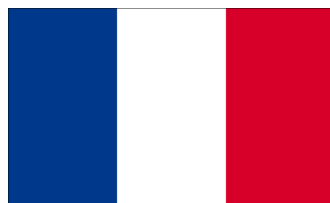


„THE EUROPEAN CORPORATE RESPONSIBILITY AWARD“ *INNOVATION FOR A BETTER WORLD*



DANONE



FRANCE

Brief review of the CSR project of the French round finalists of
The European Corporate Responsibility Award

GRUPE DANONE

Short overview of the company:

- **Activities:**
Danone is the world n°1 for fresh dairy product, world n°2 for bottled water, n°2 for baby nutrition, n°3 for medical nutrition
- **Key figures:**
 - 12 776 billion euros turnover in 2007
 - Organic growth rate of nearly 10% with its operating margin increasing for the 13th year in a row
 - 76 044 employees in more than 120 countries
- **Ambition:**
Since 1972 (year of the speech of Antoine Riboud, Chairman and Founder of the company), the Danone business model relies on a double assumption that the goal of a business can not be summed up by economic performance, but must include social concerns. The Group's performance is the result of a balanced strategy built on international expansion, a growing commitment to innovation, and strengthening health-oriented brands.

For more information please visit: www.danone.com/?lang=en

The interviews took place on: October, 3rd and November, 24th

People present in the interview:

- **Bernard Giraud**, Sustainable Development and Social Responsibility Director
- **Jean-Christophe Laugee**, Sustainable Development - Integration Director

Orga Consultants representatives present in the interview:

- **Jean-Philippe Guihaumé** – Partner in charge of the *Human Capital Management* practice
- **Elodie Soubigou** – Senior Manager
- **Gaëlle Houssais** – Consultant

Committee members who made the evaluation of the CSR project:

- **Nicole Notat**, President of *Vigeo* (the European leading supplier of extra-financial analysis and Social Responsibility audits) and former trade-union leader in France. President of the Jury
- **Jacques Perotto**, Partner of the lawyers firm *Alerion*, with whom we work with on CSR issues
- **François Petit**, Lecturer and researcher at *La Rochelle Business School*. He used to work for Veritas and is a specialist of environmental issues. He was helped by two other researchers of his network for the occasion
- **Etienne Baërd**, CEO of *Manageris* (an editing society specialised in Management)
- **Werner Schöpf**: Consultant in media and communication, former sales and marketing Director of *CNN Europe*

General review of the CSR project:

For all the details about the CSR project please see the attached application form.

- From the early beginning in 1972, Danone is carrying out an original business model, closely bound up with the history and culture of the Group and based on the belief that the company, far from being only an economic unit, is also a social one. For Danone, creating value can not be limited to a financial measure: the commitments of the company must make sense for the employees and the stakeholders (constant search for an external and internal balance).
- Today, the global credibility and consistency of the application comes from the alignment between the mission, the Group's brand portfolio, the strategy and the managerial practices.



The Group's brand portfolio is especially aligned with its mission to « bring health through food to as many people as possible » (for example: selling of LU and acquisition of Numico in 2008). In the last JP Morgan Insight Investment study, published in April 2008, Danone ranks first in terms of health in the food-processing industry. This report highlights the overall coherence of its approach, its commitment to local authorities and its scientific know-how. Innovation in health is more than ever a development lever for the group. Thus, Danone tries its best to provide for the specific needs of all different populations thanks to its products and consumer consciousness-raising.

- Moreover, the 2008-2011 strategy is sustainable by itself. Among the 6 strategic « pillars », 4 are strongly linked to sustainable development / CSR: «Danone for all», «Health Credibility», «People Growth» and «Nature».
- In spite of strong economical constraints, Danone is trying to open the road in creating new paths and in launching innovations entitled to inspire other major economical players, while remaining coherent with the strategy. Through those innovations, Danone has a real desire to send a message to economical players. The Group is a true reference in France for other companies in the field of CR and sustainable development:
 - Danone was the first company to negotiate worldwide agreement with International social dialogue within the context of the International Union of FoodWorkers or to get involved with the Ramsar Convention for the preservation of humid zones.
 - Danone was also the first French Group to launch an investment mutual fund for social responsible business with a «low safe return». Each employee, shareholder or consumer, can invest in it. The goal is to develop new types of businesses with strong impacts on the development of a local community. The required return on investment is different: social indicators are predominant on financial profitability.
 - That way, Danone had a pilot project in Bangladesh, in partnership with Grameen Bank, specialised in microcredit. The goal was to conceive and to product on a local level nutritional goods adapted to local needs and affordable for local populations. Danone is not looking to having a ROI on the short-term.
- The implementation of the CR policy is well integrated to the governance and operational process of the Group:
 - A Governance organ, the Social Responsibility Committee (SRC), created in 2006, includes 12 members (supervisory board – “Conseil d'Administration” - and external VIPs)
 - In addition to that, a Social Innovation Committee, dedicated to societal innovation, is made up of EXCOM members
 - Each two-person team from the executive committee is in charge of one “pillar” of the 2008-2011 strategy. They have to make sure it is properly implemented. Four pillars have a link with the CR.
 - In 2001, Danone launched Danone Way as a self-assessment initiative that allowed teams worldwide to share and implement the company's basics, particularly in the areas of social and environmental responsibility (internal auditing, self-evaluation of the entities). This tool was reviewed in 2007 and includes now 16 renewed basics and 50 indicators.
 - In 2007, the Group created a R&D unit dedicated to packaging. It works on recycled polyethylene terephthalate (PET) into bottles. This innovation should permit the production of bottles made of 25% recycled PET in the long run.
 - The members of the subsidiary/business unit management committees are in charge of the implementation of the corporate “Danone Way” program. Environmental and social



objectives are taken into account in their bonus: 30% for economical performances, 30% for management practices and 30% for social and environmental objectives.

- Danone Group has organised an annual “Social Innovation Lab” gathering all managers of the Group. It aims at making work together different subsidiaries interested in the same subject, so as to select concepts and produce operational tools for social innovation.
- Purchasing offices monitor the implementation of the RESPECT initiative by the buyers of the subsidiaries allowing to follow their suppliers and launch progressive initiatives according to the 7 criteria of the International Labour Organisation (ILO). This initiative aims at making buying offices integrate CO2 emissions into their criteria whenever they select suppliers (packaging, transport...)
- A constant research of policies adjustment and follow up of the main internal and external stakeholders’ stance on local sustainability issues linked to Danone businesses:
 - Danone encourages social local initiatives (120 social initiatives identified in 2008 for 180 BU). A new approach, “Danone Supporting Life”, based on three objectives (business growth driver, social wins for local community and people pride enabler) is a new ambition, which started in 2008 (about 15 projects already started, with measurable impacts).
 - The company blockbusters can be adapted according the needs and local constraints, but with the same standard of quality and functional benefits.
 - Employees and social players: a permanent social dialogue with staff representatives and trade unions, in order to identify progress lines and negotiate social agreements; social dialogue within the context of the International Union of Food Workers, where agreements are regularly made, a satisfaction survey held once every two years minimum so as to identify progress lines at every level (local/Business Unit/Group). Action plans are one of the consequences.
 - Social and environmental NGOs: consultations during regular meetings at Group level (Advisory Board), local partnerships with NGOs, Participation to CSR Europe and ORSE (Observatory of Company Responsibility in Europe).
 - Public authorities: regular exchanges with international organisations, membership of the United Nations’ Global, regular contacts with administrations and local councillors/MPs at Group and sites level and regular contacts at national and European level.

Evaluation of CSR activities: cf. attached application form

The company’s CR strategy and CR management are closely linked to the core business and go beyond the current state of the art. Danone is a true reference for other French companies. CR has been used for 35 years as a driver for innovation. For these reasons, this candidate has been nominated as the unique French candidate (in this category) by the French Selection Committee members.

What is innovative?

1. Environmental and social objectives are taken into account in Management Committees members’ variable pay, as well as for all employees of Danone’s subsidiaries since 2008.
2. Employees can give meaning to their savings by investing in the « Danone Communities » mutual fund. It’s meant to sponsor local development projects, linked to Danone mission, without a different ROI approach. Danone participates in those projects with local NGOs.



3. An « advisory board » takes all stakeholders' views into account within the Group to elaborate the sustainability/CSR strategy and policy.
4. The board of directors created a Societal Innovation Committee and a Social Responsibility Committee, a Governance organ dedicated to societal innovation.
5. Development of a self-positioning initiative on CSR issues. For the subsidiaries, allowing them to identify progress lines and to measure the results of the plans of action.
6. In November 2008, a special fund for nature was created, within the Ramsar convention, in favour of biodiversity and preservation of humid zones (mangroves reforestation)
7. In 2007, the Group developed a special tool to measure carbon foot print and water consumption. A new objective of reduction and savings was translated into the 30% of bonus, within the supply chain. Regarding the agriculture field, Danone keeps building partnerships and has the ambition of setting strategy. The reduction process is tackling extraction plants, industrial plants impact, transportation impact, packaging impact (an eco-conception, a calculation of the carbon foot print for each innovation is under deployment).
8. Danone has been in the Dow Jones Index for 8 years
9. Danone funded the HEC Chair of Social Business with an investment of 50 k€. Martin Hirsch, member of the French Government (Haut Commissaire aux Solidarités Actives Contre la Pauvreté) and Mohammad Yunus, Peace Nobel Price, will be co-heads of the department.

Quote: Franck Riboud, CEO

- *“In terms of research, our job is to identify the health benefits that some natural ingredients can bring and to bring them through food to the maximum number of people. For example, when you are a world leader in baby foods, you also have to understand that breast feeding is still the best solution in the first few months of an infant's life. Which naturally affect the way you go about your business”.*
- *“When you sell a fragile resource like mineral water that you get from a spring, you are naturally more aware of the need to protect the environment-especially around that spring”*
- *“When most of your raw materials are natural, you cannot put nature at risk without endangering your own resources, your own business.”*
- *“I feel the new ‘Danone Way’ must be based on two very clear pillars. On the one hand, all the fundamentals, very measurable and very quantifiable. On this point, we must be completely above reproach. On the other hand, a second pillar built on what we refer to as societal innovation, which will be the pillar that will make all the difference.”*

Documents provided:

- Danone Annual Report 2007
- Danone Sustainable Development Report 2007
- “Reinforce Danone Business and Community” (a corporate report for a business school)
- “Benchmarking ten of the world's largest food companies' response to obesity and related health concerns” – a JP Morgan Insight Investment study – april 2008

The company's application form in English is an inseparable part of this document.