overall energy consumption in our plants

Total overall energy consumption in our plants (in kWh/t)



Objective 2010 vs. 2000: 220 kWh/t

In 2009, the target was achieved and surpassed by almost 26%.

Waste recovery in our plants

In 2009, the group continued to improve waste recovery and recycling in plants and achieved nearly 86% of waste recovery.

Waste recovery in our plants (in %)



Objective 2010: 80% of waste recovered


In 2009, the long term target was achieved and surpassed by more than 7%.

Number of ISO 14001 certified sites

Danone has built its environmental management policy around the international standard ISO 14001 reference. The numerous guides and tools created from this standard allows industrial sites to advance toward the certification. 85 out of 167 sites have already been certified as at the year-end 2009. Nine sites were recently certified. The other six additional sites are linked to changes in coverage.

In the tables below, the 2008 and 2009 data communicated represent historical data:

- for 2008 data, the coverage rate represents 96% of 2008 sales turnover of the group;
- for 2009 data, the coverage rate represents 95% of 2009 sales turnover of the group.

	2009	2008
Total number of sites	167	162
Total number of certified sites ISO 14001*	85 	69
Percentage of ISO 14001 certified sites	51%	43%
Percentage of sites having reported data	86%	84%

 2009 Figures have been audited by KPMG Audit

* see 2008 Report on all audited Figures

The process of continuous improvement is supported by Danone's investments

In 2009, investment in environmental protection reached 34 million euros (compared with 38 million in 2008 and 15 million in 2007), i.e. around 5.4% of the group's total industrial investments. This decrease is explained by the gradual transfer of structural investments in the wastewater treatment stations towards investments associated with energy and water savings and the like.

These investments relate to: (in descending order):

- energy savings and switching to renewable energies (especially on the treatment of waste from water treatment plants);
- sustainable management of the water, soil, air and waste;
- eco-design of products and packaging.

Operating expenses were approximately 34 million euros in 2009 (36 million euros in 2008 and 2007). They include, in descending order, the cost of industrial processing (waste, water, air emissions) and taxes other than taxes on packaging.

Materials

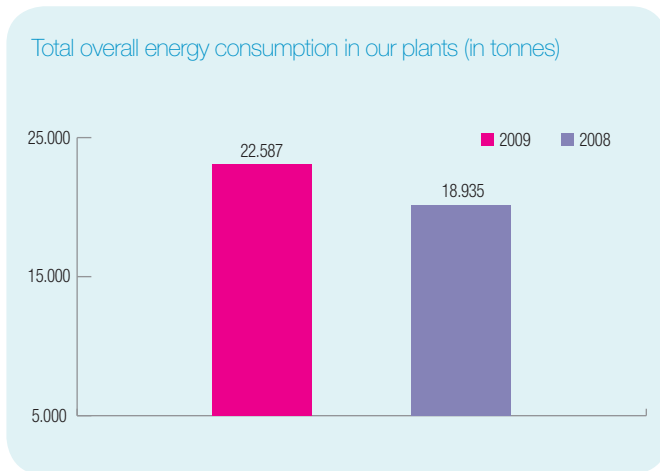
EN1 Materials used by weight or volume

	2009	2008	Variation 2008-2009
Total Production (thousands of tonnes)	22 587 ✓	18 935	+19%

✓ 2009 Figures have been audited by KPMG Audit

The total production of the group varied by +19% due to an increase in the production of the Waters division.

Total production in thousands of tonnes



EN2 Percentage of materials used that are recycled input materials

This type of data is not consolidated at the group level. However, a large portion of secondary packaging in cardboard (not in contact with the product consumed) are comprised of recycled cardboard / paper. For example, approximately 80% of the cardboard used is made with recycled fibres. In France and Italy, this percentage is 99% to 100%. Danone is carrying out research on the reduction of secondary packaging.

Danone has invested in innovation with the use of recycled PET in mineral water bottles of 1.5 litres for its Volvic and Evian brands in France: they contain 25% PET from bottles collected from customers. This innovation can contribute towards the achievement of CO₂ emission reduction goals, as 1 tonne of recycled PET (rPET) is equivalent to three tonnes less of CO₂. The objective in 2011 is to achieve the use of 20% to 30% recycled PET in the group's water bottles. The 1.5 litre bottles of Evian and Volvic achieved a rate of 25% rPET by year-end 2009.

Waters Division	2009	2008	Objective 2011
% rPET (g rPET/g PET)	8%	4%	20 à 30%

Energy

EN3

Direct energy consumption by primary energy source

MWh	2009	2008
Natural gas	1 394 304	1 435 846
Heavy fuel	354 226	397 306
Domestic fuel	44 971	103 443
Butane / propane	81 871	56 428
Coal	183 031	231 802
Other sources	30 747	9 810
Thermal energy consumption	2 116 476 ✓	2 359 851

✓ 2009 Figures have been audited by KPMG Audit

The thermal energy consumption reported in the table EN3 includes purchased steam, presented in the EN4 indicator.

EN4

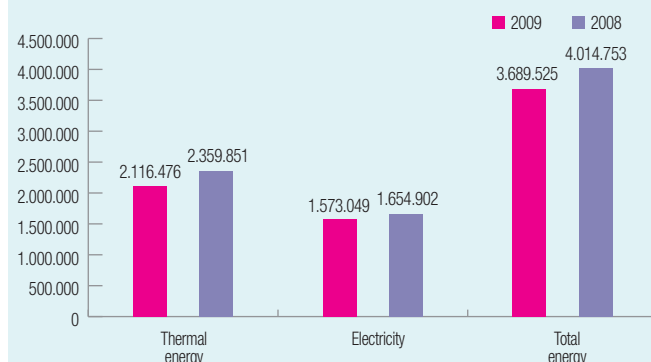
Indirect energy consumption by primary source

MWh	2009	2008	Variation 2008-2009
Purchased Steam	104 556	125 215	-16%
Electricity consumption	1 573 049 ✓	1 654 902	-5%
Total energy consumption	3 689 525	4 014 753	-8%

✓ 2009 Figures have been audited by KPMG Audit

In 2009, the thermal energy consumption was reduced by 8%. This may be attributed to an intervention on the nature of production processes undertaken within the context of the CO₂ reduction plan, in particular, for the highly energy-intensive Fresh Dairy Products and Baby Nutrition activities. See Indicator EN16.

Energy consumption by type (in MWh)



Energy

SUPP EN5

Energy saved due to conservation and efficiency improvements

Reducing energy consumption is linked to two levers:

- The efficiency of secondary energy production: the optimisation of manufacturing process control, particularly in fresh products (thermal energy) generates a 23% reduction in energy consumption.
- The efficiency of energy use, in particular, in optimising the use of electricity within the Waters division in the manufacture of bottles.

In the Fresh Dairy Products business, Danone organises meetings of its top regional energy experts. This “Energy Campus” aims to model energy consumption benchmarks for each piece of equipment or system so that experts can, firstly, analyse and compare the actual performance of each machine in the Danone fleet, and secondly, also construct benchmark / reference facilities when new investment is made. The analyses particularly concern the improvement of the processes of dehydration, sterilisation and spot cooling. This energy “campus” facilitates the sharing of experience designed to reduce energy consumption and consequently CO₂ emissions. This also enables the construction of tools to measure energy performance and develop reduction or mitigation plans.

Danone Germany Ochsenfurt, as part of its “Neutral Plant” project, has installed a co-generator to produce electricity and steam. It consists of a gas generator that produces electricity, and heat generated in the process is used in the production of steam, used directly in the plant.

SUPP EN6

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

Energy sources necessary for the activities of the group’s sites are twofold: electrical power to run the production operations, and domestic electricity for buildings and facilities (lighting, heating, etc.).

The use of renewable energy sources in the context of domestic activities is growing: methanisation of organic waste at Evian-Danone France Fresh Products, solar panels for lighting at Stonyfield.

In 2009, in Indonesia, Danone contributed to the installation of 200 bio-digesters on the properties of 200 dairy farmers (54,000 litres per day), allowing for the reduction of 1,200 tonnes of CO₂ equivalent per year, while improving the quality of the local environment.

Danone committed to investing in “renewable energy” activities for electrical power in 2009 on two sites in Germany and Ireland through cogeneration plants. With regard to the improvement of energy efficiency, Danone established a network of experts and engineers responsible for monitoring energy efficiency, in association with the firm Barrault Industries, on all its production sites of the Fresh Dairy Products division. *See Indicator EN16.*

In 2009, the Stonyfield Farm subsidiary undertook stronger measures: in association with Ben & Jerry’s and Eileen Fisher, these companies have joined the Business for Innovative Climate and Energy Policy (BICEP).

SUPP EN7

Initiatives to reduce indirect energy consumption and reductions achieved

See indicator EN6.

Environmental Performance Indicators

Water

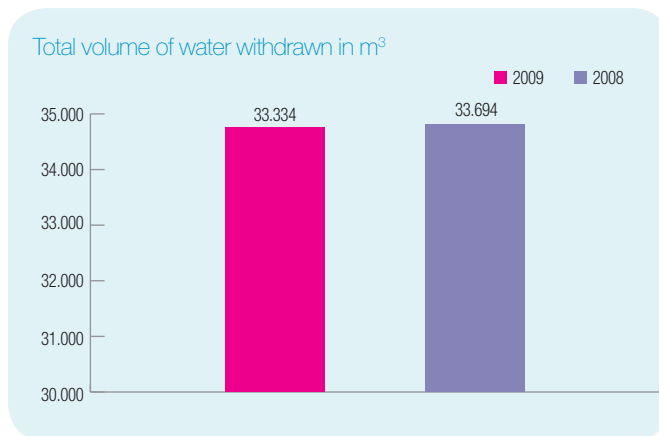
EN8 Total water withdrawal by source

Thousands of m ³	2009	2008
Total water withdrawn from the surrounding environment, of which:	50 204	47 973
· water from boreholes	36 526	34 520
· municipal water	10 312	10 071
· river water	3 367	3 382
Water consumption of industrial sites	33 334 ✓	33 694

✓ 2009 Figures have been audited by KPMG Audit

New measures have been implemented recently: in the Fresh Dairy Products plants, 60% of water used does not come in direct contact with the products, which means that it does not need to be of very high quality. Danone thus recycles at its facility in Ferrières en Bray a part of this 60% of water, through a process of ultrafiltration (see point EN10).

In the beverage plants, Volvic has replaced the bottle rinsing water with sterile air, which has resulted in a 10% reduction of in its water consumption. In addition, Baby Nutrition and Medical Nutrition activities have slightly impacted total water consumption.



SUPP EN9

Water sources significantly affected by the withdrawal of water

See indicator EN8 for the various sources of water used.

Danone uses about 17 million m³ of water in its plants for manufacturing its finished products, mainly originating from 70 sources that the group operates in the world.

The group has set itself the target of ensuring the protection of the supply zone (impluvium), the transition zone (the path along which the water runs within the geological strata) and the emergence zone (area where the spring exits). Furthermore, every supply zone is operated in accordance with the rules established by the group, particularly as regards the sustainability of the quantities stored.

Danone has drawn up a charter entitled “Policy on Groundwater Protection,” signed by Franck Riboud in October 2004. This policy defines the obligation in terms of the operation and exploitation of natural and heritage resources, and sustainable management of groundwater. It reaffirms the major objectives of protection and precisely describes the principles of implementation applicable by all Country Business Units around the world. These principles of implementation provide the basis for a systematic diagnosis for each source, as well as for specific action plans.
See the explanations given in the indicator EN11.

SUPP EN10

Percentage and total volume of recycled and reused water

90% of the industrial sites recycle the water used for the cooling systems of production lines. In the Fresh Dairy Products plants, 60% of water used does not come in direct contact with the products, which means that it does not need to be of very high quality. Danone thus recycles at its facility in Ferrières en Bray a part of this 60% of water, through a process of ultrafiltration.

Furthermore, the water used for production (manufacture of products, cleaning of plants and facilities) is released into the natural environment after treatment at a mean rate of 172 mg/l of CDO (which is lower than current regulations in European countries).

Biodiversity

In the Fresh Dairy Products division, the group is working on the establishment of a common indicator within the SAI Platform. Pilot actions are being tested at industrial sites like at Molay Littry where the site was designated as a Natura 2000 site.

In addition, in 2008, the group created the Danone Fund for Nature in partnership with the **IUCN** (International Union for the Conservation of Nature) and the Ramsar Convention with an endowment of 3 million euros. The objective of this Fund is to finance programmes aimed at restoring wetland ecosystems in order to protect biodiversity while also fighting against poverty and climate change. In 2009, the Fund undertook the first major programme for the restoration of mangroves in Senegal in partnership with a local NGO, OCEANIUM, by planting 36 million mangroves, which will have a strong impact on local wildlife and vegetation.

EN11

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

Location and surface area

Danone production sites are located in biodiversity-rich habitats, such as the sites in Villavicencio, Argentina, in Salus, Uruguay and Evian in France (classified as a **Ramsar** site in October 2009).

Local development respectful of resources

The protection of springs is a strategic imperative that can only be achieved with the participation of local players and which must be compatible with local development objectives. Since 1992, the date when the **APIEME**, Association pour la protection de *l'impluvium des eaux minérales d'Evian* (Association for the Protection of the Evian Mineral Water Catchment Area) was signed, Danone has embarked on the process of protecting its catchment areas in partnership with local stakeholders. This strategy, initiated in 1992, was extended (Volvic in 2001) and now covers 80% of Danone-operated springs. In collaboration with local associations and actors, the group has developed programmes to maintain the natural aspects of sites, to enhance and protect the environment, to work in partnership with the agricultural world in order to develop environmentally respectful agricultural practices and systems.

Illustration through four symbolic examples:

- **Evian, classified as a Ramsar site since October 2009**
In the Evian catchment area or impluvium, the combination of the conservation of wetlands and non-use of pesticides determined within the **APIEME**, has a positive

effect on biodiversity. Botanists have studied the positive impact of the protection of wetlands on the biodiversity of endemic flora of the Gavot plateau (Liparis, Drosera). Furthermore, the measures carried out with farmers (rational use of fertilizers and avoiding pesticide use) have also been effective in promoting the biodiversity of wildlife (the protected wetlands prevent the invasion of grasslands by mice because they form a shelter providing a favourable habitat for their predators, like foxes). Consequently, the Evian impluvium is now classified as a Ramsar site.

- **Villavicencio, a nature reserve in Argentina**

The protection of this resource has been ensured by creating a nature reserve which covers 74,000 hectares, at an altitude of between 900 and 3,200 metres. This reserve constitutes an exceptional site for its flora and fauna. During the last century, the region has undergone significant transformations in its environment due to livestock breeding and mining operations. The impacts brought on by fires have caused the loss of various plant and animal species. Hunting has contributed to the destruction of wildlife. Finally unregulated tourism has led to a deteriorating natural environment. The Villavicencio nature reserve now aims to preserve the water resources in the region; develop and encourage the study of resources and promote their conservation (in particular endemic species like the Guanaco) by means of providing education in environmental protection; increase the body of knowledge related to natural, cultural, archeological and historical heritage; and encourage tourism activities with low environmental impact. The project has proceeded in two stages, first through the development of the nature reserve, followed by promotional activities to develop ecotourism.

- **Salus, “the fountain of the Puma” in Uruguay**

The Salus nature reserve is better known as “Fuente de los Talas de la Salud” (Fountain of Health), or “Fountain of the Puma”, thanks to the healing powers attributed to the water by Guarani Indians who are native to the region. The spring is located in a difficult to access place in the Sierra de la Coronilla, the name of the site where the nature reserve is located at the foot of the valley of Cerros Ceballos and Aguilas, in Minas, Uruguay. The site is very rich in biodiversity, notably in indigenous species in the fauna and flora.

- **In Indonesia, the protection of the Klaten’s catchment area**, at the initiative of Aqua and in collaboration with

local NGOs and the CIRAD (Centre de coopération Internationale en Recherche Agronomique pour le Développement / Centre for International Cooperation in Agronomic Research for Development) has enabled the reconstitution of a forest with local tree species and includes the training of local population groups to engender the sustainable management of forests.

See indicators EN14, EN15.

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

In order to minimise its impact on biodiversity and help restore ecosystems, Danone seeks to rely on the precautionary principle and on collaboration with leading experts in the field.

- **In the Waters division, the protection of biodiversity is one of the pillars of the strategy to protect natural water resources.**

The commercial operation of a spring is related to its intrinsic quality. The spring must have excellent geological and natural protection. The Evian mineral aquifer for example is protected by an impermeable layer several tens of metres in thickness and by a mean renewal period of 20 years.

Each spring is the subject of extensive geological studies in addition to environmental studies to determine the risk factors for the environs and put in place measures designed to protect the natural and rural heritage. The group relies on local and national legislations, as well as on contractual agreements to secure a guarantee of operation that may result in the implementation of constraining provisions (prohibition on boreholes, regulated polluting activities, etc.).

Water is mainly collected from boreholes within an enclosed perimeter, which unauthorised persons are prohibited from entering. The collection equipment guarantees the hygiene and constancy of the operation and is tailored to the resource's hydrodynamics.

This is why Danone has surrounded itself with experts, so that the rational and sustainable operation of the springs is ensured. For each spring site operated, the renewal of the natural resource is the necessary and vital criterion. The group never collects more than the spring can naturally produce.

The constancy of the water composition is checked by regular sampling, carried out by approved external laboratories. Bottling is carried out under very strict conditions of hygiene and water quality is monitored daily.

- In the field of agriculture and milk collection, since 1995, Danone has established in cooperation with all of its agricultural partners, the DQSE (Danone Quality Safety and Environment) programme, intended to help improve and audit their environmental practices (energy and water consumption, use of fertilizers and manure, waste, animal wellbeing, etc.). This programme now covers 70% of farms supplying Danone. It is fundamental to our quality policy. It provides for the establishment of a common, dynamic, scalable benchmark, which enables the growth of relationships between Danone plants and the farmers who supply them and increasingly helps protect the environment while also evolving the reference benchmark.

Moreover, Danone supports different types of projects: projects that support and promote integrated farm management to limit the use of pesticides and fertilizers (FARRE, Sustainable Agriculture Initiative-SAI, etc.), agricultural models that are more integrated (*Bleu Blanc Cœur* / Blue White Heart, etc.) or organic (*les deux vaches* / the two cows, Stonyfield farms, etc.).

Supporting projects developed worldwide for the restoration of ecosystems

To ensure the successful fruition of its carbon offset projects, Danone has therefore established its own mechanism: the Danone Fund for Nature, in partnership with IUCN and the Ramsar International Convention. The mission of this Fund is to support projects that combine water resources management, the conservation of biodiversity, quality improvements in food resources emanating from wetlands and the strengthening of their natural capacity for storing large quantities of CO₂.

Administered by the three partners, this Fund will rely scientifically and technically on Ramsar and the IUCN.

The objective of this innovative programme is to maintain and capitalise on the essential role played by wetlands ecosystems, especially mangrove swamps, in carbon capture. Representing 6% of land area, wetlands fix 20% of the earth's carbon and produce 25% of the world's foods (fisheries, agriculture and hunting). These areas, vital to biodiversity and the survival of many populations also enable the natural purification of freshwater and groundwater's recharge, regulation of droughts and floods and serve as effective barriers against coastal storms. Nearly half of these areas, however, have been destroyed over the past century.

See indicators EN14 and EN15, in particular concerning the Danone-Ramsar Agreement.

SUPP EN13

Protected or restored habitats

See Indicator EN11 concerning the groundwater resources protection programme.

Biodiversity

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

In essence, the biodiversity impact cannot be measured as easily as the carbon impact and to a lesser extent, as the impact of water. Indeed, the disappearance of a species of mammal in the African forest does not have the same impact as the depletion of soil micro-organisms and cannot be classified on a comparable scale, while the emission of one tonne of GHGs in Spain has the same consequences in the atmosphere as the emission of one tonne of GHGs in the Philippines.

The method implemented by Danone to address environmental issues like Climate Change and Water - to measure, reduce and offset - cannot be applied to biodiversity. Currently, the policy of preserving biodiversity is structured and oriented in three main areas of focus:

- decreasing Danone's impact on operation sites;
- preserving biodiversity and reducing the impact on major ecosystems from which the group's raw materials originate;
- supporting initiatives undertaken by international bodies and organisations (Ramsar, FAO, etc.) or associations (WWF, etc.) aimed at ecosystem restoration.

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

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

Through these measures to offset carbon emissions, Danone has co-created with local NGOs under the framework of the Danone Fund for Nature, projects concerning ecosystem restoration. The objective of Danone and the experts is to devise a new methodology that will allow for their inclusion in the current Clean Development Mechanism (CDM) established by the UN under the Kyoto Protocol.

Moreover, in 2009, Danone Waters France, in association with CEMEX, has signed environmental sponsorship agreements for the conservation of biodiversity with the LPO (*Ligue de Protection des Oiseaux* / French League for the Protection of Birds). The signing of sponsorship agreements shows a shared determination to act in favour of biodiversity and sustainable development.

Emissions, effluents and waste

SUPP EN15 Number of IUCN Red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk

Danone production sites are not located in protected zones and sensitive areas for example, IUCN protected zones in categories 1 to 4, World Heritage sites and Biosphere Reserves.

In October 2008, during the 10th meeting of the Ramsar Convention on Wetlands' Conference of Contracting Parties held in Korea, the CEO of Danone, the Secretary of the Ramsar Convention and the President of IUCN International agreed on a protocol to create the "Danone Funds for Nature". Its mission is to make available contributions linked to carbon offsets, for investing in programmes to restore ecosystems, protect biodiversity and fight poverty. In 2009, the first pilot programme was implemented in Senegal. See *Indicator EN14*.

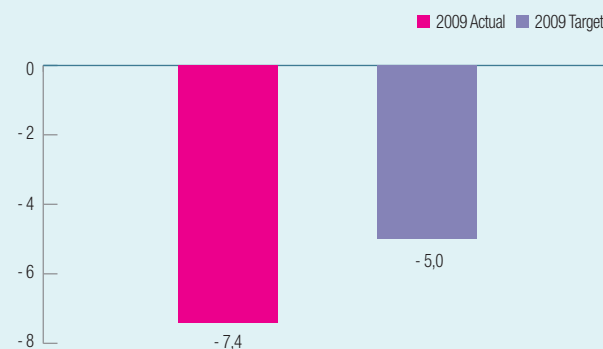
EN16 Total emissions, direct or indirect, of greenhouse gases, by weight (teq CO₂)

In 2008, Danone developed a tool for measuring the carbon footprint (over the entire chain going from upstream to downstream). It has been deployed in all Country Business Units of Fresh Dairy Products and Waters divisions in 2008.

It allows for the calculation of the carbon footprint over the entire life cycle by sales reference unit - unit calculations, which are then consolidated by subsidiary and then at the group level. In 2009, this tool was rolled out across the Baby Nutrition and Medical Nutrition divisions. In 2009, the two divisions that had this tool (Waters and Fresh Dairy Products divisions) had a reduction target of 5% on average over the perimeter corresponding to what Danone calls its direct responsibility (plants, transportation, packaging and end of life packaging), i.e. the perimeter where Danone is the sole decision maker.

Reduction in the carbon intensity t CO ₂ eq/t (Danone responsibility perimeter)	Target	Actual	Actual vs Target
Waters and Fresh Dairy Products divisions	5%	7,4%	+2,4 pt

Reduction in the group's carbon intensity t CO₂ eq/t (Fresh Dairy Products and Waters divisions 2009 to 2008 - in %)



For 2010, the target for reduction in the group's carbon intensity was set at 6.5%.

Environmental Performance Indicators

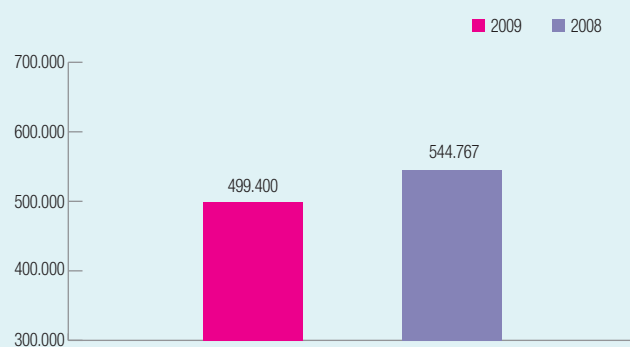
Emissions, effluents and waste

Tonnes CO ₂ eq	2009	2008	Variation 2008-2009
CO ₂ Emissions	474 928	521 487	-9%
CH ₄ Emissions	37	40	0%
N ₂ O Emissions	18	19	-6%
CFC Emissions	0,442	0,037	1094%
HCFC Emissions	7,114	8,234	-14%
HFC Emissions	0,948	1,750	-46%
Halon Emissions	0	0,010	-100%

The reductions in total greenhouse gas emissions come from a reduction in emissions from energy (-9%) and emissions related to the use of refrigerant gases (these represent less than 5% of the imprint of plants). The consumption of CFCs should be related to the consumption of previous years because the refilling frequency rate is greater than one year.

Tonnes CO ₂ eq	2009	2008	Variation 2008-2009
CO ₂ Emissions	474 928	521 487	-9%
CH ₄ Emissions	924	922	0%
N ₂ O Emissions	5 286	5 623	-6%
CFC Emissions	4 814	392	1128%
HCFC Emissions	12 093	13 998	-14%
HFC Emissions	1 355	2 276	-40%
Halon Emissions	0	69	-100%
Total emissions	499 400	544 767	-8%

Total CO₂ emissions in tonnes of CO₂ eq. (scope 1)



✓ 2009 Figures have been audited by KPMG Audit

Ochsenfurt sets out on eco-innovation

The plant in Ochsenfurt Germany is implementing pilot eco-innovation measures to reduce its environmental impact. In a guide entitled “Ochsenfurt Goes Green”, the team has listed all the good practices that have enabled it to reduce CO₂ emissions from the plant. In 2009, the plant reduced its CO₂ emissions by 4%, and has set a target to achieve 7% reduction in 2010.

The initiatives that have enabled this reduction are linked to technological innovation. The plant has invested in cogeneration of energy (combined heat and power production), with the installation of a generator that runs on gas (and the following day on biogas), which provides the particular capability, on one hand, to generate electricity, and on the other, to generate heat for heating the milk. In 2010, the combined heat and power (CHP) cogeneration will allow for saving 2,500 tonnes of CO₂ per year, and also result in energy savings.

Furthermore, the selective sorting of waste is of great importance in the plant, and has allowed the achievement of a recycling rate of 97.8% whilst generating significant income related to the resale of waste.

The Fresh Dairy Products plants require large refrigeration equipment to cool temperatures to 5-6°C.

Another initiative undertaken is the use of ground water in the cooling of equipment and machinery. The temperature of groundwater being 10°C, this natural method of cooling has resulted in a saving of 6,500 tonnes of CO₂ per year.

The impact of the plant represents a prime link in the chain because it centralises several activities. Other pilot projects have also been implemented on the raw materials as well as in the eco design of packaging, with the aim of expanding activities throughout the value chain.

EN17

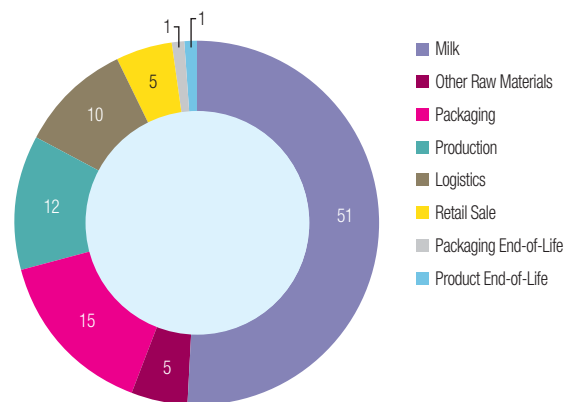
Other relevant indirect emissions of greenhouse gases, by weight (t CO₂ eq)

Danone carbon footprint

In 2009, Danone undertook the measurement of the overall global carbon footprint (scope 3 IPCC) of all Country Business Units of the Dairy Products, Waters, Baby Nutrition and Medical Nutrition divisions.

Up to now, the following estimations in g equivalent CO₂ per/kg product have been obtained. These data served as the basis for setting the objectives of the Nature plan (the Danone definition of direct responsibility integrates all of the emissions linked to operational activities like transportation, packaging, plants, distribution and end-of-life packaging).

Carbon footprint Danone (in %)

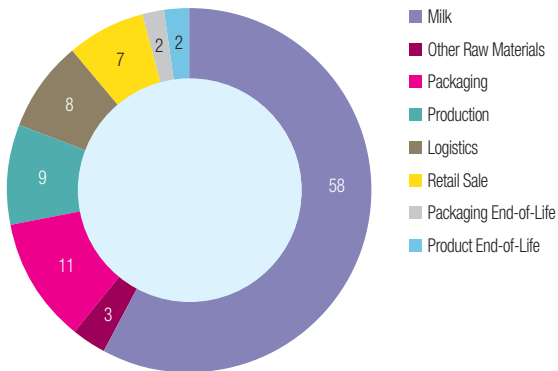


Scope 3: 707 g CO₂ eq/kg product
Scope 'Danone direct responsibility':
 280 g CO₂ eq/kg product

Environmental Performance Indicators

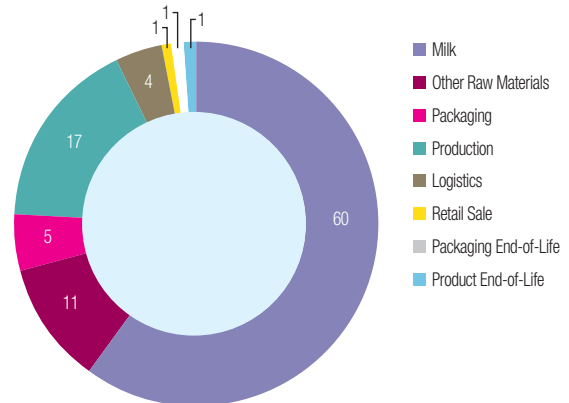
Emissions, effluents and waste

Carbon footprint Fresh Dairy Products (FDP) division - 2009 (in %)



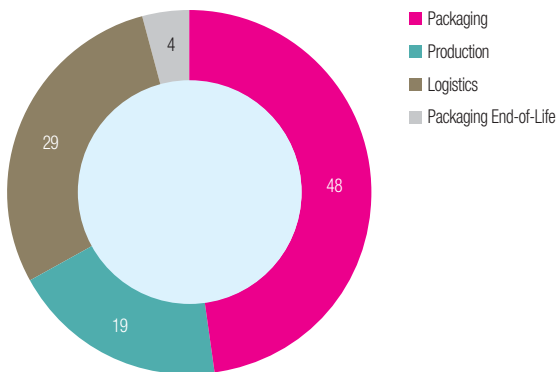
Scope 3: 2,033 g CO₂ eq/kg product
Scope 'Danone direct responsibility':
 643 g CO₂ eq/kg product

Carbon footprint Baby Nutrition division - 2009 (in %)



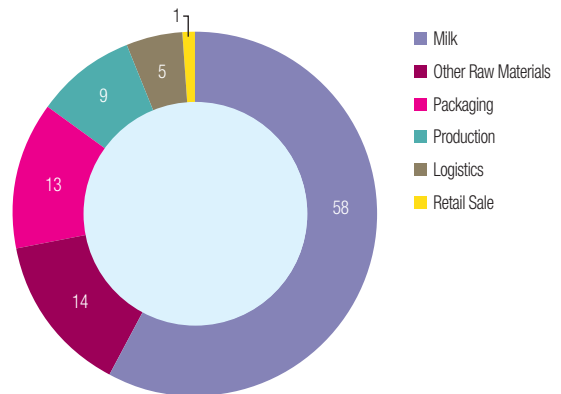
Scope 3: 3,569 g CO₂ eq/kg product
Scope 'Danone direct responsibility':
 982 g CO₂ eq/kg product

Carbon footprint Waters division - 2009 (in %)



Scope 3: 123 g CO₂ eq/kg product
Scope 'Danone direct responsibility':
 123 g CO₂ eq/kg product

Carbon footprint Medical Nutrition division - 2009 (in %)



Scope 3: 875 g CO₂ eq/kg product
Scope 'Danone direct responsibility':
 233 g CO₂ eq/kg product

The most significant impact comes from the use of agricultural raw materials, followed by packaging and transportation. Production impact represents only 12%.

SUPP EN18

Initiatives to reduce the emissions of greenhouse gases and reductions achieved

The measurement of water and carbon footprint is carried out by using a tool developed for all the Danone Country Business Units, which is jointly certified by Pricewaterhouse Coopers / Carbon Trust / ADEME. The tool was deployed in 2009 in the Baby Nutrition and Medical Nutrition divisions. The measurement tools developed allow for the evaluation of the progress made in emission reduction compared to the objectives established under the Nature Plan.

The consolidated emissions reduction measures of the Fresh Dairy Products and Waters divisions implemented in 2009 over all activity areas under the direct responsibility of Danone (that is, industrial sites, transportation, packaging and packaging end of life) achieved reduction amounting to -7.4%.

In 2009, the Fresh Dairy Products division rolled out the “Danone Carbon Pact” initiative which consists of formalising an agreement with some of the suppliers committing them to a duty of transparency and action on reducing the carbon footprint.

Thus 30 Pacts were signed in 2009, with suppliers of raw materials and packaging, representing 36% of the Purchasing spend in this category. In 2010, Danone will deploy this approach in other divisions and with suppliers whose carbon footprint has the most impact.

By 2012, the group has set a reduction target of 30% of its direct CO₂ emissions.

EN19

Emissions of ozone-depleting substances by weight

Tonnes CFC eq	2009	2008
CFC	0,44	0,04
HCFC	0,39	0,45
Halon	0,00	0,10

EN20

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

Tonnes NOx or SOx eq	2009	2008
NOx consumption	1 206	1 312
SOx consumption	2 688	3 202

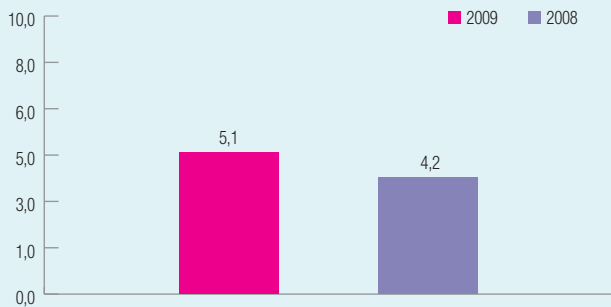
Emissions, effluents and waste

EN21 Total waste discharge by quality and destination

Thousands of tonnes	2009	2008
Final discharge of COD	5,139 ✓	4,224

✓ 2009 Figures have been audited by KPMG Audit

Final discharge of COD (Chemical Oxygen Demand) - (in thousands of tonnes)



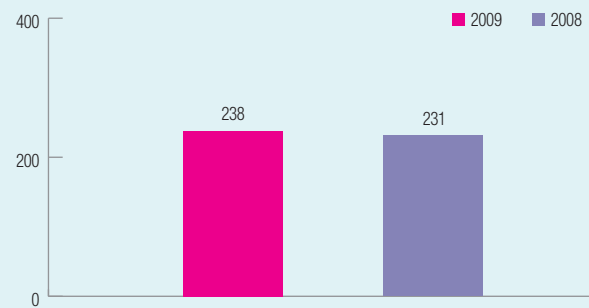
Despite a significant reduction in COD (Chemical Oxygen Demand) discharge in the Dairy Products activities achieved by reducing materials losses and improved efficiencies in the operation of wastewater treatment stations, the increase identified in 2009 is primarily due to the newly integrated Baby Nutrition business.

EN22 Total weight of waste by type and disposal method

	2009	2008
Total quantity of waste generated (in thousands of tonnes excluding sludge from WWTP*)	238 ✓	231
Total quantity of waste eliminated by a specific sector (in thousands of tonnes excluding sludge from WWTP*)	204	192
Proportion of waste eliminated by a specific sector (excluding sludge from WWTP*)	86%	83%

✓ 2009 Figures have been audited by KPMG Audit

Total quantity of waste generated (in thousands of tonnes excluding sludge from WWTP*)



* WWTP: Waste Water Treatment Plants

EN23

Total number and volume of significant spills

There were two cases of accidental leakage of chemical products in 2009 on the group's sites. Within the Baby Nutrition Division, the Cuijk plant reported excessive discharge as compared to the target set by the division. Also, the Zhengzhou plant belonging to the Waters Division, exceeded the authorised discharge limits.

SUPP EN24

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

Danone is not affected by this indicator.

SUPP EN25

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

See indicators EN9, EN11 and EN14.

Products and services

EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation

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

These measures have demonstrated that the most significant impacts were indirect, with more than 80% being linked to suppliers' activities: agricultural production (milk) and the production of primary packaging (yoghurt tubs, plastic bottles). Activities related to transportation of personnel represent less than 1% of Danone's overall global impact.

Measures implemented by Danone to reduce packaging weight

Since 2001, Danone has been using life cycle analysis techniques (LCA) in support of certain strategic decisions regarding responsible choice of packaging. Convinced that awareness and consideration of the eco-design aspects should take place at the design stage of packaging, Danone has internally developed a simplified tool allowing employees responsible for designing products to quickly gauge the impact on the environment of the entire lifecycle of products.

In 2001, the Executive Committee of Danone established a goal of reducing the average weight of packaging by 10% over 10 years (2000-2010 period). To do this, monitoring indicators (packaging weight / product weight ratio) have been put in place.

In 2007, some 34 Country Business Units reported the packaging to product ratio of 75% of their sales. Between 2000 and 2007, the ratios decreased by 4.7%.

Thus the weight of the 1.5 litre Evian bottles has decreased by 24% over 15 years, while the weight of the Actimel bottle has been reduced by 50% since its launch. In addition, the group has taken on a programme aimed at eliminating secondary / outer packaging using cardboard in Fresh Dairy Products (Canaries, USA), which will also be deployed in other countries in 2010, notably in France.

Moreover, an initiative developed across the Fresh Dairy Products division is the use of polystyrene foam by the introduction of bubbles in the plastic of the packaging: this is called the FOAM project. This innovation helps achieve a reduction in the density of the material by 19% and reduces CO₂ emissions by 6%. In 2009, Danone deployed this technology in 8 countries across 26 production lines. In 2010, the group is planning to expand to 80 lines in total. By 2012, 110 lines should have been installed.

Measures for sorting and recycling of packaging

Collection and sorting in different countries

Along with metal cans and glass bottles, PET bottles represent packaging with the highest recycling rates. In some countries, this target is reached by commercial and industrial plastic packaging alone (United Kingdom and the Netherlands). In most other European countries, it is achieved by sorting PET bottles by means of a system of collecting household packaging waste that involves consumers making the effort to sort their waste. The "green point" systems, such as Eco-Emballages (Eco-Packaging) in France, Eco-Embes in Spain, FORST Plus in Belgium enable the collection at the present time, of between 40 and 75% of plastic bottles put on the market.

Danone is a member of 23 “green point” agencies present in Europe and helps promote the initiatives of these organisations in countries with high population densities such as Turkey (CEVKO) or Mexico (ECOCE).

Recyclability and recycling of packaging

	2009	2008	2007
Recyclability of plastic bottles	100%	100%	100%
Effective recycling of plastic bottles	27% Europe	26% Europe	24,8% Europe
Recyclability of paper and cardboard packaging	100%	100%	100%

In Uruguay, the subsidiary Salus in partnership with other companies, is at the forefront of a non-profit association (CEMPRE) whose mission is to promote the reduction and recycling of waste. CEMPRE (Business Commitment for Recycling) encourages the promotion of innovation models that can help upgrade the recycling system at the regional level, reduce waste generation in a framework of eco-management, while improving working conditions for people who depend on the sector.

In Glasgow, Volvic has developed a recycling project in partnership with public and consultative bodies. The initiative consists of establishing collection points for PET in areas of high urban density and making consumers aware through awareness campaigns. In 2009, 15 collection points were installed in the city, allowing the recycling of 50 tonnes of waste equivalent to a reduction of 17 tonnes of CO₂.

In Canada, Evian has joined the Recycle Bank programme, which is an initiative promoting recycling at home. The operation consists of converting the weight of recyclable waste into reward points, redeemable with over 400 local and regional partners. By offering rewards to households for their recycling efforts, the programme allows them to participate in reducing the environmental footprint.

PET plastic

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

Packaging solutions based on biodegradable polymers are in the process of being developed. They may become a requirement in certain niches of the food industry in the years to come. These polymers are made from a starch base and can be processed by composting. In Germany in 1998, DANONE became the first company to launch a yoghurt in a pot made from biodegradable polymers: PLA (PolylactateAcid). Danone continues to monitor technological developments in this area. This type of material should also become affordable in terms of cost.

PET bottle recycling

Rising oil prices and resource related risks have meant that PET plastic recovered through selective collections now has real value. There is a very high demand in several countries, including Italy, the Netherlands, and China, which have significant requirements in terms of PET. This demand has significantly bolstered the collection of bottles.

Products and services

The urban collection and recycling of PET bottles (presently recycled up to 51%) can save France 289,000 tonnes of oil in the processing industries of: textile articles like carpets, lining/filling for anoraks, non-food packaging, and more recently, food packaging.

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

A major challenge is to have sufficient availability of recycled PET. Danone is oriented towards two different strategies dependent on local realities.

In developed countries, the group aims to ensure the supply of bales of PET bottles and have them processed. For example in the United Kingdom, the exact amount of PET from mineral water bottles sent by Danone is brought back to France for conversion into recycled PET. Another example in France is a joint project based on the creation of a treatment site for recycled PET with stakeholders in the recycling sector.

For developing countries, it is necessary to implement advance collection systems, because recycling is a marginal activity not geared towards recycling of PET for bottles. In Mexico, Danone, in partnership with the World Bank and the supplier PetSTAR, has established a line of business that can recycle plastic from bottles for transformation into recycled PET. This initiative is aimed at reintroducing the recycled PET into the consumption pipeline while creating worthwhile jobs in accordance with the fundamental values of the group. A similar project is under development in Indonesia and is being financed through the new Danone Ecosystem Fund.

Danone Initiatives intended to support farmers transition towards more environmentally-friendly agricultural practices

DQSE Programme for milk producers

Since the mid-1990s, relations with milk producers have evolved from the simple collection of raw material into a genuine partnership. The group has established the Danone Quality Safety & Environment (DQSE) programme which aims to ensure:

- The control of milk quality and safety at each stage of the chain (milk production, transport, storage). Danone has defined a set of practices to prevent the presence of pathogens or chemical contaminants in the milk;
- The implementation of practices respectful of animal wellbeing and the environment. The Danone Guide “Best Practices for Milk Producers” has since 2007 incorporated in the systematic monitoring of dairy operations 10 environmental criteria and two animal wellbeing criteria drawn from international standards for sustainable agriculture and the European criteria from the Common Agricultural Policy. This objective applies to all countries where Danone directly collects milk, and while consistent with the rationale underlying the reform of the Common Agricultural Policy in Europe (aid conditional upon respect for environmental practices), goes far beyond.

Promoting sustainable agriculture

Danone is one of the first agri-business industry groups to have committed to sustainable agriculture, deemed crucial to satisfying consumer expectations, and which it regards as a complementary approach to that of organic farming, as is reflected in the acquisition of Stonyfield Farm in the United States and the launch in France of the brand “Les 2 vaches” (“2 cows”) by Stonyfield Europe.

Sustainable agriculture is an agricultural model that is competitive and productive, which, beyond the quality and safety of food, takes into account in a balanced manner:

- respect for the environment,
- the economic and social impacts on the surrounding and local environs,
- the profitability of the operation.

Studies conducted since 2001 on the analysis of the environmental impact of yoghurt have confirmed that the transition to sustainable agriculture is an important lever for reducing these impacts.

Since 2002, Danone has established a partnership with Nestlé and Unilever to promote sustainable agriculture through the platform “Sustainable Agriculture Initiative” (SAI Platform). Currently comprised of 25 companies its objectives include:

- acquiring and exchanging knowledge amongst companies,
- sharing common definitions of sustainable agriculture,
- validating and developing sustainable agricultural practices,
- communicating with decision makers and consumers,
- involving other agri-food industries and players belonging to the agri-food sector.

Six specialised working groups have been created within the SAI Platform (milk, fruits, vegetables and potatoes, cereals, coffee, water). Danone participates as an active member in the milk-, fruit- and water working groups. Within the framework of these groups, the principles of sustainable agriculture are translated into agricultural practices that for the most advanced groups eventually lead to their implementation as global pilot operations.

Developing a scientific basis for valid solutions to reduce greenhouse gas emissions

Since 2002, Danone has instituted a scientific programme at INRA (*Institut National de la Recherche Agronomique* / French National Institute for Agricultural Research) that addresses the levers for reducing emissions through the use of natural livestock feeds. This programme in collaboration with Valorex is already available in 250 farming operations in France, the USA and Spain, and allows them to achieve a reduction of 25-30% of enteric methane emissions from cows.

In October 2009, Danone together with INRA, published a methodology intended for farmers to ensure the in vivo monitoring of methane emissions from cows. This has enabled Danone to reduce methane emissions while improving the nutrient content in milk.

Involvement in international initiatives

- Danone has in 2009, along with international organisations and scientists through the SAI Platform, FAO, IDF (International Dairy Federation), spearheaded best practices with regard to carbon reduction, which has been published by the IDF (Green Paper).
- Danone has been involved with professional organisations in the global action plan on the reduction of methane. (July 2009: USA DMI Commitment - September 2009: IDF Worldwide Commitment).

In France, the Baby Nutrition division has created an Agricultural Charter which outlines the guidelines regarding the conditions relating to production and environmental quality control used for food products meant for babies and young children.

Products and services

EN27

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

The market in Europe for products sold with recycled packaging is less than 1%. Life cycle analyses, confirmed by a recent study by ADEME (French Environment and Energy Management Agency) in France, show that the development of reusable packaging is optimal for short distribution channels / networks (less than 200 km) which is incompatible with our national distribution networks.

See indicator EN2 on the use of recycled PET.

Regulatory Compliance

EN28

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

In 2009 Danone paid penalties, fines and compensation for damages to third parties relating to environmental issues amounting to a total of 19 K Euros. This amount was 37 K Euros in 2008, and 84 K Euros in 2007.

Transportation

SUPP EN 29 Significant environmental impacts of transporting products, and other goods and materials used by the organisation's operations and transporting members of the workforce

Since 2003, the group has established good environmental practices on transportation, formalised in a guide for its logistics departments worldwide which include the following points:

- Any transportation carrier working for a Danone company must, as a minimum, comply with social and environmental regulations currently in effect in the country, as regards its facilities and depots, as well as its fleet of trucks and their maintenance;
- The guide offers a list of best practices to be observed by carriers. This initiative can be adapted according to the local context;
- The subsidiary and its transportation carrier must both commit to a process of reducing the impacts of transportation by acting on the various links of the chain in the life cycle.

For example, in the case of bottled water:

- Rail: most of the bottled water sites can technically rely on railway flows from the production sites. The development of transport by rail depends on the cost per km and on the lead time required by distributors;
- All products are exported by sea (ship), which has an environmental impact that is 25 times lower than that of trucks. A France - Japan trip (about 11,000 km divided as follows: 120 km by truck + 450 km by river transport + 10,500 km by sea in shipping containers) is equivalent to a 650 km trip by truck (Evian-Paris, for example);

- Danone has implemented a software programme for the optimisation of pallets in order to maximise the weight of products transported / surface so as to reduce unused surfaces.

Greenhouse gas impact over the transport of bottles in gm of CO₂ equivalent per tonne of product per km travelled (global life cycle analysis)

Mode of transport	Greenhouse gas emissions in gm equivalent CO ₂ per tonne of product and per km travelled over the transport of bottles
Truck (25 tonnes)	158
River Transport	45
Rail Transport (Europe)	39
Rail Transport (France)	24
Sea Transport (ship)	11
Sea Transport (containers)	6

Danone was the first private-sector enterprise to enter into a contract with the European Commission: the Marco Polo programme concerns the reduction of the environmental impacts of international transport flows over 8,767,000 kms of road. The project seeks to replace road transport by rail between the Volvic plant and the logistics hub in Hockenheim.

Transportation with a full train began in July 2008 with one train per week, by mid-November, the flow had increased to two trains per week and since July 2009 to three trains per week. In 2009, thanks to the project, transportation involving 4,125 trucks – which is the equivalent of 1,643 tonnes of CO₂ – was avoided.

In 2010, this distribution model will be expanded by delivery being handled in a second logistics centre in Duisburg, the flow is estimated to amount to six to eight trains per week between the Volvic plant and the two German hubs. The goal is to avoid the movement of 12,500 trucks and thereby reduce emissions by 6,400 tonnes of CO₂.

In the same vein, Stonyfield is developing the use of rail for transportation of products. In 2008, in partnership with Railex, a company certified by the EPA (Environmental Protection Agency in USA) part of the transportation volumes have been converted from road to rail, connecting the Pacific Northwest lines. In late 2009, the total distribution volume was carried by multimodal transport: by road from New York, then rail from the Pacific Northwest, and eventually by road to the customer. This enabled a 45% reduction of CO₂ emissions for the Northwest region, and 4% for the entire distribution network during the period 2008-2009. In 2010, Stonyfield hopes to expand this mode of distribution to the southern railway lines

This initiative is being rolled out in other countries, for example in western Canada, where adopting a system of intermodal transport has led to a reduction of 496 tonnes of CO₂ per year.

Other ways to optimise transport efficiency have been implemented. In Spain, Danone employees participate in an eco-driving training programme. The objective is to reduce the fuel consumption of cars by one litre of fuel per 100 km. In this manner, Danone thus plans to reduce CO₂ emissions by 15% over the period 2008 to 2012.

Supp EN30 Total environmental protection expenditures and investments by type

Environmental expenditures	2009	2008	Variation 2008-2009
Contributions paid for collection/recycling of packaging (Eco Tax / DSD)	54 818	52 945	4%
Taxes and duties	7 893	7 627	3%
Fines & Penalties	19	37	-49%
Third Party indemnification	10	10	3%
Costs for industrial treatment (waste, water, emissions, atmospheric air)	21 741	27 063	-20%
Other environmental costs (consulting, ISO 14001 certification, etc.)	4 340	2 135	103%
Costs for CO ₂ emission credits trading	29		
Depreciation	3 740	3 115	20%
Total	92 590	89 817	3%

There was a significant reduction in the costs of industrial treatment of 5,322 thousand euros related to the improvements made in the field of treatment of waste and air emissions.

Governance

A new organisation

In order to achieve its new ambitions, Danone has transformed its organisation: appointment of two Nature Sponsors within the Executive Committee, setting up of a Nature Department (with a Executive Director having a business background) and reporting directly to the group Executive Committee, deployment of Environment Managers in each of its businesses, creation of a Nature Finance Department. In addition, the given objective of reducing the carbon footprint has now been integrated into the bonus system applicable to all General Managers of Country Business Units and group Directors.

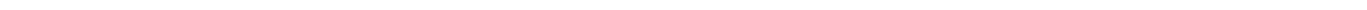
Finally, the CO₂ indicator is now included in all important corporate decision making processes and procedures (committee for investment and innovation decisions, etc.).

The organisation of the network of environmental representatives has been strengthened by the appointment in each subsidiary of a “Carbon Master” tasked with managing the Nature Plan (measurement of the footprint, setting a three-year goal).

Thus creating a community of 110 Carbon Masters has helped ensure leadership and direction for the carbon reduction plan in each subsidiary.

The implementation of measurement and facilitation tools

- Since 2006, the group has deployed on a global scale its Project **GREEN** (Global Risk Evaluation for Environment), a tool that synthesises into one standard rating that is audited by an external partner (ERM), all environmental risks of the group’s industrial sites (actual risks, reputational risks and business/administrative impacts based on European regulations). To date, 78 sites (vs. 54 in 2008, that is, 49% of the group’s industrial sites) have conducted an external GREEN audit and are engaged in following concrete action plans. In 2010, the group plans the development of a GREEN “light” system to be applicable to small sites and storage facilities.
- In 2009, Danone adopted two “Quickplace” based internal communication tools for network hosting to create communities and ensure the networking of good environmental practices as well as the availability of group databases. The creation of a shared space amongst Danone employees located across 5 continents encourages the exchange of experiences and best practices, as well as discussions on common issues and local realities.



Performance Indicators

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AT WORK**

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OPPORTUNITY**

Employment

LA1 Total workforce by type of employment, employment contract and region

As at December 31, 2009, the group had a total of 80,976 employees (CDI + CDD).

The table below shows the total number of employees and their distribution by geographical area and by business division; these data are presented historically, for the years 2007 to 2009.

The figures for 2007 are presented excluding the recently acquired Baby Nutrition and Medical Nutrition businesses: only fresh dairy products (FDP), waters, central functions and Blédina are taken into account.

Total Workforce	As on 31 December		
	2009	2008	2007 ⁽¹⁾
Total number of employees (excluding temporary)	80 976 <input checked="" type="checkbox"/>	80 143	63 793
Of which, managers in %	16%	16%	13%
By geographic region			
France	10,6%	10,9%	11,4%
Rest of Europe	26,1%	25,7%	18,3%
China	10,8%	9,9%	7,7%
Rest of Asia-Pacific	17,8%	18,2%	15,3%
North America and South America	29,0%	28,3%	26,2%
Africa & Middle East	5,7%	6,9%	5,0%
Total	100,0%	100,0%	83,9%
By business division			
Fresh Dairy Products	38,7%	38,9%	38,6%
Waters	41,1%	41,2%	41,5%
Baby Nutrition ⁽²⁾	13,7%	13,9%	2,1%
Medical Nutrition	5,0%	4,4%	-
Central Functions	1,5%	1,6%	1,7%
Total	100,0%	100,0%	83,9%

(1) In 2007, the late integration of Baby Nutrition and Medical Nutrition activities (Numico) did not permit the alignment of definitions, thereby preventing any consolidation.

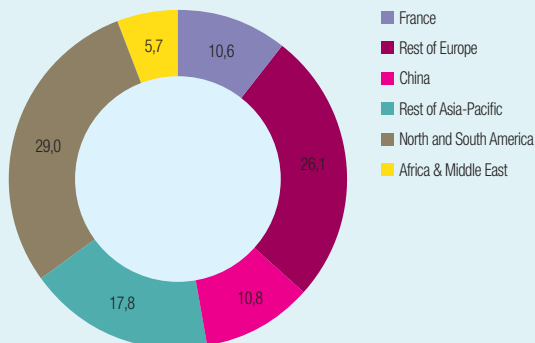
(2) In 2007, only Blédina is reflected in the "Baby Nutrition" activity.

2009 Figures have been audited by KPMG Audit

Social Performance Indicators

Employment

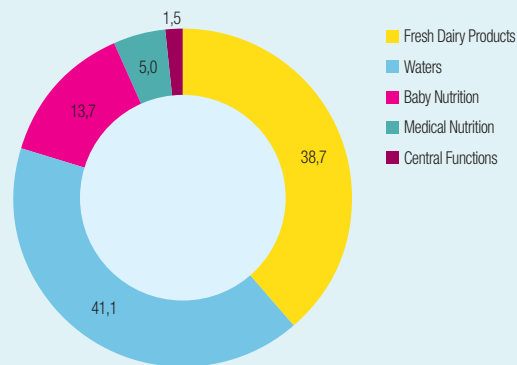
Distribution of workforce by geographic region in 2009 (in %)



Distribution of the Workforce by Permanent, Temporary and Interim Employment Contracts

This distribution between permanent and temporary employees (including fixed-term contractors and temporary workers) was calculated based on the average number of employees (the average is obtained by taking the average number of employees on the books at the end of each month). It shows the evolution vs. 2008 on a comparable structure basis, representing 100% of the Danone workforce at December 31, 2009.

Distribution of workforce by business division in 2009 (in %)



This explains why the 2008 figures may be different on some indicators relative to those in the Sustainable Development Technical Report 2008.

Average workforce	2009		2008	
	Permanent employees	Temporary employees	Permanent employees	Temporary employees
Total	84%	16%	83%	17%
Europe	90%	10%	88%	12%
Asia	78%	22%	74%	26%
Rest of the world	84%	16%	87%	13%
By geographic region				
Africa & Middle East	95%	5%	92%	8%
Asia Pacific	78%	22%	74%	26%
Eastern Europe	88%	12%	88%	12%
Latin America	82%	18%	85%	15%
North America	94%	6%	95%	5%
Western Europe	91%	9%	87%	13%
By business division				
Fresh Dairy Products	85%	15%	86%	14%
Waters	86%	14%	86%	14%
Baby Nutrition	76%	24%	68%	32%
Medical Nutrition	87%	13%	88%	12%
Central Functions	94%	6%	93%	7%

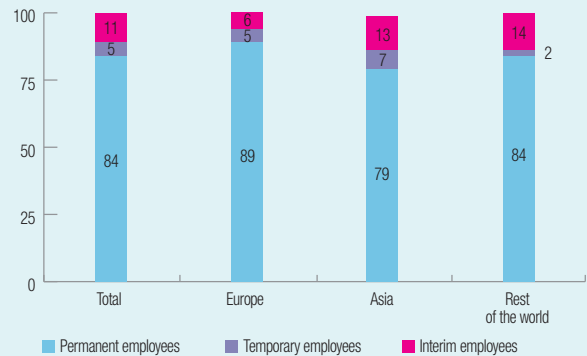
Social Performance Indicators

Employment

Permanent, temporary and interim employment contracts as on 31-12-2009

	Permanent employees	Temporary employees	Interim employees
Total	84%	5%	11%
Europe	89%	5%	6%
Asia	79%	7%	13%
Rest of the world	84%	2%	14%
By geographic region			
Africa & Middle East	93%	4%	3%
Asia Pacific	79%	7%	13%
Eastern Europe	88%	5%	7%
Latin America	81%	1%	17%
North America	93%	4%	3%
Western Europe	90%	6%	5%
By business division			
Fresh Dairy Products	84%	3%	13%
Waters	88%	6%	6%
Baby Nutrition	75%	4%	21%
Medical Nutrition	89%	7%	4%
Central Functions	94%	5%	0%

Distribution of the workforce by contract type and geographic region (in %)



Net Employment Creation

At December 31, 2009, in historical data, 1,540 net new jobs were created, representing a growth of 1.9% compared to year-end 2008.

The following trends may be noted:

- increased staffing in three divisions: Medical Nutrition (+9.3%), Baby Nutrition (+1.5%) and Waters (3.3%)
- stability of the workforce in Fresh Dairy Products
- and a decrease in Central Functions (-2.5%)

Full-time / Part-time

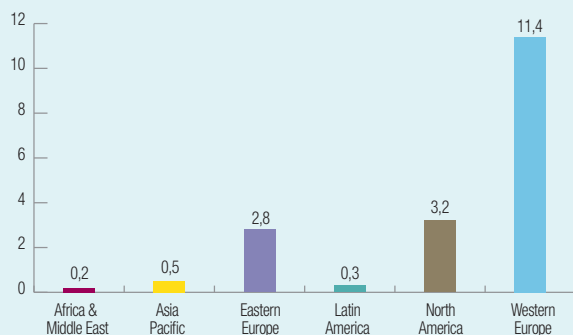
	2009		2008	
	Full time employees	Part time employees	Full time employees	Part time employees
Total	97,0%	3,0%	96,9%	3,1%
Europe	92,6%	7,4%	92,3%	7,7%
Asia	99,5%	0,5%	99,7%	0,3%
Rest of the world	99,5%	0,5%	99,6%	0,4%
By geographic region				
Africa & Middle East	99,8%	0,2%	99,8%	0,2%
Asia Pacific	99,5%	0,5%	99,7%	0,3%
Eastern Europe	97,2%	2,8%	96,2%	3,8%
Latin America	99,7%	0,3%	100,0%	0,0%
North America	96,8%	3,2%	96,4%	3,6%
Western Europe	88,6%	11,4%	89,0%	11,0%
By business division				
Fresh Dairy Products	97,7%	2,3%	97,4%	2,6%
Waters	97,9%	2,1%	97,9%	2,1%
Baby Nutrition	95,4%	4,6%	95,7%	4,3%
Medical Nutrition	88,8%	11,2%	88,4%	11,6%
Central Functions	91,1%	8,9%	91,2%	8,8%

These figures are provided on a comparable structure basis, representing 100% of the Danone workforce as on December 31, 2009. This explains why the 2008 figures may be different on some indicators compared to those in the Sustainable Development Technical Report 2008.

Social Performance Indicators

Employment

% of part time employees by geographic region in 2009



This distribution is calculated in relation to employees registered on the books as at December 31, 2009. The use of part-time employees mainly concerns Western Europe, and to a lesser extent North America and Eastern Europe.

LA2

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

Turnover Rate	2009	2008
Total	20%	22%
By geographic region		
Africa & Middle East	15%	12%
Asia Pacific	13%	11%
Eastern Europe	20%	29%
Latin America	38%	40%
North America	13%	12%
Western Europe	7%	11%
By category		
WETS (**)	21%	23%
Managers	13%	16%

Distribution of departures (*)	2009	2008
By gender		
Women	14%	14%
Men	19%	20%
By category		
WETS (**)		
- Female	15%	14%
- Men	20%	20%
Managers		
- Female	12%	14%
- Men	13%	14%

These figures are provided on a comparable structure basis, representing 100% of the Danone workforce as on December 31, 2009. This explains why the 2008 figures may be different on some indicators compared to those in the Sustainable Development Technical Report 2008.

This indicator is calculated, in accordance with our agreement with the IUF, taking into account external recruitment and departures. It is calculated by taking the sum of the external recruitments and departures divided by the average workforce x 2.

The turnover rate for the year is 20%. Situations vary widely according to geographical regions: 7% in Western Europe to 38% in Latin America. The regions with high turnover rates reflect pressure on skilled positions.

On a comparable structure basis, the turnover rate decreased by 2 percentage points between 2008 and 2009.

(*) The rates of departure, on all grounds taken together, are equal to the number of departures by type or category in relation to staff, respectively men and women, WETS and Managers, multiplied by 100.

(**) WETS: Workers, Employees, Technicians, Supervisors

SUPP 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 centrally.

Management – Employee relations

LA4

Percentage of employees covered by a collective bargaining agreements

The tables below provide information on the percentage of Country Business Units and employees covered by a collective agreement.

	2009	2008
Employees	84%	83%
Country Business Units	73%	70%

These figures are presented on a comparable structure basis. They are calculated on the basis of Country Business Units employing at least 100 employees as on December 31, 2009, that is, 88 companies representing 95% of the group's consolidated workforce.

LA5

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

Danone and the IUF have entered into a specific agreement having worldwide application, with regard to the methods of consulting employees' representatives in the event of modification of business activities with consequences for employment (May 1997). Stipulating a minimum period of notice of three months, this agreement was revised in 2005.

Health and safety at work

SUPP LA6

Percentage of total workforce represented in formal joint management- workers health and safety committees established to monitor and advise on occupational health and safety programmes

The health and safety committees monitor the correct operation of machines and installations and compliance with European standards. The management of safety involves a visible commitment by teams of directors on the ground, training and the establishment of ongoing safety dialogue between operators and managers. According to the survey conducted on a representative sample of sites employing at least 100 employees, over 80% of the group's workforce is represented by occupational safety committees and regular meetings (at least quarterly) on Safety at Work are organised in 82% of these sites.

Distribution by business division

	2009			2008		
	Number of fatal accidents	Number of accidents with less and 1 day's absence	Incidence rate 1 (FR1): number of accidents per million work hours	Number of fatal accidents	Number of accidents with less and 1 day's absence	Incidence rate 1 (FR1): number of accidents per million work hours
Waters	0	274	3,3	0	413	5,4
Fresh Dairy Products	4	323	5,0	4	304	4,8
Other	0	7	3,7	0	5	2,3
Baby Nutrition	1	84	3,2	1	136	5,7
Medical Nutrition	0	31	4,2	0	51	8,8
TOTAL BUSINESS LINES	5 ✓	719	3,9 ✓	5	909	5,3
Distribution by geographic region						
Africa & Middle East	3	44	4,2	4	62	5,9
Asia Pacific	1	44	0,8	1	64	1,2
Eastern Europe	1	69	2,6	0	91	3,6
Latin America	0	280	4,9	0	329	6,4
North America	0	8	2,3	0	23	6,7
Western Europe	0	274	9,8	0	340	11,9
TOTAL REGIONS	5 ✓	719	3,9 ✓	5	909	5,3

Note: • the number of fatal accidents only concern Danone employees excluding subcontractors. The 2008 data was revised accordingly.
• the incidence rates for 2008 have been restated to provide a comparable structure basis between 2008 and 2009.

✓ 2009 Figures have been audited by KPMG Audit

LA7

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

The method of calculation of occupational accidents is based on the number of accidents with work stoppage/lost time of at least one day compared to the number of hours worked in millions, and includes accidents involving fixed-term contractors, temporary workers and trainees. The incidence rate of occupational accidents was 3.9. Safety audits also cover employees of subcontractors working on Danone sites. Recording of the number of accidents with work stoppage/lost time involving such persons began in 2009.

Health and safety at work

LA8

Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families, or community members regarding serious disease

In 2009, 97% of employees had insurance coverage against major risks (death, disability) and 96% had health coverage. At the same time, health at work programmes were organised in various Country Business Units.

Furthermore, the year 2009 was marked by the establishment of a prevention plan in relation to influenza A/H1N1. In all group companies, the following measures have been taken:

With regard to health prevention:

- Strengthening of hygiene measures: provision of water-alcohol solutions, widespread use of hand-drying systems, enhancement of housekeeping/janitorial services
- Behavioural measures: recommendation to get vaccinated against seasonal influenza and to limit physical contact when greeting others.

With regard to the social level: definition of support and assistance measures for employees in connection with the potential pandemic (absenteeism).

With regard to economic conditions: a business continuity plan (BCP) has been developed by site and business line, identifying key functions and the organisation of work by telecommuting for these employee populations.

SUPP LA9

Health and safety issues covered in formal agreements with trade unions

This indicator is not monitored by Danone.

Training and education

Learning By Danone

Learning by Danone is an international training programme offering, meant for managers, directors and sometimes all employees across the world designed to provide occupational or management training.

Two new group training initiatives have been launched this year, the Health Induction Programme (for all employees) and Dream Store College (for sales-marketing staff).

This year as in previous years, the **Danone Campuses**, organised several times a year in different cities around the world, which bring together 200 to 300 managers for professional or management training, have contributed beyond the training provided, in promoting communication and information exchanges, and creating a shared sense of belonging and nurturing of Danone's values.

In 2009, 9 Campus were held: 4 in Asia, 1 in America, 4 in Europe and Africa-Middle East. 87 training modules were delivered to 1415 participants in total.

The “**Danone Learning Solutions**”: 30 in number, and updated on an ongoing basis, the “Danone learning solutions” are training offerings intended for all employees that have been certified by the group, meant to be deployed locally with relevant and consistent content, whatever the country. This year, seven new Danone Learning Solutions have been released. These ready-made solutions are developed cooperatively between group companies with the help of an international training team.

LA10

Average number of training hours per year per employee by employee category

On a comparable structure basis, the number of training hours per employee per year increased from 24 hours to 28 hours on average.

The training has increased overall in terms of hours (+16%), this amounting to nearly 300,000 more hours (of which 213,000 have benefited the Workers, Employees, Technicians and Supervisors) and across all divisions. Meanwhile, the number of employees trained has increased by 8%.

These figures are provided on a comparable structure basis, representing 100% of the Danone workforce as on December 31, 2009.

Social Performance Indicators

Training and education

* WETS: Workers, Employees, Technicians & Supervisors

Average number of training hours	2009	2008
Total	28 ✓	24
WETS*	25	22
Managers	41	36
Number of employees trained	2009	2008
Total employees trained	75 000 ✓	69 743
WETS*	63 116	59 378
Managers	11 884	10 365
Average number of training hours	2009	2008
By geographic region		
Africa & Middle East	16	15
Asia Pacific	29	24
Eastern Europe	27	25
Latin America	27	27
North America	40	24
Western Europe	26	24
Number of employees trained	2009	2008
By geographic region		
Africa & Middle East	2 825	2 028
Asia Pacific	22 198	19 923
Eastern Europe	11 949	12 590
Latin America	21 551	19 968
North America	2 474	1 973
Western Europe	14 003	13 261

✓ 2009 Figures have been audited by KPMG Audit

SUPP LA11

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

Internally

The EVOLUANCE programme in France, intended for workers, employees and supervisors is aimed at enabling employees to acquire qualifications that are recognised by the State and thus enhance their employability.

The number of employees involved in this programme since its launch in 2004 is 1082. This figure includes the 261 employees of the Biscuits Division in France (that was sold in 2007). Compared to the figure achieved at year-end 2008, a total of 47 new employees became engaged in this process and new diplomas are being prepared, especially in the field of logistics.

The Skills Development College in France

The Skills Development College in France, in a show of synergy demonstrated its capability by providing training in management and professional effectiveness (conducting meetings, project management, etc.) to more than 1,500 Managers and Supervisors in 2009, which is double the number of employees trained in 2 years in these themes grouped in this fashion. More than 30 training programmes thus bring together the employees of various Danone companies in France, at all levels, throughout the year.

This training is classified into five major areas, “Developing Managerial Skills”, “Developing Project Management skills”, “Professional-Personal effectiveness,” “Occupational Trades” and “Languages and Administrative Skills”.

Of particular note:

- Seminars in “Leadership for Women” which has proved increasingly popular.
- The “Oxygen” programme for executive assistants and Employees, Technicians, Supervisors (ETS), which enables participants to better understand the issues facing the company and to effectively carry out visits to industrial sites, research centres or warehouses.
- The development of new offerings that will be available from 2010 include, in particular, the adoption of new messaging tools, management of innovation, managing one’s career pathway to support the mid-late career stage and preparing for retirement .
- Stress management at the individual and team levels.
- The Danone Sales University, launched in late 2008, offers sessions aimed at enhancing professionalism and is targeted at all the sales & marketing teams at Danone, Evian and Blédina. Different training modules allow sales & marketing managers at all levels, to make progress on issues such as safe driving, sales techniques, and negotiation. In 2009, that amounted to 7,000 hours of training being provided to 450 sales & marketing managers who attended these courses.

Initiatives for seniors

A number of Country Business Units, following the example of the French Business Units have implemented several measures designed to sustain the training effort throughout one’s professional life, to offer a mid-career review and a review relating to the working life / retirement transition, as well as various measures regarding the reorganisation of work hours, part time hours, extra time off, with the commitment of the company to contribute to pension funds on the basis of wages restored to full rate.

Finally, the transfer of skills, with the development and enhancement of the functions/positions of mentors and making ergonomic adjustments to workstations to combat aging have been incorporated into the arrangements put in place.

Externally

Societal involvement in the initiative to develop the employability of unskilled youth

An experiment was initiated in 2009 in Danone’s “Pays de Bray” plant designed around a programme to accommodate a cohort of unskilled/unqualified youth with the aim of leading them towards achieving a vocational qualification, the CAP Diploma (Certificat d’aptitudes professionnelles) - Warehousing and Deliveries Clerk, with the contribution of other actors in the area. The recruitment of these young people is currently ongoing.

This experience will serve as the basis for the 2010-2012 programme developed to respond to the French Government’s Youth Employment Plan with the aim of accepting 500 unqualified young people by 2012, including 100 young people in 2010, and eventually involving 25 Danone France sites.

Training and education

This commitment involves partially changing the profile for apprentices at Danone (currently 70% Bac + 2 years or more) in order to be able to accommodate youth without a diploma on a pre-qualification basis through local partnerships (for the employment agencies, non-profit associations, training institutions) to enable them to access diplomas like the Bac Professionnel (vocational qualification).

Sponsorships and Partnerships

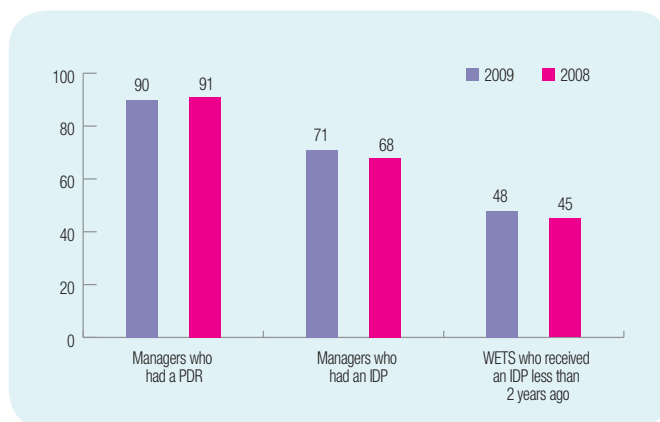
Danone is involved in various youth sponsorship activities, aimed at promoting their professional development and thereby facilitating their occupational/professional integration into the labour market. On a volunteer basis, employee volunteers dedicate some of their time towards helping and supporting young people in high schools, colleges, and community associations, by opening the doors of the business world to them. These partnerships, like that with the Lycee Michelet in Vanves (sponsorship of young scholarship students in preparatory schools as a precursor to major business schools), and with the initiative “*Nos quartiers ont des talents / Our neighbourhoods have talent*” (providing advice and guidance and establishing business/professional contacts for recent graduates from the neighbourhoods looking for their first job) or with local missions around the sites (thus the network “*Coup de Pouce*” / “*Helping Hand*” from the head office, which since 2001 has helped more than 400 youths, mostly from immigrant families in their journeys towards integration in the labour market) thereby also enabling employees to be in closer touch with the community and be aware of the aspirations of young people.

SUPP LA12

Percentage of employees receiving regular performance and career development reviews

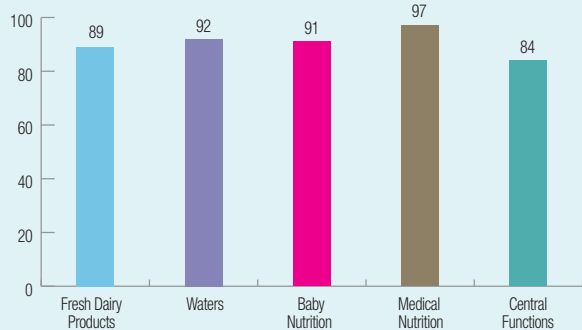
The percentage of workers, employees, technicians and supervisors who received an individual development plan (IDP) (listing requirements for employee training and development discussed with their supervisor) rose by 3 percentage points, and was particularly well developed in the Asia and Africa / Middle East regions. The percentage of managers who have had a performance and development evaluation review (PDR) was 90% (up by 8 percentage points compared to 2007 on a comparable structure basis) with a very good rate of adoption and ownership of these practices by the recently acquired divisions. The individual development plans are being gradually deployed in the Baby Nutrition and medical nutrition divisions and continue to make progress across almost all regions.

These figures are provided on a comparable structure basis, representing 100% of the Danone workforce as on December 31, 2009.

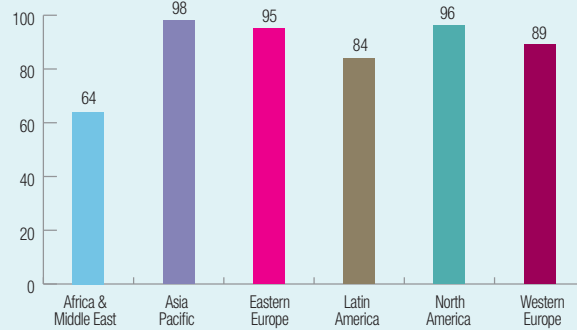


RDP: Annual Performance and Development Review
IDP: Individual Development Plan (career development and training review)
WETS: Workers, Employees, Technicians, Supervisors

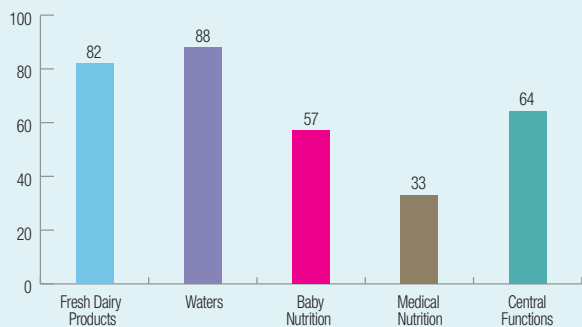
% managers who had a PDR in 2009 by business division



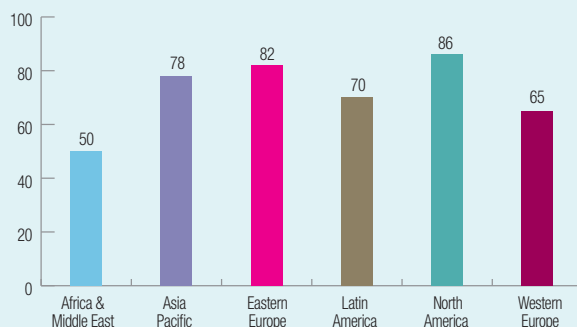
% managers who had a PDR in 2009 by geographical region



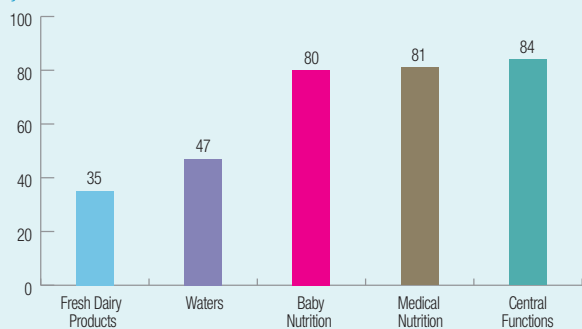
% managers who had a IDP in 2009 by business division



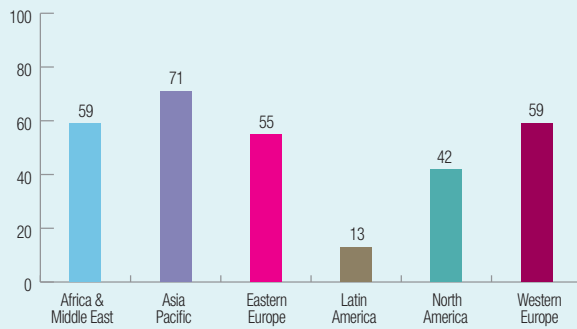
% managers who had a IDP in 2009 by geographical region



% WETS who received an IDP less than 2 years ago by business division



% WETS who received an IDP less than 2 years ago by geographical region



Diversity and equal opportunity

Global Survey on Diversity Danone / UITA

The agreement signed with the IUF in 2007 was the subject of a global survey in 2009, which showed among other best practices that may be multipliable:

- A diagnostic method established by a cross-disciplinary team at Danone Spain, involving operational, and HR personnel and social partners; a Gender Equality agreement has been signed and its implementation is monitored by a Monitoring Committee.
- A comprehensive parenting accommodation and support programme in the Country Business Units (CBU) of Waters and Fresh Dairy Products divisions in Poland, including a practical support guide for managers with pregnant women in their teams, and flexible schedules for all: this programme was rewarded by Solidarnosc (the Solidarity trade union).
- Several agreements have been signed on diversity and the fight against discrimination, and on specific themes, disability, seniors, gender equality, reconciling professional and private life (work-life balance), etc.

Disability

In France, the rate of integration of disabled persons in the group's French companies increased from 3.1% in 2007 to 4.2% in 2008 and 4.9% in 2009. Many establishments have signed special agreements and implemented specific measures aimed at maintaining the employability of workers.

The rate of integration of disabled persons worldwide is about 1%, over a structural scope of 52 CBU representing 95% of the consolidated structural scope (some CBU are not liable or are in countries prohibiting the head count of persons with disabilities).

Note: this 1% figure is based on the identification of disabled employees having either external or internal recognition, in some countries like Mexico, for example, knowing that there are local regulatory specificities in play. The total number of disabled staff employed has increased by 99 persons, representing a growth of 18% and 21 companies now have recourse to the protected sector (sub-contracting work to establishments employing persons with disabilities receiving special support), which represents an increase of 40% compared to 2008.

- Danone is the first European company to have set up an interface to access its consumer call center for hearing impaired and deaf persons for all its companies in France. This service, which has demonstrated its effectiveness, will have the range of its hours of operation extended in 2010.
- Danone has signed the Disability Charter proposed by the French Government with a commitment to continue the efforts undertaken and to take disability into account in the strategy of the enterprise.

LA13

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

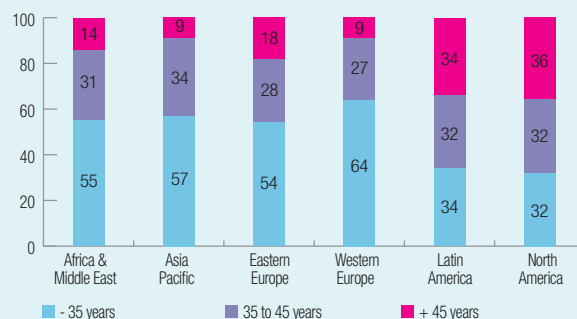
Age

In terms of age, the over 45 age bracket has increased by 2 percentage points in 2 years. All the group's French companies have adopted a plan of action or signed a specific agreement intended to improve the employment of older workers.

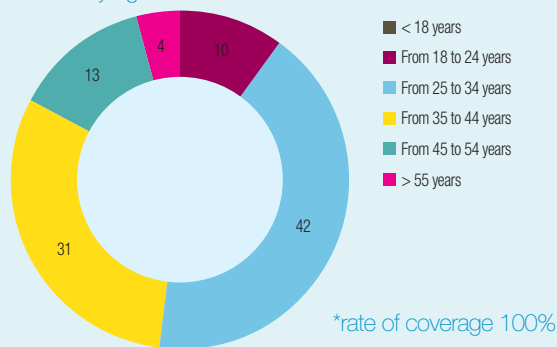
The minority status indicators are not consolidated at the world level in view of differences in legislation (inability to take ethnicity oriented or similar head counts in France for example).

These figures are provided on a comparable structure basis, representing 100% of the Danone workforce as on December 31, 2009.

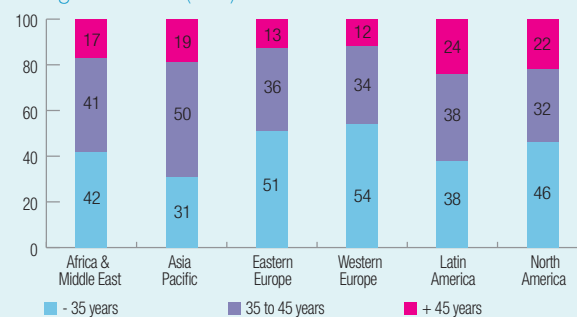
Distribution by age bracket by geographical region (in %) All employees in 2009



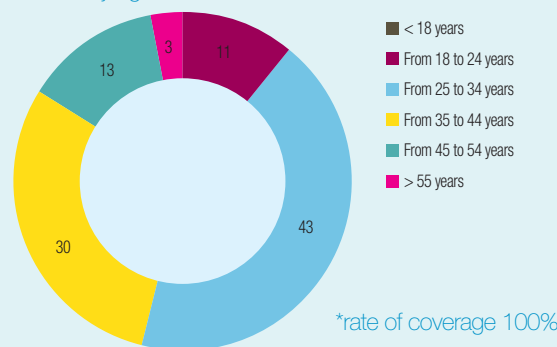
Distribution by age in 2009*



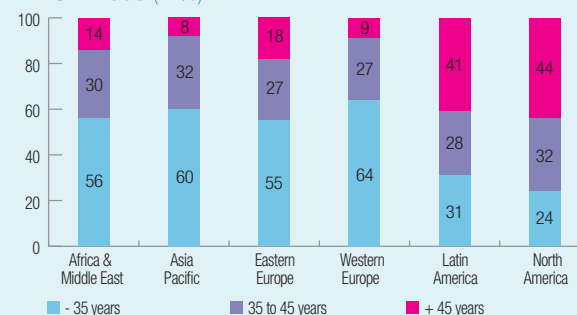
Distribution by age bracket by geographical region Managers in 2009 (in %)



Distribution by age in 2008*



Distribution by age bracket by geographical region WETS in 2009 (in %)



Social Performance Indicators

Diversity and equal opportunity

Gender Diversity

The percentage of women employees in all staff categories combined was 27%, unchanged from 2008 and up 4 percentage points compared to 2007, on a comparable structure basis. The percentage of women managers has increased steadily since 2004 and was 43% in 2009, all levels of managers combined. Women represent 45% of lower level managers with a recruitment rate at parity, 25% of the levels of directors and 12% of senior executives. Danone has a woman on the Executive Committee and a woman on the Board of Directors. Several programmes (mentoring, training, networks) are deployed to increase the number of women in leadership positions.

	2009		2008	
	Women	Men	Women	Men
Total Managers	43%	57%	43%	57%
of which, Directors and Executives	25%	75%	24%	76%
of which, Executives	12%	88%	12%	88%
of which, other managers	45%	55%	45%	55%

This comparison is presented on a comparable structure basis and only over the population of managers, which amounted to respectively 12,838 employees in 2009 and 12,422 employees in 2008.

Danone Women Leadership LAB

In 2009 a Danone Women Leadership LAB was established, with meetings or events bringing together 80 Danone women and men who worked on the theme of leadership for women and men. These meetings have resulted in two working groups, one on careers and the other concerning support tools to develop self-confidence which yielded positive results in the initial experiments and will be subject to resumption during the second edition of these gatherings, in June 2010.

LA14

Ratio of basic salary of men to women by employee category

Categories: Managers and Directors

The comparable basis chosen, the “compa-ratio” is the total cash received by the employee versus the median wages, which are set annually for all professional categories of managers and directors organised by grade.

These grades are organised in 10 levels, excluding members of the Executive Committee, and is applicable for the 60 countries where we operate.

The compa-ratio allows us to assess the deviation from the median regardless of the currency and the country of reference.

Examples:

- A compa-ratio of 1.0 means that the person is paid exactly at the median level for their grade.
- A compa-ratio of 1.10 means that they are paid 10% above the median level for their grade.

The attached tables provide data to assess the gender differences by level.

Directors excluding Managing Directors: Danone internal grades 6b, 6a and 5 (equivalent to hay system 20 to 22)

	Women	Men	Total
5	1,09	1,12	1,11
6A	1,04	1,09	1,07
6B	0,95	0,95	0,95
Total	1,00	1,03	1,02

Out of a total of 979 Directors.

The biggest gap is in level 6a, with an average 3% difference, it is explained by the fact that women generally have less seniority in their positions.

Category: Managers (Danone internal grades 9.9 to 7 equivalent to hay system 15 to 18)

Grade	Women	Men	Total
7	0,92	0,94	0,93
7a	1,05	0,99	1,00
7b	0,96	0,95	0,95
8	0,90	0,92	0,91
9	0,87	0,86	0,86
9.9	0,93	0,93	0,93
Total	0,89	0,90	0,89

Out of a total of 11,961 Managers.

The entry level 9.9 is exactly identical for Men / Women, which is the hiring level for graduate new or first-time employees. In subsequent levels, the difference is not significant and varies according to level (for women at level 9, 7a and 7b, in favour of men for levels 8 and 7).

Social Performance Indicators

Diversity and equal opportunity

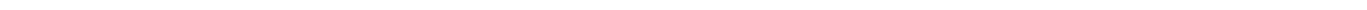
Overall, the review procedures for compensation, constrained by group policies and including the comparison of wages between men and women, allow for the exercise of vigilance on this subject where the differences appear small but they exist. The slight drop over some levels is analysed subsidiary by subsidiary and shall, where appropriate, be the subject of action plans.

Median for Workers, Employees, Technicians and Supervisors

Workers, Employees, Technicians, Supervisors	Workers
1,02	1,05

The group does not have a single system of classifications for these categories, thus the comparison between men and women has been done as follows:

50% of the Country Business Units pay their male employees and supervisors 2% more than the women in similar positions, and their male workers earn 5% more than their female workers, on average, all levels and all positions combined. This difference is consistent with similar differences in other current positions held, particularly in technical areas that are very male oriented (e.g. maintenance, processes, ...). The real challenge is to move towards a better balance between men and women in certain occupations and professions and as regards women's access to the most qualified professional / occupational fields. To this end, certain Country Business Units, such as EVIAN for example, have launched programmes dedicated to women with the objective of promoting training and the attainment of technical qualifications in the most commonly male dominated professional / occupational fields.



Performance Indicators

Human Rights



233
**INVESTMENT AND
PROCUREMENT PRACTICES**

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**FREEDOM OF ASSOCIATION
AND RIGHT TO COLLECTIVE
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239
**ABOLITION OF FORCED
OR COMPULSORY LABOUR**

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SAFETY-SECURITY PRACTICES

240
RIGHTS OF INDIGENOUS PEOPLES

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

In October 2005, DANONE and the IUF (International Union of Food) decided to revise the content of all agreements between them, with the aim of applying them across the world. The seven Fundamental Social Principles drawn from the conventions of the International Labour Organisation (ILO), have also been incorporated into them, to serve as the basis for these and any future agreements.

Beyond its Country Business Units, Danone was keen to extend these Fundamental Social Principles to all of its suppliers. This is why, in 2006, it launched the “RESPECT” initiative, to equip itself with the means to ensure that all suppliers comply with the Fundamental Social Principles. Since the inception of this initiative Human Rights Compliance has become an essential aspect that must therefore necessarily be taken into account in all investment and procurement decisions.

To ensure that these fundamental social principles are respected by all suppliers, Danone has incorporated in its General Procurement Terms and Conditions a specific clause - “Fundamental Social Principles”. Regardless of the nature of the contract signed, this clause constitutes an integral part thereof and is mandatory for all suppliers.

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.

Human Rights Performance Indicators

Investment and procurement practices

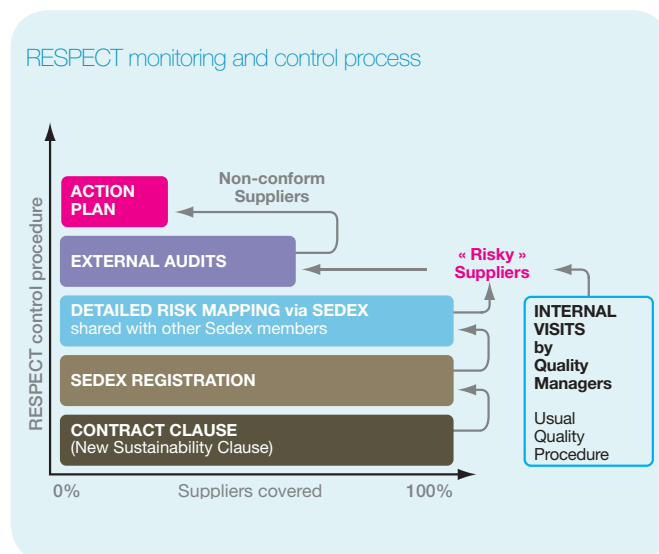
By signing the contract, the supplier is committed to:

- respecting and complying the fundamental social principles;
- promoting adherence to these principles by its own suppliers, subcontractors, partners;
- granting Danone the right to monitor the application of these principles, notably through audits;
- in the event of the supplier being found to be non-compliant during an audit, preparing and submitting for Danone's approval a corrective action plan covering all non-conformities identified;
- if the event of the supplier's refusal to work on a corrective action plan or in case of recurring non-compliance after several audits, granting Danone the right to terminate the contract with the supplier.

In 2009, the scope of responsibility of suppliers was expanded to include the Environment and Business Ethics with the contractual clause being accordingly amended in this regard. The entire monitoring and control mechanism, initially created to ensure compliance with the Fundamental Social Principles, has thus evolved to serve the cause of broader issues. *This important shift in approach of the RESPECT initiative is described on pages 61-69 of the report.*

HR2 Percentage of major contractors and suppliers that have undergone screening on human rights and actions taken

All Danone suppliers involved in the RESPECT programme are subject to specific monitoring procedures. In 2009, this monitoring and control process was changed to allow for greater collaboration with other firms under the framework of the Sedex-AIM-PROGRESS working group (*see page 65 of this report for more details on this working group*). The diagram presented here below summarises the main steps of this process.



1. The first step is the signing of the contractual clause which is mandatory for all suppliers wishing to start a business relationship with Danone (*for the content of the clause, see Indicator HR1 on page 233 of the report*).
2. Once the clause has been signed, the supplier gets registered on a dedicated Internet platform, called Sedex (Supplier Ethical Data Exchange). On Sedex, the supplier fills out the online self-assessment questionnaire containing questions concerning the three main areas of sustainable development:
 - Social and Health and Safety at Work Issues
 - Environmental Issues
 - Issues relating to Business Ethics.
3. The risk mapping of suppliers is done automatically by the Sedex system taking into account the following four criteria:
 - The country(ies) where the supplier's production site(s) is / are located
 - The purchasing category
 - The "profile" of the site (number of employees, share of unskilled labour, etc.)
 - The results of the self-assessment questionnaire completed by the supplier.

After this mapping process, the suppliers presenting a potential risk are identified. Depending on their level of risk, they are distinguished as follows:

- Suppliers without potential risk ("green" suppliers)
- Suppliers representing a moderate risk ("oranges" suppliers)
- Suppliers representing a significant risk ("red" suppliers)

Another method (running parallel to Sedex which is the main process) to identify potential risks is by subjecting suppliers to inspection visits carried out by the Danone quality teams. Under the framework of regular inspection visits to suppliers undertaken to ensure they meet the group's quality standards, quality managers carry out a quick initial review concerning Fundamental Social Principles with the supplier. Following this visit (called "internal inspection visits"), quality managers may ask questions concerning non-compliance with the Fundamental Social Principles to the purchasers responsible for the relations with the concerned supplier.

4. All suppliers identified as "potentially at risk" – through Sedex or following the warning notification from quality managers – must be audited by an external audit firm. The results from each audited site are compared with the conditions prevailing on average in the business sector or the region concerned. Compliance with local laws and regulations is also integrated into the audit.

The audit results are submitted to the supplier who is responsible for making these results available to Danone by posting them on the online on the Sedex platform. If the supplier is at the same time also working with other members of the Sedex Group, it may decide to give access to the audit results to all of its customers. The audits performed by one of the members are accepted by all companies within this group (*for details on the Sedex-AIM-PROGRESS group, see page 65 of this report*).

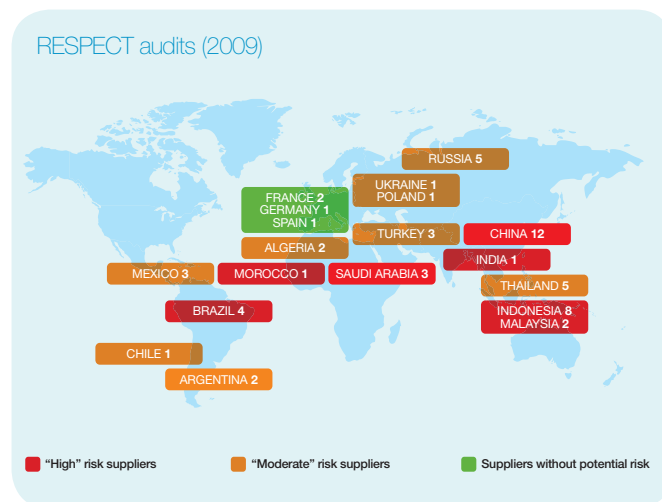
5. If during the audit certain non-conformities have been discovered, the supplier undertakes to implement a corrective action plan to solve them as early as possible. The appropriate action plan is built jointly by the Danone purchasing manager and the supplier concerned on a case by case basis.

Investment and procurement practices

The action plan, depending upon the nature of non-conformities found, may provide for a follow-up audit within a period of between three months and a year to monitor the implementation of corrective actions. Naturally, some instances of non-compliance will be easier to correct than others both in terms of cost and time, especially in the area of health and safety at work. However, for other topics, such as work hours and remuneration, the cost of compliance may be significant and may pose competitiveness issues for the plant concerned. Depending upon the different situations and to better take into account any additional costs or, to possibly avoid them through better organisation, such compliance must be managed over time.

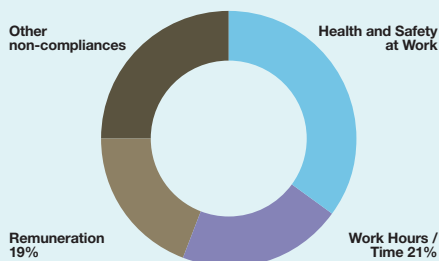
The founding principle upon which RESPECT is built, is one of continuous improvement with the goal of advancing the suppliers who need it, and who have the willingness to make such progress. The presence of instances of non-compliance on a site does not mean that all commercial relations stop suddenly. However, if, after dialogue, the supplier continues to refuse to put in place suitable corrective actions, Danone reserves the right to cease any activity with this supplier.

In 2009, 77 external audits of suppliers were requested by Danone purchasing managers as part of the RESPECT process. At the time of release of the report, 59 out of 77 audits had been completed, including 56 initial audits and three follow up audits. These 59 audits cover 19 different countries and have affected a total of 17,910 workers employed on the sites of various suppliers of Danone.



The main results obtained in 2009 are as follows: Of all instances of non-compliance reported, the large majority, like in previous years, pertain to health and safety in the workplace (missing or uninspected fire systems, emergency exits not properly identified, lack of first aid training, etc.). These were followed by instances of non-compliance related to complying with local legislation relating to work hours and remuneration (lack of pay slips, partial payment or no payment for overtime, etc.).

Non-compliances identified during audits of suppliers in 2009



HR3

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

It is fair to say that 100% of the purchasers have had training related to the RESPECT initiative, either at its inception in a training session or during internal meetings.

Danone's adhesion to the Global Compact is communicated within the enterprise, as are the agreements it has signed with the IUF, including the seven Fundamental Social Principles resulting from the international conventions of the International Labour Organisation.

The DANONE Way fundamentals communicated to the Executive Committees of all the Danone Country Business Units integrates an assessment on all matters relating to human rights in the workplace arising from the international conventions of the International Labour Organisation.

In 2009, the communication related to all Danone Way themes to all Danone employees was strengthened through the creation of the specific communication tool Danone Inside Pack. In this document, each principle is explained in a manner that is simple and accessible to all of Danone's target audiences. Among other topics, explanations on Human Rights are provided, including the abolition of child labour and forced labour, diversity and equal opportunities, and safety at work.

Non-discrimination

HR4

Total number of incidents of discrimination and actions taken

An agreement has been signed with the International Union of Food and Workers (IUF) relating to the fight against all forms of discrimination and the promotion of **diversity**.

Each year a representative from Danone and an IUF representative jointly visit several countries and sites together in order to promote these framework agreements and in a concrete fashion, to check and verify in the field, whether these agreements are subject to variation and adaptation locally. No cases of discrimination been identified during these visits. The Danone Way Fundamentals include the fight against discrimination, in particular through the establishment at the local level of procedures and measures to identify and treat any cases of discrimination.

Freedom of association / right to collective bargaining

HR5

Operations identified during 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 has been signed with the International Union of Food Workers (IUF) relating to the right to organise. Each year a representative from Danone and an IUF representative jointly visit several countries and sites together in order to promote these framework agreements and in a concrete fashion, to check and verify in the field, whether these agreements are subject to variation and adaptation locally. In addition, the IUF alerts the General Management if it receives knowledge of cases of non compliance with the right to freedom of association.

Prohibition of child labour

HR6

Operations identified as having a significant risk for the incidence of child labour; and measures taken to contribute to the elimination of child labour

Adherence to this principle is controlled via the Danone Way Fundamentals initiative (*see pages 52 to 60 of the report*). Danone requires its Country Business Units to implement all the procedures and requirements necessary to ensure the absence of any form of child labour on the sites. All Country Business Units that have performed an evaluation of the fundamentals in 2009 are in compliance with this fundamental, therefore no case of non-compliance has been identified.

Abolition of forced or compulsory labour

HR7

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

This aspect is dealt with using the same approach as that for the indicator on child labour (HR6).

Human Rights Performance Indicators

Safety-security practices

HR8

Percentage of security personnel trained in organisational policies and procedures relating to human rights that are relevant to operations

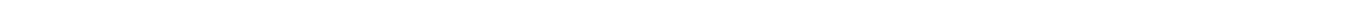
Providers of security services are committed to adhering to the fundamental social principles of the RESPECT method and are moreover, also subject to an audit by the group's Head of Security responsible for the safety of persons and property.

The rights of indigenous peoples

SUPP HR9

Total number of incidents involving the violation of rights of indigenous peoples and actions taken

This criteria does not apply to Danone activities.



Performance Indicators

Society



243
COMMUNITIES

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CORRUPTION

247
PUBLIC POLICY

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REGULATORY COMPLIANCE

Communities

S01 Nature, scope and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting

Given that Danone's approach is integrated into the group's strategy, plans and projects that benefit communities are addressed in different parts of this report.

The challenge common to all our initiatives is to enhance the professionalism of the teams at our Country Business Units around the following concerns: understanding the social issues and the stakeholders ("sustainability mapping", mapping of stakeholders, territorial diagnostics),

- measuring the social impact, with a common tool for all innovation platforms being finalized and which should be operational by Q1 2010,
- co-creation and co-management with NGOs, a set of recommendations is being finalised for the first quarter of 2010,
- the commitment and involvement of Danone employees in various programmes with the possibility of including in the individual development plan an active contribution within an NGO,
- internal and external communications (in particular relating to programmes called "cause related marketing" involving the consumer).

With regard to the measurement of social impact, the four themes considered are: improving the quality of life of beneficiaries, self-reliance / employability, the development of the beneficiary organisation (and local cooperative relationships generated), and the environmental footprint.

The four themes for measuring social impact



The family
Quality of life



Work
Employability
and self-reliance



Organisational developmental
The professional
organisation



Nature
Respect for nature

The diversity of projects undertaken and the contexts have led to a consolidation, not of indicators that are very different, but in terms of the progress made relative to the objectives for the impacts defined at the time of project launch. Four levels of analysis will be examined, these levels are shown in the diagram above.

Communities

The purpose of the approach is multiple:

- Contribute to a first measure of expected social progress around the various projects.
- Assist Country Business Units in defining the objectives and tracking the results of their programme, and thereby enhance awareness towards a different conception of performance.
- Facilitate transparent and effective communications, both internal and external.

The initial results of this measurement approach are expected in 2010-2011.

With regard to co-creation with our various partners, a guide addressing the following points will be distributed early in the first half of 2010: a definition of co-creation, the actors involved in the co-creation, the expected benefits and barriers to be avoided, examples of successful co-creation, decision support tools (choice of partner, governance, etc.), information on various non-profit organisations.

The development and enhancement of professionalism should be achieved by means of tools made available on a website dedicated to the creation of social projects, new training modules, facilitation of networks around good practices and the social innovation lab (*see page 51 of the report*).

With regard to the hosting of an internal network within Danone, a team christened SLAM (Danone Supporting Life Acceleration Management) was established in 2009. It brings together experts in Corporate Social Responsibility (CSR) present within the Country Business Units of Danone with the purpose of developing projects pertaining to the Danone Supporting Life and Ecosystem platforms, as well as methodological tools. This network meets four times a year to share information concerning methodologies, tools under development, and major projects and to reflect on issues such as for example, access to water and food, nutrition education, etc.

The Danone Nations Cup: an experience rooted in the DNA of Danone

Each year, this initiative provides 2.5 million children from 40 countries the opportunity to participate in the Danone Nations Cup, an international football tournament endorsed by FIFA and supported locally by each National Federation that brings together teams of juniors (boys and girls aged from ten to twelve years). This global programme is supported by the Danone brand, and is sponsored by Zinedine Zidane. All proceeds from the Nations Cup are donated to ELA (European Leukodystrophy Association). Each year the programme receives ever more support and sponsorship, from the National Sporting Federations, Ministers of Sports, and Schools. In Uruguay, the national tournament has been recognised as an event of national interest by the President of the Republic, who officially sponsored the tournament. The 2009 competition that ran from January to July, resulted in 40 national tournaments. Due to the risk of a flu pandemic related to the H1N1 virus, the final scheduled for October in Sao Paolo, in Brazil, has been postponed to 2010: 40 finalist teams will meet for the finals in South Africa, during the World Cup contested by professional players. 28,000 spectators are expected. The national competitions are increasing becoming real opportunities to develop "Health through Nutrition" programmes or projects that promote the health benefits achievable based on a balanced diet and sports. Thus, Argentina has developed a programme entitled: one spectator at the national finals = 1 kg of healthy products. In the Netherlands, a partnership with the Richard Krajicek Foundation has enabled the creation of sports facilities, including playgrounds for local communities. The Danone Nations Cup is supported in France by the Minister of Health and the Minister of Youth and Sports.

Corruption

In 2009, the Danone Business Conduct Policy (BCP) in which reference is made to the fight against corruption was reviewed and revised. This document had already early on incorporated the fundamental texts such as the Universal Declaration of Human Rights, the brief concerning Danone's commitment vis-à-vis the United Nations Global Compact, the OECD guidelines, as well as the Fundamental Social Principles.

This new 2009 version of the BCP has been distributed to all directors and managers (and in some Country Business Units (CBU) even more widely distributed) by the Human Resources departments of CBU, with specific informational/promotional activities so as to ensure that all employees are informed thereof. This theme is incorporated into the Danone Way self-evaluation process, in the assessment of the control environment of CBU - DANgo, by means of the internal employee opinion survey conducted on all employees, which takes place every two years, and also through the internal audit process whenever these issues arise and are addressed during the conduct of an audit assignment in the CBU.

Since 2006, the directors and all managers are required to sign a special clause in their contract of employment, indicating they are aware of the BCP, and that they undertake to respect them and enforce compliance therewith on their teams. Various means have been made available to facilitate the effective adoption and ownership of these principles (presentations, posters, "Frequently Asked Questions" pamphlets, etc.). Moreover, a specific programme to prevent fraud was developed in 2006 and has been enhanced each year since then. An awareness booklet was distributed to the Management Committee of all CBU recommending, inter alia, an annual assessment of the risk of fraud and corruption in the subsidiary.

A semi-annual reporting of allegations and proven cases of fraud is also undertaken, in which the corruption cases are classified as "significant fraud", regardless of the amount involved, in order to obtain all the information on this type of situation.

Finally, since 2005, DIALERT, a warning system open to all employees, has been established to enable them to confidentially and directly report to the group management any violations of:

- the financial and accounting rules, which may affect the reliability and accuracy of the accounts and the financial situation of their home company or of another Danone company,
- anti-corruption rules.

The visibility of the ethics alert mechanism (whistleblowing system) is checked during each audit of a subsidiary. There is an internal check or control point (within the DANgo reference repository) which covers this subject and against which each subsidiary is required to carry out a self-evaluation each year.

Since 2008, the DIALERT system has been expanded to DANONE suppliers (a letter sent by the CBU to all their significant suppliers and its systematic inclusion in tender documents) to enable them to confidentially report any instance of a breach of the BCP rules vis-à-vis themselves (in particular, possible cases of corruption).

Corruption

S02

Percentage and total number of Country Business Units (CBU) analyzed for risks related to corruption

In the four divisions of the group, all CBU consolidated through integration into the group accounts (that is to say, controlled by Danone) are covered by the anti-fraud / anti-corruption programme based on seven points. In particular, the first point of this programme is an assessment of internal and external fraud risk, to be completed annually in each subsidiary.

S03

Percentage of employees trained in the organisation's anti-corruption policies and procedures

All group employees have been made aware of the updating of Danone's Business Conduct Policy (BCP) (2009 version). Depending on circumstances, this was accomplished through training events of varying length, presentation and questions / answers sessions and finally with the release of documents with or without the requirement of formal acknowledgment of receipt. Managers and especially members of the Management Committees have received training or further information. Since 2009, a welcome document issued upon the arrival of new staff has been created and communicated to CBU. Entitled 'Danone Inside Pack', it contains several pages on the BCP. At launch, it was also distributed to all current employees in 2009.

S04

Actions taken in response to incidents of corruption

Danone firmly condemns all forms and practices of corruption, as outlined in the BCP issued to all managers, and numerous employees in all group CBU. The sixth point of the anti-fraud programme pertains to the corrective measures and sanctions to be implemented at the level of each entity. For significant cases, a cross-disciplinary/functional, monitoring committee (Risk, Internal Audit, HR, Safety, etc.) meets on a monthly basis to ensure the quality of investigations, the equity and fairness of decisions and the relevance of sanctions.

Public policy

S05

Public policy positions and participation in public policy development and lobbying

Danone considers lobbying as a positive action meant to provide policymakers and legislators the information they need to deal with current issues and develop a legislative and regulatory context that is adapted to an environment of increasing complexity. To this end, Danone has established a small team responsible for External Affairs, which coordinates the activities undertaken both directly and through the competent professional associations.

Danone participates actively in the work of professional associations contributing to the formulation of public policies, both nationally and internationally.

The group also has many direct contacts with national authorities of countries where it operates in accordance with the Business Conduct Policy (BCP).

SUPP S06

Total value of financial and in-kind contributions to political parties, politicians and related institutions by country

As indicated in the BCP, employees are strictly prohibited from using group funds or other assets, directly or indirectly, for the benefit of organisations of a political nature, other than within the laws and regulations currently applicable in the country and according to the principle of transparency. They may only do so with the formal consent of the management. In 2009, this rule was made more restrictive (*see new version of the BCP*). By contrast, Danone encourages its employees to become actively involved in local and community life.

Public policy

Anti-competitive behaviour

The reminder of the prohibition on anti-competition practices was reinforced in Danone's Business Conduct Policy (BCP). Danone expects its employees to comply with applicable rules on competition. No agreement or arrangement may be made with competitors designed to restrict free competition. The BCP were distributed to all directors and managers (and in some Country Business Units even more widely distributed) by the Country Business Units' Human Resources Departments, which confirmed that this distribution was accompanied by appropriate events and materials to ensure that employees were informed.

Since then, not only the directors but all managers are required to sign a special clause in their contract of employment, indicating they are aware of the BCP, and that they undertake to respect them and enforce compliance therewith on their teams. A specific awareness campaign is regularly conducted and, most recently, purchasers and key account managers directly connected with mass market retailers and large distributors received a "Competition Memo" explaining in a practical manner, the competition rules to be followed. Meanwhile, training programmes are conducted regularly with officials purchasing managers, key account managers and members of Executive Committees.

SUPP S07

Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes

To date no legal action is underway.

Regulatory compliance

S08

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

At Danone level, no significant fine and / or non-financial penalty has been recorded for non-compliance with laws and regulations.

Performance Indicators

Product Responsibility



251
**CONSUMER HEALTH
AND SAFETY**

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**PRODUCT LABELLING
AND SERVICES**

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MARKETING COMMUNICATIONS

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**RESPECT
FOR CONSUMER PRIVACY**

265
REGULATORY COMPLIANCE

Consumer health and safety

PR1

Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of major products and services categories subject to such procedures

Consumer health

Consumer health is at the core of Danone's history and its mission "bringing health through food to as many people as possible".

Danone has always had a strategic commitment to decentralisation, and its various Country Business Units enjoy a healthy degree of independence. This decentralised approach enables the group to develop an intimate knowledge of the local context in each country or region, and instead of merely offering a standardised range, it is able to provide specific products that reflect the needs, cultures, tastes, environment, socio-economic and public health context in each country.

Danone's desire to be a truly significant player in public health nutrition matters, however, entails certain responsibilities that the company has chosen to express in the form of stringent policy guidelines erected in favour of a real governance, a constant sense of progress involving all its businesses and activities with a view to addressing the nutrition and public health-related challenges and meeting societal expectations.

Danone's Nutrition & Health policy is not limited to compliance with existing regulations on nutrition and

health (ingredients used, enrichment, claims, etc.); indeed it goes beyond these, through the establishment of more stringent self-imposed internal commitments based on three fundamental principles:

1. A rigorous scientific approach.
2. Self regulation
3. Consultation initiatives with other stakeholders.

This approach to Nutrition & Health governance has led Danone to formalise five basic commitments in its new Food, Nutrition & Health Charter published in October 2009. It was drafted by a working group including representatives from each of the group's various functional areas: R & D, quality, marketing, medical and health affairs, scientific regulatory affairs, communication, external relations, etc. The Food, Nutrition and Health Charter is the reference text used by all Danone employees across the world, to ensure the development of suitable products along with responsible communication.

The Food, Nutrition and Health Charter: a rigorous approach

Five major commitments:

- Propose nutrition solutions continuously tailored to the nutritional needs and recommendations, tastes and incomes of the local people
- Develop products with relevant, scientifically proven health benefits and based on an appropriate nutritional profile
- Inform consumers clearly, factually and practice responsible advertising
- Promote healthy diets and lifestyles
- Address major health- and nutrition- related societal challenges

Performance Indicators Related to Product Responsibility

Consumer health and safety

The enforcement of Danone's Food, Nutrition & Health Charter commitments by Country Business Units (CBU) is subject to a process of self-assessment, led by the Right to Work and Corporate Social Responsibility Department, in the group's CBU.

Indeed, Fundamental Consumers n°2 of the Danone Way Fundamentals is intended to evaluate the implementation of Danone's Nutrition & Health policy by its CBU. The CBU are assessed on their ability to comply with local regulations (level 1), implement the group's main commitments and apply the corresponding tools (level 2), implement all the group's commitments and apply the corresponding tools (level 3), and to go even further beyond these commitments and anticipate requirements (level 4).

Two areas of focus of the Food, Nutrition & Health Charter directly concern products and their impact on consumer health.

Developing products tailored to consumer needs in terms of nutritional content, taste and price

Product with a suitable nutritional content

This commitment requires detailed knowledge of the nutritional needs and daily nutritional intakes of consumers as well as optimisation of the content of our products in certain nutrients: decreased fat and sugar content, for example, and / or fortification/enrichment, specifically in vitamins and minerals to address the deficiencies observed amongst consumers.

The *NutriPacks*, developed with the close cooperation of local scientific experts, helps better understand the nutritional situation by country and according to the age of the population groups (child-, adult-, senior): thus the identification of nutritional deficiencies or otherwise, of overconsumption of certain nutrients induces us to adapt our products to local nutritional realities.

Moreover, our *NutriProgress* system compares the nutritional quality of our products to that of our competitors' products, and to the goals set by programmes of public health nutrition policy. It enables the definition of goals and objectives relating to (re)formulation of products so that they meet the changing nutritional and market related issues in the world. For example, the fat and sugar content in **Danonino**, a dairy product designed specifically for 3-6 year olds and sold in 37 countries, has been gradually reduced over the past 20 years, even while the product has been fortified with micronutrients to meet the specific needs of children in each country. Thus Danonino has a composition specifically adapted to nutritional needs in 14 countries:

- **In Brazil**, for example, where concerns relating to anaemia and malnutrition rank alongside obesity, **Danonino** is enriched with calcium, iron, vitamins E and D as well as zinc, to meet children's needs
- **In Mexico** the product is enriched with iron, in Japan with vitamins A and D, in Spain with calcium, in France with vitamin D and in Russia with iodine and vitamin D.

In 2009, the product **Densia** aimed at women over age 45 wishing to preserve their bones, was launched on a pilot basis in Spain after a successful launch in Portugal. This yoghurt contains 400 mg of calcium per pot, or 33% of the Recommended Daily Amounts (RDA) for women after 50 years and five micrograms of Vitamin D which facilitates the absorption of calcium.

In 2009, our Baby Nutrition division launched **Bebelac in China**, a range of formulae providing complete nutrition for babies and children up to 3 years of age. In 2009, we also launched in Russia Bobovita, a yogurt specially designed for children under 3 years and sold in the fresh foods section, complementing our Baby Nutrition range.

In the medical nutrition market, a successful product launch was achieved with Fortimel / Fortisip Compact, an oral dietary supplement with high nutritional density meant for the elderly and hospitalized persons suffering from deficiencies in essential nutrients.

Product with a suitable taste

Our goal is to offer consumers products which not only taste good, but whose superior nutritional profiles do them good. **Danone Research** draws on powerful expertise to analyse consumer expectations, tastes and preferences.

It has designed, for example, an innovative method of objective sensory analysis and subjective consumer evaluation.

This method yields valuable understanding of how, in different countries, different product characteristics meet the preferences of different consumers, including those with special needs like babies, toddlers and frail adults. Furthermore, we have introduced a monitoring programme called **BEST** that provides frequent consumer evaluations of our products. We combine these evaluations with nutritional facts and sensory descriptions to drive recipe improvement.

Taste matters where children are concerned. An early educated palate is more likely to make the right nutritional choices later. Accordingly, we strive to offer young consumers products whose taste, flavour and texture help develop their discernment. For example, our prepared meals for babies contain a maximum of 150 mg sodium / 100g (i.e. 25% less than the regulatory maximum), while those for babies under 6 months do not contain added salt, so that our products do not develop the taste for salt in babies.

Products with suitable affordability

We are leading an approach of "affordable nutrition" in several countries around the world. Some projects involve local communities and NGOs who help to validate the choice of enrichments, when necessary, and / or participate in community education about the importance of nutrition.

For example, amongst several products launched in 2009, two are of particular interest:

- **Danone 90 años** (Mexico) is the result of the relaunch of our range of "basic" yoghurts in Mexico, where 67% of the population constitute low and very low income groups. Because of the limited purchasing power of Mexican households, people with low incomes consume half as much yogurt as the more affluent groups. In order to make the daily consumption of yoghurt accessible to these disadvantaged population groups, the re-launch of the range was based on three components: improvement

Consumer health and safety

of taste, price reduction by 30% (14 euro cents per 125g pot) and preservation of the yogurt's nutritional qualities. This initiative has helped to make the yogurt affordable to 20 million additional Mexicans.

- The **Gizikita** (Indonesia) product range launched in 2009 in Indonesia, and developed in partnership with PKPU, one of the major Indonesian NGOs acting to promote the health of communities, includes:
 - milk for pregnant and nursing women which provides 25% of their needs in Iron, Zinc, Iodine, Vitamin A and Calcium and 20% of their needs in Folic Acid (15 euro cents),
 - a porridge for 1-2 year olds which provides 50% of their needs in Calcium, Iron, Zinc, Iodine, Vitamin A and Folic Acid (15 euro cents),
 - a topping for 3-5 year olds providing 50% of their needs in Calcium, Iron, Zinc, Iodine, Vitamin A (5 euro cents).

This launch was accompanied by a nutritional education programme for volunteers working in nurseries/child care centres who provide dietary advice for mothers and young children.

Develop products with relevant, scientifically proven health benefits and supported by an appropriate nutritional profile

Our *Nutripack* local mapping tools, the continuous exchanges with key scientists all over the world, and our involvement in epidemiological studies are just some of the ways in which we closely track evolving health challenges in the countries where we operate.

In any one year Danone Research has more than 120 clinical trials ongoing – of which 50 are newly launched – in collaboration with scientific research teams all over the world. This research investigates the benefits of our products by using a translational approach (from the action mechanisms to the effects observed in humans). Led by accredited external clinical research organisations, they involve hundreds of health care facilities and hospitals and fully comply with international quality standards such as the good clinical practice guidelines of the ICH (International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use), and with applicable local legislation. Their findings are widely reported in international peer-reviewed scientific journals.

Thus our dairy product **Actimel** has been the subject of 26 published clinical studies relating to its beneficial effects on gut barriers and the immune system; with regard to our baby formula Neocate, over 45 clinical trials have been conducted with human subjects to demonstrate Neocate's ability to help relieve and improve all symptoms in babies who are allergic to cow's milk. In 2009, the scientific reports relating to the benefits of two of our products received a positive opinion from the European Food Safety Authority (EFSA): helping to reduce cholesterol level in the case of Danacol; supporting growth and enhancing bone strength in the case of Danonino. The Thai authorities have also issued a positive opinion on the scientific report relating to the benefits of our product Activia.

We take special care to make sure our products' nutritional profiles are consistent with their health claims. To that end we have developed a dedicated tool, our Brand Nutritional Platforms (BNP); they are our worldwide brands' "ID cards", which comprehensively describe the nutritional content and other product properties required to make health claims. During 2009, we developed BNPs for all of our major brands of dairy products (Actimel, Activia, Danonino, Vitalinea, Danacol).

For example, the BNP of the product Danacol, intended to help reduce excess cholesterol, indicates that the product must not contain more than 1.5g fat and 2.5g of added sugar per 100g, or any saturated fat or cholesterol.

Consumer Safety

Danone has built a Quality and Food Safety Policy that is based, upstream in the process, on science, and throughout the lifecycle of the product, on consumer expectations. It is shared by all employees responsible for quality assurance. Quality management is organised pursuant to the ISO 9000 and ISO 22000 international benchmarks, which have the distinction of being applicable to the entire production chain, from raw materials to finished products.

At Corporate level, the Quality department defines the Group's quality policy: definition of standards, systems and performance indicators consistent amongst the different divisions and ensures their implementation.

The Fresh Dairy Products, Waters, Baby Nutrition and Medical Nutrition divisions adapt this policy according to the specificities of the business lines (manufacturing process, number of ingredients, supply sourcing, etc.).

Each subsidiary is responsible for implementing the policy in accordance with national legislation and for the translation of consumer expectations in the product development process. Moreover Danone must guarantee healthy and safe products to its consumers. To do this, the evaluation and management of potential and actual risks and the communication with regard to food safety should be beyond reproach.

Within its quality department, this mission is entrusted to the management, of the Food Safety Centre which has a triple role:

Defining Danone's food safety policy:

This policy is based on science, the best practices published by the WHO and CODEX plus Danone's own expertise regarding its products and manufacturing processes. This policy is expressed through the reference documents that define the group's position on key issues, clarifying the rules and regulations or defining good practices amongst the divisions.

Identifying, evaluating, classifying and contributing to the management of emerging and existing risks (chemical, biological, and physical risks and allergens):

For this, a method of risk management common to all divisions of the group has been established. It means that any risks may be managed that are likely to be carried by products in any phase of their lifecycle, from design to production.

In applying the HACCP (Hazard Analysis and Critical Control Points) DFSC's mission is to:

- identify, assess and classify risks,
- contribute to the control of risk,
- ensure the implementation,
- make available and disseminate the knowledge acquired by the DFSC,
- participate in crisis management.

Consumer health and safety

Coordinating the management and measurement of food safety levels at Danone:

In collaboration with each Division, the DFSC (the Danone Food Safety Centre, known by its French initials CSA) ensures that risks are placed in rank order of seriousness and occurrence. This step enables the identification of major risks specific to each Division. Risks are classified to four categories: chemical, physical, microbiological and allergic. Active scientific monitoring, with the assistance of international experts, allows emerging hazards to be identified and characterised as early as possible and developments in scientific knowledge to be assimilated. The Division Quality Directors determine the objectives and measures taken to bring risks under control. Country Business Units adopt the control plans and reinforce them where necessary to meet the specifics of their activity and their local environment. To do this, they use tools designed by each Division's Quality department.

The objectives and methods of managing risks are defined globally by Danone (foreign objects, allergens, etc.), then specifically defined within the Division (good manufacturing practice, etc.) and finally within the Country Business Units (cleaning and disinfection of plants, identification of critical points). All of the food safety control measures are regularly audited to ensure that they are effective and relevant.

Food safety is a shared responsibility throughout the food chain "from farm to fork". In order to ensure the harmonisation of food safety management systems and the coordination of requirements of different stakeholders, Danone is active in international forums such as GFSI (Global Food Safety Initiative), which brings together the players in the food chain. The goal is to promote networking, exchange of knowledge and good practices and the international harmonisation of management systems. The objective of this approach is to create a common platform, consistent with local regulations and CODEX stipulations, with each player being able to add their own specific features and requirements.

This common platform also allows for harmonised and coordinated management of Danone suppliers according to the standards with which they are familiar, in addition to the Group's own requirements.

PR2

Total number of incidents of non-compliance with regulations and voluntary codes concerning the impacts on health and safety of products and services, during their life cycle, by type of outcomes

In the coding system used by Danone, incidents are deemed to concern the local level and, being limited in scope, they are not consolidated because they do not give rise to litigation or formal sanctions of any nature. In contrast, "crises" extend beyond the scope of the local level and have repercussions that could potentially extend beyond the subsidiary, and are therefore consolidated at Group level.

Performance indicators related to food safety (Food Safety Index) are monitored daily at the production sites and are consolidated and analysed at the level of each division (FDP, Waters, Baby, Medical) by the Quality Departments of the concerned Divisions and the Group to ensure governance. Wherever there is a serious and immediate threat to consumer health, Danone initiates product withdrawals.

"Incidents" are not consolidated at Corporate level. Only significant events, classified as "crises" are the subject of a critical report.

Only 37% of crises and incidents recorded in 2009 are related to food quality and safety of products (same as in 2008). However, a decrease of 35% is noted in the absolute value of the number of crises and incidents linked to food quality and safety compared to last year.

Labelling of products and services

PR3

Type of product and service information required by procedures, and percentage of major products and services subject to such information requirements

An area of focus of the Danone Food, Nutrition & Health Charter directly deals with the information provided to consumers on Nutrition & Health

Systematic nutritional information

All Danone products provide detailed nutrition information, even when there is no legal requirement to do so, in order to help consumers make informed food choices. For dairy products and beverages, we apply our own Nutrition Information Charter whose principle is based on the voluntary scheme launched by the European Confederation of Food Companies (CIAA) indicating the amount of energy and nutrients per serving, in absolute value as well as in percentage of Guideline Daily Amounts (GDA). Thus, on the front of packs, an icon shows the calories per portion and as percentages of a Guideline Daily Amount (GDA). On the back of packs a table indicates per portion and as percentages of GDAs: calories, proteins, carbohydrates including sugars, lipids including saturated fats, fibre and sodium. We also require our Country Business Units to provide consumers with ready access to off-pack information: at least, a postal address or website with nutritional information relating to the products sold in that country.

In EU countries, such on-pack and off-pack information is provided for all products, and its deployment is underway in countries outside the EU, where there are no conflicting mandatory regulations or voluntary local code.

Information that is practical and easy to understand by consumers

We place a special emphasis on providing practical, user-friendly information to help consumers adopt healthy diets for themselves and their families. Thus we provide consumers with information programmes and educational tools and materials, which range from print publications to websites, chat forums, and call centres. These programmes and tools are not limited to information on our products; they also provide dietary and nutritional advice in easy-to-read formats designed, for example, to let parents know the importance of calcium and help them ensure their children get the right amounts necessary. Our Baby Nutrition division designs multimedia programmes to advise parents on feeding their babies at each stage of development in their first, fast-changing years, so crucial to building health capital. The “**Feeding for Life**” initiative, for example, uses label icons to help mothers of babies and toddlers recognise the product that is right for their baby and, ultimately, to gain understanding of his or her constantly evolving needs. The website Gallia (www.laboratoires-gallia.com) provides practical advice on nutrition for children and for pregnant women, trimester by trimester.

PR4

Total number of incidents of non-compliance with regulations and voluntary codes concerning information about products and services and their labelling, by type of outcomes

In the coding system used by Danone, incidents are deemed to concern the local level and, being limited in scope, they are not consolidated because they do not give rise to litigation or formal sanctions of any nature. In contrast, "crises" extend beyond the scope of the local level and have repercussions that could potentially extend beyond the subsidiary, and are therefore consolidated at Group level.

For 2009, five events have been identified under indicators PR4 and PR7, given that it is very difficult to distinguish between them because most of the events related to product information related to advertising as well.

PR5

Practices relating to customer satisfaction including results of surveys measuring customer satisfaction

Promoting consumer relations based on listening and community-based services

The main mission of the Danone Consumer Services Centre is to develop and maintain relationships with consumers. It is a tool for providing information about the company and also for offering advice. It allows comments, suggestions and reactions to be collected from consumers. Danone considers the centre to be a local community-based service. Its purpose is to give rapid responses to questions, and to create added value for the brands through the service provided.

This service answers all kinds of questions regarding products and brands and, more generally, questions on nutrition and dietetics. It deals with claims linked to product quality.

Danone Consumer Services may be reached by calling its telephone number which appears on product packaging or via the website, 24X7. The postal addresses of Danone Country Business Units' consumer services are also printed on packaging.

Danone Consumer Services has been faced with changes in the types of questions consumers ask. There are comparatively fewer questions about product quality now, whereas those concerning the company's corporate responsibility or advertising are on the increase.

In France, Danone Consumer Services generates around 70,000 contacts a year, by telephone, post and email, combined. Its scope of responsibility covers all Danone products sold on the French market.

Labelling of products and services

Danone Consumer Services in France accessible to the hearing impaired

The French Business Units of Danone (Dairy Products, Waters, and Baby Nutrition) have joined forces since December 2008 with the company Guide Caro in order to facilitate access to their Consumer Services centre by deaf and hearing impaired consumers, by establishing a service in sign language.

These hearing impaired consumer groups may now access all available services, like any other consumer. By clicking on the logo “Sourd line” (Hearing Impaired Line), available on the Danoneetvous.com and bledina.com websites, hearing impaired persons may establish contact with one of the French Business Units by means of 6 communication media (webcam, chat, sms, fax, email, and online form). The service provided by a hearing impaired consumer advisor is available Monday through Friday from 11:30 to 14:30.

A first in Europe!

Since its inception, about 25 contacts per month have been recorded.



Marketing Communication

PR6

Programmes for adherence to laws, standards and voluntary codes relating to marketing communications, including advertising, promotion and sponsorship

Danone's ambition to be a influential actor and make a practical contribution to public health means that stakeholders have high expectations of it, particularly in terms of advertising. Danone, as a food company, believes it is essential for advertising messages to be consistent with the reality of products, in terms of nutritional composition and health benefits. It has set itself the objective of ensuring that its advertising communications are reliable, relevant and easily understood by the consumers at whom they are targeted, and has adopted tools and specific procedures to that end.

Product claims in reliable, consumer-friendly language

We ensure that our information on product benefits is reliable and speaks a language consumers understand. To that end we have designed a set of tools. Our *Communication Guidelines* help marketing teams and advertising agencies translate scientific product benefits into language that can be easily understood by consumers using pictorial, graphic or symbolic representations. Our *Consumer Understanding Test (CUT)* ensures that our claims and related communication are consumer-friendly, i.e. clear, easy to understand and designed to ensure that consumer understanding of a product's benefits is consistent with the corresponding scientific evidence.

We have established a strict internal, cross-company procedure for validating nutritional and health claims to ensure that they are truthful and are not misleading to consumers. This procedure brings together departments like Marketing, R&D, Quality, Legal, and Regulatory Affairs. We make no nutrition or health claims for pure-pleasure “indulgence” products.

Responsible advertising and communication

We are fully committed to responsible advertising in compliance with the International Chamber of Commerce **Code** of Advertising Practice with respect to food and beverage products, as well as with national and regional standards, with a view to, for example, avoiding any type of message that could encourage overconsumption of any of our products or the pursuit of unhealthy lifestyles.

Restrictions on advertising to children and in schools

We have also taken voluntary initiatives, to **restrict our advertising** to children under 12 years of age, to advertise only those products whose nutritional profiles are specifically adapted to children, and to not advertise our products in schools. We have put this principle into full effect across the European Union (**EU pledge**), where independent external auditors monitor our compliance, as well as in the US (**US pledge**) and Brazil (**Brazilian pledge**). We are working to expand this practice of self-discipline to other countries.

Marketing Communication

Stringent voluntary code relating to marketing communications in schools

We require all our Country Business Units engaged in educational initiatives in schools to comply with stringent voluntary codes of practice in countries where there are no official guidelines or requirements for schools.

Marketing of Breast-milk Substitutes in compliance with the WHO Code

Danone fully supports the objectives of the WHO Code of "Marketing of Breast-milk Substitutes". In 2009, concrete efforts were made to highlight the importance of its principles and to ensure they are embedded into the daily activities of the Baby Nutrition Division. In all Country Business Units, clear assessment procedures have been established and implemented, and the results of these evaluations now have a direct impact on the annual remuneration of local Managing Directors and Management Committee. Emphasis is placed not only on compliance, but significant resources have also been deployed to support and promote breastfeeding. In many countries, both developed and developing nations, Danone has partnered with local NGOs to implement programmes designed to educate mothers about the importance of breastfeeding. Danone is also engaged with NGOs and Public Health Authorities in developing solutions against malnutrition through complementary food for children over 6 months. These programmes ensure that the Baby Nutrition division focuses not only on internal drivers, but also invests in the communities where it operates.

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

Our commitment to limit advertising directed to children less than 12 years of age in EU countries is audited annually by external auditors in various European countries under the framework of the "EU Pledge on Advertising to Children". The report published in 2009 indicates that for all actors involved in this pledge, the rate of compliance with commitments in 2009 was 99.5% across various media (TV, radio, print, web) and 93% in schools. For Danone, only two items with the potential for being challenged have been identified in the over 150 publications for children that were analysed, and only 0.1% of TV spots analysed (110/96,006) could be regarded as non-compliant. It should be noted that none of these instances of non-compliance have resulted in consumer complaints or dispute by a public authority.

Respect for consumer privacy

Consumers expect Danone to provide them with the basis for understanding nutritional information, advice on developing and adopting a daily diet that meets their needs, and finally information about the group's own products. Danone has various tools designed to enable it to build relational communications with consumers. In managing these tools, it ensures the protection of consumers' privacy and, in all countries where it operates, complies with national laws governing personal data protection

Consumer Database

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

At any time, consumers can suspend their subscription by informing the administration centre indicated in the messages that are sent to them. In France, the database covers some four million households and is regularly updated. The responses to the questions put to consumers are based on their volunteering and allow offers to be tailored to meet their preferences. Only the minimum of information (name and address) is collected as obligatory data. Socio-demographic information (composition of household) and information about consumption habits are optional. Sensitive information such as credit and bank card numbers is not requested.

Website

Within Danone, there are around a hundred brand internet sites. In most cases, these are promotional or commercial sites. The Danoneconseils.com site was created in France ten years ago, and is unique in the way it has developed general information on nutrition. In 2007, it received over 3.4 million hits. The site works according to the opt-in system: consumers decide whether or not to add their details to the database. Consumers must also tick a box formally authorising Danone to communicate with them. In 2006, it was replaced by the Danoneetvous.com site.

Printed Publications

In France, Danone publishes the "*Danone et vous* / Danone and You" magazine that is distributed three times a year with around three million copies published each time. The magazine includes information on the group's products along with nutritional advice. Consumers may subscribe either via the website or by calling the call centre

Consumer Studies

These studies allow Danone to gather more detail on information such as the quality of Danone products as perceived by consumers; expectations in terms of new products; opinions on information tools, such as the "*Danone et vous*" magazine; opinion and understanding of advertising. The research companies guarantee the anonymity of the responses. Only the overall results are forwarded to Danone.

Consumer Services

The main mission of Consumer Services is to develop and maintain relations with consumers. It is a tool for providing information about the company and for offering advice. It allows comments, suggestions and reactions to be collected from consumers. Danone considers its Consumer Services centre to be a local community-based service. Its purpose is to provide rapid responses to questions, and to create added value for the brands through the service provided.

Performance Indicators Related to Product Responsibility

This service answers all kinds of questions regarding products and brands and, more generally, questions on nutrition and dietetics. It deals with claims linked to product quality. Danone Consumer Services has been encountering changes in the types of questions consumers ask. There are comparatively fewer questions about product quality at the present time, whereas those concerning the company's corporate responsibility or advertising are on the increase.

In France, Danone Consumer Services generates around 70,000 contacts a year, by telephone, regular mail or email, combined. Its scope of responsibility covers all Danone products sold on the French market.

Danone Consumer Services may be reached by calling the telephone number that appears on the packaging or via the internet, 24X7. The postal addresses of group Country Business Units' consumer services are also printed on the packaging.

Consumers may choose whether or not to leave their contact details. These details are used, with their consent, to send documentation, brochures (dietary advice, recipes, etc.) or coupons in the case of a complaint.

There is no follow-up system provided. Consumers may ask for their details to be removed from the database at any time. Consumers are reminded of this in every letter they receive from Danone Conseils.

Danone Consumer Services in France accessible to the hearing impaired (*see indicator PR5*)

SUPP PR8
Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data

This indicator is not consolidated at corporate level.

Regulatory compliance

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 recorded for non-compliance with laws and regulations governing the use of its products and services.

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

- or by mail: **Danone**

Department of Social Affairs and Corporate Social Responsibility
15, rue du Helder 75439 PARIS cedex 09 - France

Contacts:

Marc Grosser

Social Affairs and Corporate Social Responsibility Director

Nathalie Viel

Corporate Social Responsibility Manager

Myriam Cohen-Welgryn

General Manager Nature-VP Environment Worldwide

Agnès Martin

Global Nutrition and Health Affairs Director

Bernard Giraud

Vice President

Sustainability and Shared Value Creation



DANONE

Danone - 15, rue du Helder 75439 PARIS cedex 09 - France

17, boulevard Haussmann 75009 PARIS

Tel : +33 1 44 35 20 20

www.danone.com

Crédits photographiques: V. Damourrette, Marc Riboud, Aytunc Akad/SIPA, Thomas Heley/SIPA, Romuald Meignieu/SIPA, Sergej/WU, Halter-Ukraine, Forman Neil, Helleo Van Ingten, Jacques Witt/Sipa Press, Bruno Levy.
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