



DANONE

CLIMATE POLICY

TARGET ZERO NET CARBON

THROUGH SOLUTIONS CO-CREATED
WITH DANONE'S ECOSYSTEM

FULL VERSION



At Danone, our business is food and water, and our mission is to bring health through food to as many people as possible. In working to meet this ambitious goal, we have learned how important food and hydration are to good health, and how huge the food-related challenges are that the world faces today.

Danone’s businesses are directly linked to nature and agriculture. Climate change impacts natural cycles of water, soils, biodiversity and ecosystem services that play a vital role in the food system. Contributing to tackle this huge challenge is critical for our ability to strengthen the resilience of our global food chain and pave the way for future sustainable business growth.

Changing food consumption patterns can help diminish environmental impact and improve people’s health - and ultimately the health of the planet. We believe that the pursuit of a healthier diet, made of local products using raw materials grown in a resource-efficient way, contributes to a positive impact that tackles climate change. We are committed to bringing healthier diet options, and to sourcing and producing sustainably. To achieve this positive change, co-creating solutions with the communities that surround us will play an integral role.

Forests and agriculture ecosystems are essential to the future of our climate. We aim to co-create “carbon positive” programs to sequester more carbon in agriculture, forests and natural ecosystems, as they will be critical in limiting global warming to 2°C.

This policy focuses on climate, and is a cornerstone of the Danone Nature 2020 strategy. Other policies within Nature 2020 include sustainable agriculture, food waste, animal welfare, forest footprint, packaging and water.

CONTEXT & CHALLENGES

CLIMATE FACTS

In the 1980s, the Vostok “ice core” curves established the link between Green House Gases (GHG) emissions in the atmosphere and increasing temperatures. There is scientific evidence that oceans and atmosphere temperatures increased by almost 1°C in one century. Global temperatures have increased by 1/10°C each decade since 1950. Each of the past three decades has been warmer than the preceding decade since the 1850s.

This is confirmed by visible signs: increased sea levels, ice cover in the Arctic (10 million km² in the early 1900s versus 4 million km² today) and Antarctic eroding, reduced snow and ice field cover (2 to 3 million km² in 50 years), intense rain fall, extreme weather events and increased water scarcity in many regions.

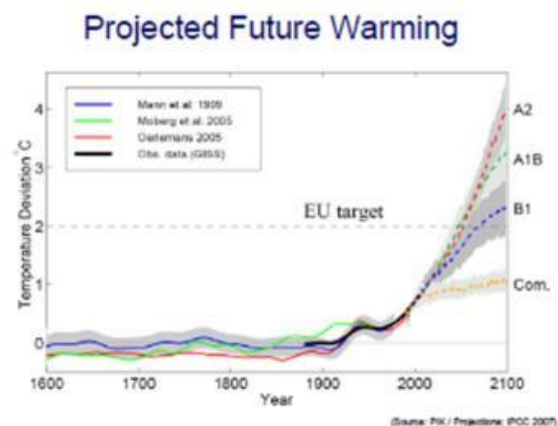
The Intergovernmental Panel on Climate Change (IPCC) reports gather scientific state-of-the-art diagnoses on the causes behind the evolution of the climate:

- ✓ Report 1 (1990): do not know.
- ✓ Report 2 (1995): discernible human influence.
- ✓ Report 3 (2001): most of the warming of the past 50 years is likely due to human activities (odds 2/3).
- ✓ Report 4 (2007): most of the warming is very likely due to human GHG (odds 9/10).

The IPCC Report 5 (November 2014) states: “it is extremely likely that human activities are the main cause of temperature increase since the middle of 20th century (odds 95/100). Continued GHG emissions will increase the likelihood of severe, pervasive and irreversible impacts for people and ecosystems (i.e. increasing risks on species extinction, food security, human health, urban systems, etc.). While climate change is a threat to sustainable development, there are many opportunities to integrate **mitigation** and **adaptation** objectives. Humanity has the means to limit climate change and build a more sustainable and resilient future.”

THE FUTURE OF OUR CLIMATE

Science today cannot predict the future climate, but it can help understand the potential evolution. All previous IPCC scenarios have been surpassed in reality. The latest scenario highlights that, following current trends, temperatures should increase between 3.7°C and 4.8°C by 2100, and increase by 10°C by the 23rd century. This scenario implies huge environmental, economic and social challenges.

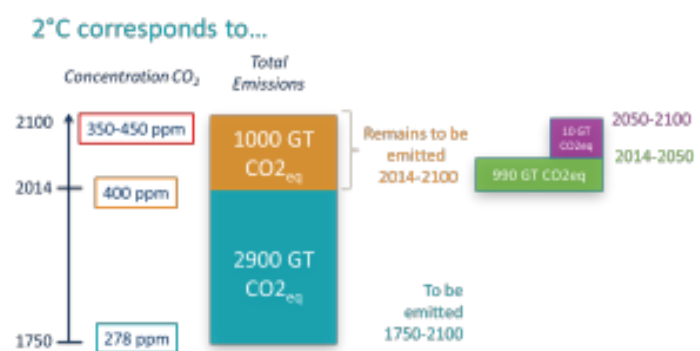


Based on IPCC reports, the United Nations set an objective to limit global warming to 2°C by 2100 relative to pre-industrial levels, to still be able to adapt at reasonable costs.

This objective has one critical consequence: limiting global warming to 2°C by 2100 requires that GHG emissions should not exceed 3000 billion tons of cumulated CO₂eq in the atmosphere. 2000 billion tons of CO₂eq have already been emitted. In the future, the world should not emit more than 1000 billion tons. Looking at the current pace of emissions, this quantity will be emitted in less than 30 years (2050).

CLIMATE IMPACTS AND ASSOCIATED RISKS

If temperatures continue rising beyond 2°C, dramatic changes in the climate are likely to generate significant systemic impacts that are critical for people's livelihoods on the planet. The most fragile communities are impoverished people and smallholder farmers, forcing adaptation at huge costs: water scarcity, biodiversity loss and ecosystem collapse, soil fertility, extreme weather



events and, hence, potential severe food crises. The World Economic Forum Global Risks 2015 edition concludes that climate change impact ranks among the top systemic risks for businesses, together with potential severe water cycles, food security and social risks. **Climate stability is critical for resilient food and water cycles on the planet.**

NEED FOR SOLUTIONS AND ACTION

Staying below a temperature rise of 2°C will require a profound change in development models. This global challenge requires a multi-level approach combining governments, civil society and business efforts. Under the United Nations Framework Convention on Climate Change, the UN General Secretary provides a pathway for transformative action: "Climate Change is a defining issue of our times and bold action is needed to reduce emissions and build resilience, action should be undertaken in the context to eradicate extreme poverty and promote sustainable development, we need to limit global temperature rise to 2°C from pre-industrial levels." This means:

- Cutting emissions ¹
 - By 2020, curb the intensity of current emission increases.
 - Reduce global GHG emissions by half from 2010 to 2050.
 - Aim at peaks in GHG emissions before 2050.

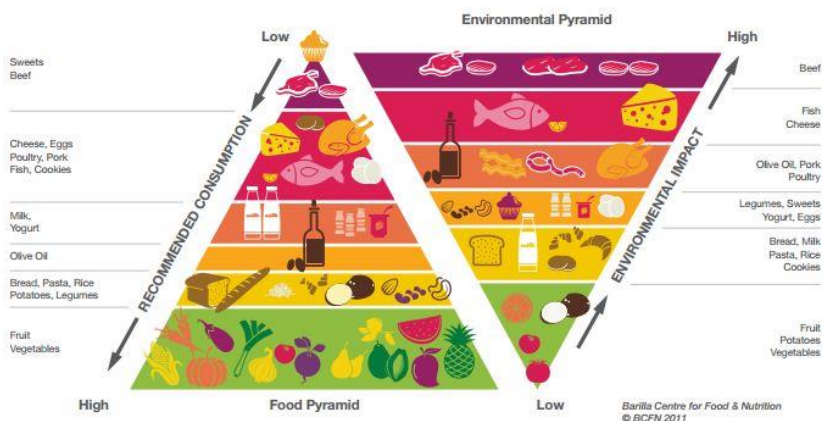
¹ Source: UNEP Emissions Gap Report 2014

- Beyond 2050, cut absolute emissions and fix carbon through sequestration techniques and forest restoration to reduce the CO₂ quantity in the atmosphere.
 - Reach “Net Zero” before 2070.
- Building resilience
 - Impact and risk assessments need to be done with farmers to reduce emissions and build resilience to climate change.

HEALTHIER DIET IS PART OF THE SOLUTION TO REDUCE GHG EMISSIONS

In April 2014, the IPCC warned about the significant twin challenges for the food and agriculture sectors in climate change. They both need to curb major contributions to emissions, as well as adapt to the often-negative effects of climate change in many regions. The IPCC stressed the importance of greater efficiency in food consumption, stating: “Demand-side measures, such as changes in diets and reductions in losses in the food supply chain, have a significant, but uncertain, potential to reduce greenhouse gas emissions from food production.” The way we produce and consume food has a major impact on our ecological footprint and the fact that we’re exceeding the environment’s carrying capacities. The three planetary boundaries humanity has most boldly crossed – biodiversity loss, reactive nitrogen pollution and climate change – are all inextricably linked to our food systems. Agriculture and land use change account for 24% of GHG, cattle alone is responsible for 18% of GHG globally.

Double Food – Environment Pyramid Model



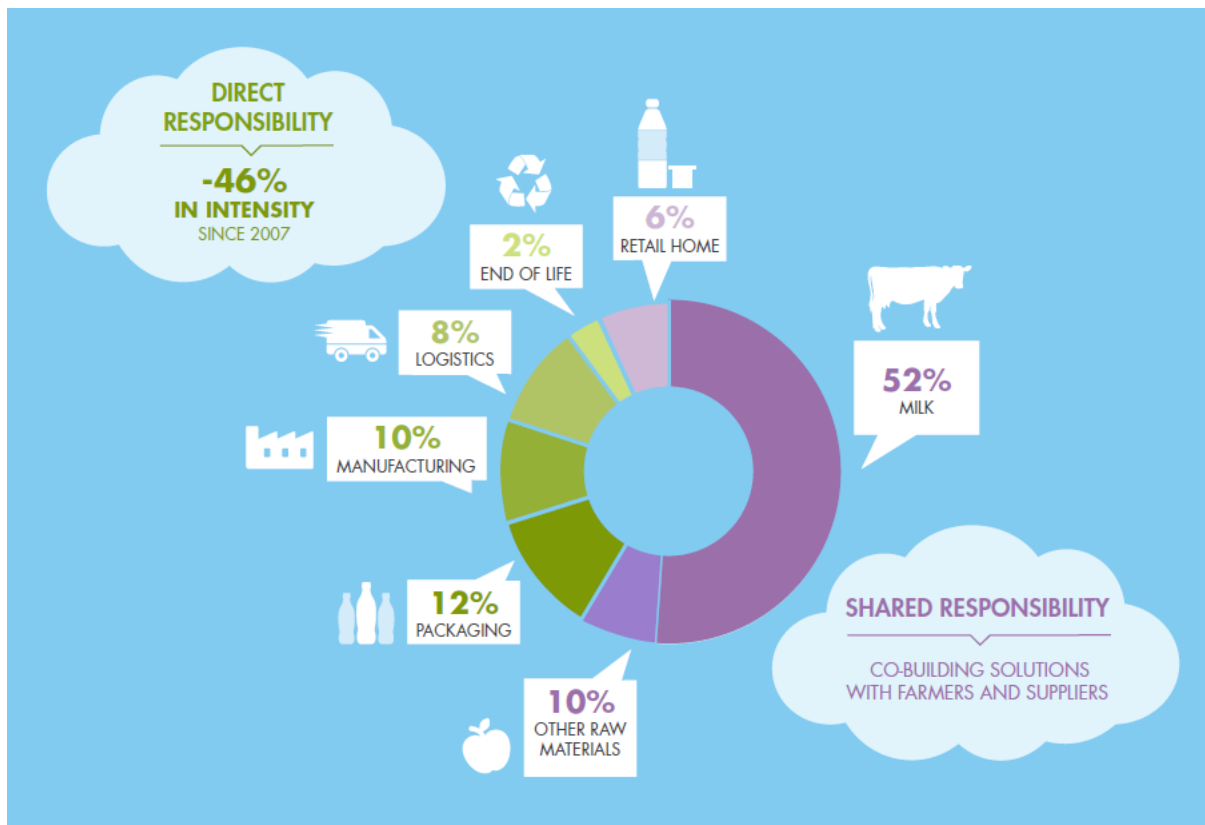
Industrialized food systems have become a major driver of climate change. It takes huge amounts of energy to produce fertilizers, and to process, package, transport and preserve food. Food waste is also an important source of GHG emissions.

Securing food security and improving health through nutrition for a population approaching 10 billion will require major changes in the way food is grown and distributed. This will also require new approaches to meet the challenge of increasing nutritional benefits of products whilst reducing their impact on natural resources.

“By making some tweaks to daily eating choices, those choices could improve national health, remain affordable and reduce the impact of our eating habits on the climate.”² It sets key principles for a more sustainable diet that can benefit both people’s health and the planet: “eat more plants, moderate meat consumption, eat a variety of foods, waste less food, eat fewer foods high in fat, salt and sugar.”

OUR RESPONSIBILITY

Danone’s mission is to bring health through food to the largest number of people across the world. **We believe that food is health’s most significant partner, and recognize that everything we eat depends on the earth that it grows in or feeds on.** As gardeners of this planet, we have a duty to responsibly and sustainably manage its resources. New ways can and will be found to better serve this generation and the next, and to bring healthy, affordable food and safe water to the greatest number of people.



We believe that our first responsibility is to measure our impact and tackle the full scope of Danone’s carbon footprint, from the upstream raw materials we use to the end-of-life of our products. “When you can’t measure it, you can’t manage it.” Since 2007, we have been measuring our carbon footprint. In 2015, the full scope of Danone’s related GHG emissions amounted to 24.7 million tons³. Dairy, Early Life Nutrition, Medical and Waters divisions contributed respectively to 60%, 18%, 2% and 20%.

The breakdown of Danone's related emissions is as follows:

We distinguish between Danone's "Direct Responsibility" scope – i.e. areas where we have direct control on reduction levers – and the "Shared Responsibility" scope where we can influence and co-create solutions with our supply-chain while not having a direct "hands-on" approach:

² EU Livewell for LIFE

³ PAS 2050 Method, full scope carbon emissions including Africa business units which were out of scope until 2014

- ❖ **Direct Responsibility (DDR)** scope (broader than scope 1 & 2) accounts for 32% of GHG emissions in 2015 (7.4 million tons) versus 41% in 2007.
- ❖ **Shared Responsibility** scope (equivalent to scope 3) accounts for 68%, with agriculture accounting for 62% of Danone's related GHG emissions in 2015. Milk alone, including the impact of land-use change through animal feeding, represents more than half (52%) of Danone's related GHG emissions. Although, in general, we do not produce milk directly, we can have an "indirect" influence on milk production (more than 100,000 dairy farmers in 30 countries).

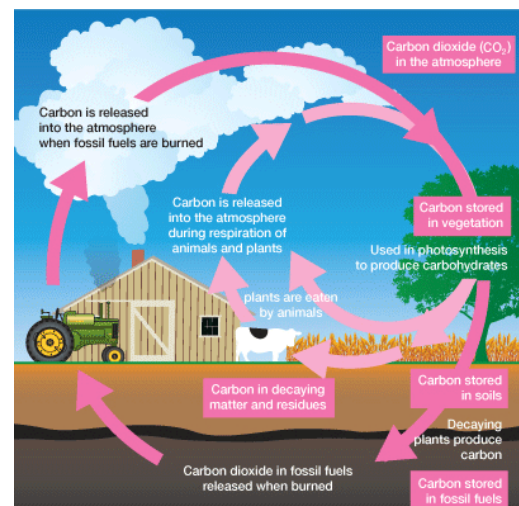
OUR GUIDING PRINCIPLES

Climate Change is a systemic challenge. It impacts the way we produce, and the way we will live and consume. Looking ahead at future generations, it is also one of the most important challenges we face on this planet. To contribute to finding solutions to this game-changing challenge, a holistic view of the food chain is needed. Any action we initiate from our place within it must be guided by a set of simple principles that are simultaneously pragmatic and ambitious.

ACT ALL ALONG THE "CARBON CYCLE"

The scope of GHG emission ranges from upstream raw materials (soils, crops for animal feeding, animals and ecosystems being the "foundation" of agricultural practices) to operations (manufacturing, packaging and logistics) all the way to retail, and end-of-life of our products.

Reducing Danone's carbon footprint is necessary. But extending our approach to carbon as a "cycle" means that we can aim at providing mitigation solutions like carbon sequestration in soils, forests and mangroves through agricultural practices or ecosystem restoration activities that



will reduce the GHG presence in the atmosphere.

PRAGMATISM AND CONTINUOUS IMPROVEMENT

Tackling climate change through mitigation and ecosystem restoration requires a long-term plan that treads far beyond where companies generally go. Our goal will need to evolve over time, together with that which science requires. Cutting GHG emissions demands continuous improvement to spark innovation and inspire others to adopt best practices. Building resilience in our food chain is also a critical yet complex process. With hands-on pragmatism and small-scale experimentation we can scale-up tools to solve the complex climate change challenges in our food chain.

MEET CHANGE WITH INNOVATION

As a food and water company, we must find innovative ways to speed the transition to new models. Danone will continue to act as a social innovator, creating new forms of cooperation and effective financing structures to drive change.

Farmers must be at the heart of our approach for climate in agriculture. The transition to sustainable agriculture will succeed if we all take action and create momentum for change.

CO-CREATE SOLUTIONS WITH ACTORS ALONG THE FOOD AND WATER CYCLE

Success will be linked to the commitment of our whole supply-chain (from farmers to packaging, and logistics suppliers to retailers and consumers) based on common but differentiated responsibilities.

We believe in the power of solutions that are co-created with the communities that surround us. To make the sustainable food chain a reality, agricultural suppliers, farmers, food companies, scientists, local communities, governments and others must set aside competition and work towards solutions together for a common understanding and framework. Danone will continuously seek to create the conditions for efficient cooperation between all parties. The most effective ways of solving the climate's complex challenges are by balancing different points of view, working together, forming partnerships and encouraging co-creation.

TAKE A 360° APPROACH TO CLIMATE IN AGRICULTURE

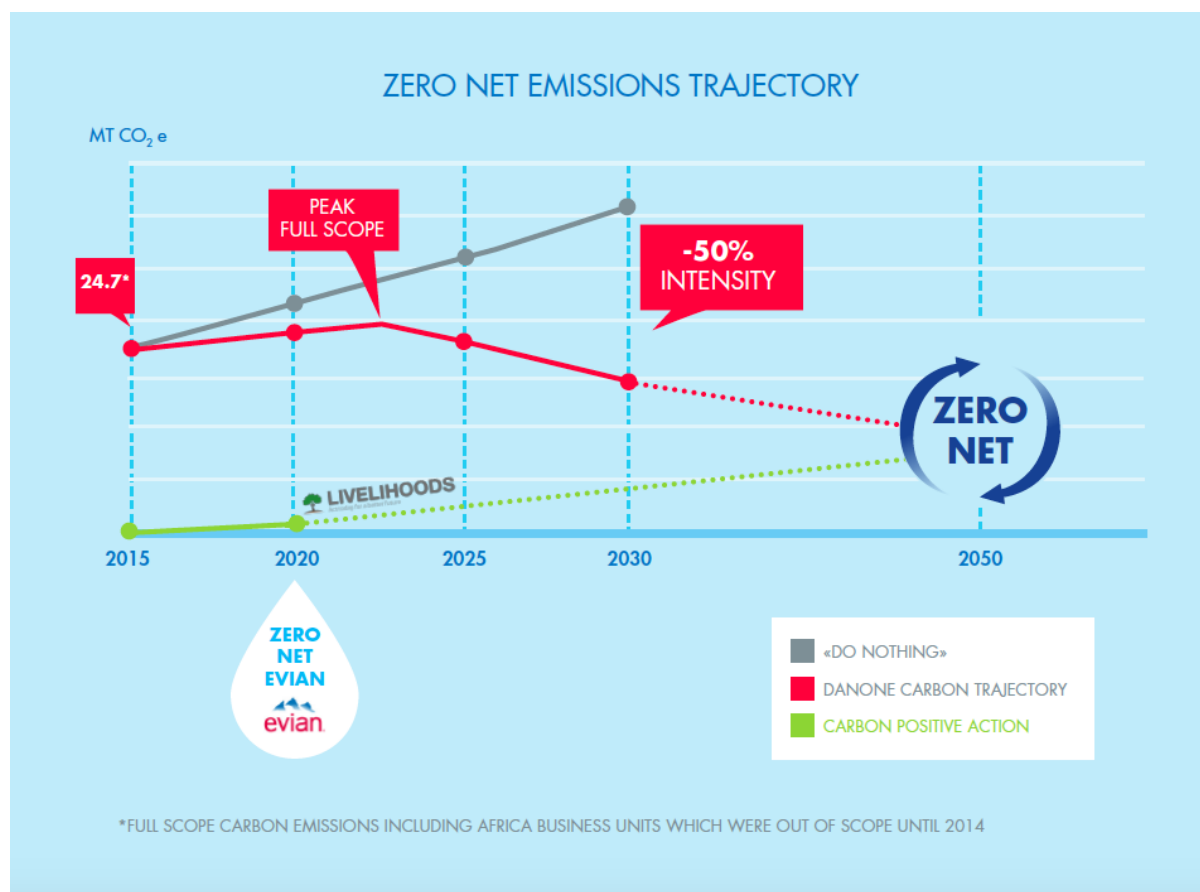
Danone is committed to a healthy food and water cycle. This vision brings together our social, environmental and economic goals in a single holistic vision. We want to prove that fostering a healthy, balanced diet can keep farms competitive and generate economic and social value, while preserving natural ecosystems looking at GHG emissions but also water resources, soils and biodiversity, animal welfare and, most importantly, farmers' livelihoods.

That’s why sustainable agriculture is central to our “shared responsibility” approach on climate. And we recognize key dilemmas: for instance, rising consumer demand for protein-rich animal products and environmental impacts; balance between diversification and specialization for farming models; fair prices for farmers versus more affordable products for consumers; vegetal alternatives to animal protein in a sustainable food system.

There is no silver bullet. We will continue to seek solutions in a transparent, open dialogue with stakeholders.

OUR GOALS & COMMITMENTS

TARGET ZERO NET CARBON EMISSIONS



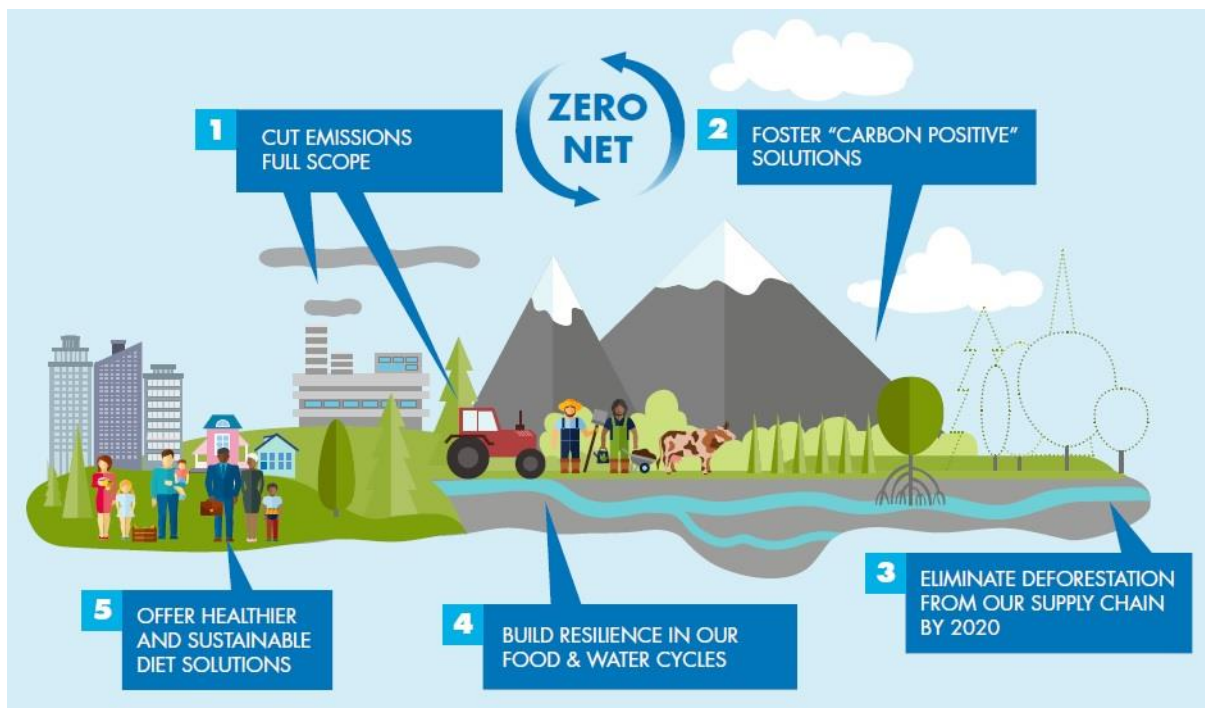
Healthy food and water cycles are highly dependent on climate, and therefore on the level of carbon in the atmosphere and oceans. Danone’s ambition is to set a trajectory to reduce GHG emissions in line with what science recommends to stay below the 2°C threshold and contribute to a decarbonized economy. Consistent with the UN’s latest “emissions gap” report, **we aim to achieve zero net emissions in Danone’s full scope of emissions**

Danone supports the “Caring for Climate” UN statement ([link](#)).

Our ambition is to:

- **Take action on mitigation and contribute to sequestering carbon** in soils, forests and ecosystems for “net positive” impacts to combat climate change,
- **Take action on adaptation**, building resilient food and water cycles, and
- **Be at the forefront of business solutions with healthier diet options** for more people with less carbon.

Danone’s strategy will aim at delivering the following five main goals:



1. CUT DANONE’S RELATED GHG EMISSIONS



Our goal is to cut Danone’s related full-scope emissions in intensity by **50%⁴ in 2030**. Danone will also aim to peak its full scope GHG absolute emissions between 2020 and 2025, and a zero increase in GHG absolute emissions (i.e. decoupling business growth) and on Danone Direct Responsibility scope by 2020.

Since 2007, we have worked hard to reduce our **Direct Responsibility** scope carbon intensity. As of 2015, the “organic” reduction (taking into account reduction action plans, emission factor changes and mix effects) has been 46% in intensity (CO₂eq / ton of product sold) while Danone’s volumes grew by 51% over the same period. Through this unprecedented effort, mixing both productivity and breakthrough innovation projects, Danone’s absolute emissions have only increased by 1% in 7 years.

⁴ Baseline 2015

We believe we should now also take on the challenge on our “**Shared Responsibility**” scope to cover the full range of Danone’s related GHG emissions (scope 3). Emissions linked to raw materials grew by 31% to 11.2 million tons while sales volumes grew by more than 50% from 2007. This can only be successful if Danone fully engages its ambition with the farmers and suppliers we work with, as part of a holistic approach to sustainable agriculture (Sustainable Agriculture “white paper” on www.danone.com).

To achieve this ambition we will build alliances and co-create solutions with farming communities, customers and suppliers We will work on a focused set of innovative areas going beyond incremental productivity:

- Implementing **Danone Sustainable Agriculture principles** through a dedicated strategy and governance to enable the transformation of dairy farming towards more resource-efficient practices,
- Building **the circular economy on strategic resources** (milk, packaging and water),
- **Preventing food-waste** and maximizing its recovery towards the goal of halving food waste within our own operations by 2025, versus 2016 baseline.

2. CO-CREATE CARBON SEQUESTRATION PROGRAMS IN AGRICULTURE, FORESTS AND NATURAL ECOSYSTEMS

To achieve “zero net” emissions, Danone will aim to **peak its full-scope carbon emissions in absolute terms** between 2020 and 2025, and **pioneer “carbon positive” programs** to fix more carbon:

- **Fix carbon in forests and natural ecosystems:** after successful experiences in carbon



compensation units dating from 2008, in partnership with IUCN and Ramsar (UN Convention on Wetlands), Danone initiated and invited other companies to establish the Livelihoods Fund. This Fund, which brings together Danone with nine companies, invests in large projects that contribute to mitigating climate change by sequestering large volumes of carbon in forests and natural ecosystems, and improving the well-being of local populations. Since 2012, the Livelihoods Fund has already invested in seven projects in Africa and Asia, with three types of activity (mangrove restoration, agro-forestry and improved cooking stoves). Livelihoods has already contributed to the planting of more than 130 million trees in Africa, Asia and Latin America, almost 50000 hectares, benefitting 1 million people. **Livelihoods Fund's target is to stock 8 million tons of carbon over 20 years** for a minimum investment of 40 million euros.



Consistent with its commitment, and after reducing its carbon footprint by more than 40% over the 2008–2014 period, the Evian brand offset its remaining emissions in 2012 by supporting several high quality projects. Starting in 2013, following consultation with its stakeholders, Evian decided to refocus its “carbon positive” efforts on the Livelihoods Fund. Evian is strengthening its participation over the long term, and the expansion of Livelihoods projects will progressively enable Evian to offset its remaining emissions. **Evian's goal is to achieve zero net emissions by 2020.**

- **Fix carbon in agriculture:** in 2014, Danone launched the Livelihoods Fund for Family Farming (Livelihoods 3F) based on the belief that sustainable farming, climate change and poverty are closely linked. Danone is one of the funding investors, together with Mars, Inc., behind a new investment fund aimed at helping companies learn how to sustainably source the materials they need from smallholder farmers, while at the same time delivering large-scale social and economic impact to those farmers and their communities. **Livelihoods 3F's goal is to implement projects that will simultaneously restore the environment and put degraded ecosystems back on track**, while improving the productivity, incomes, and living conditions of small rural farmers in developing countries.



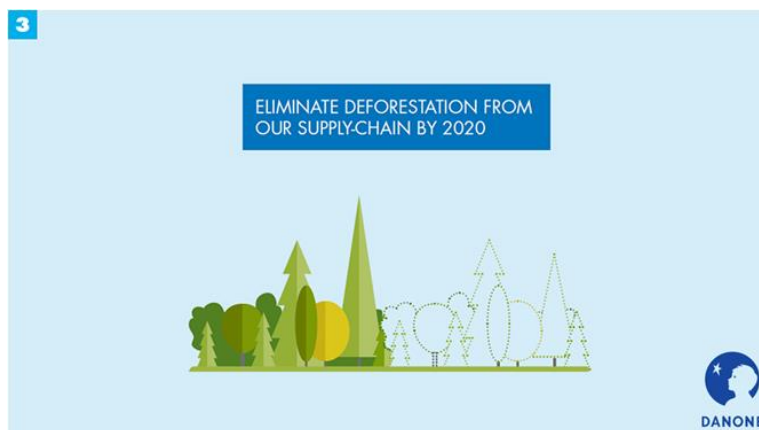
Livelihoods 3F aims to invest 120 million euros in the next 10 years to implement up to 40 projects in Africa, Asia and Latin America. It is an open investment fund. All businesses that want to source agricultural and natural goods in a sustainable and responsible way are encouraged to join us and increase the breadth of our learning and our impact. Livelihoods 3F will operate as a mutual investment fund with shared risks and results-based returns. Financial return for the fund's investors will be provided by a coalition of private and public third party companies, public utilities, governments, development institutions and others that will purchase the goods and positive impacts (such as carbon credits or water savings) generated by the projects. Investments by Livelihoods 3F will have a triple objective:

i) Economic: increase both yields and farmers' incomes ii) Social: empower farmers, especially women, and improve the livelihoods of farming families, and iii) Environmental: promote responsible farming practices and technologies that sustainably use natural resources to help enhance the resilience of farms, particularly in the face of climate change. It will provide upfront financing and technical support to NGOs and farmers' organizations that will implement the projects in the field with farming communities.

- **Develop “net positive” impact programs on packaging and water ecosystems**

Danone aims to build alliances to restore water ecosystems around the world. We will recycle more packaging than it uses to generate “net positive” impacts.

3. ELIMINATE DEFORESTATION FROM THE DANONE SUPPLY-CHAIN



Danone is a signatory of the **United Nations New York Declaration on Forests**, recognizing that reducing emissions from deforestation and increasing forest restoration will be extremely important in limiting global warming to 2°C. We share the vision of halting global forest loss while enhancing food security

for all. **Forests represent one of the largest, most cost-effective climate solutions available today.** Conscious of the critical importance of preserving the planet's forests (in particular the tropical forests in Indonesia and the Congo and Amazon basins), **Danone's goal is to eliminate deforestation in its supply chain by 2020.** Danone will co-create sustainable sourcing solutions through alliances with NGOs, academics, suppliers and farming communities.

In 2015, Danone was recognised in Global Canopy Programme's Forest 500 for the robustness of its set of Forest Footprint policies, ranked among the top 6 companies in the world. Please find the policies at www.danone.com

4. BUILD RESILIENCE IN OUR FOOD AND WATER CYCLE TO FACE MAIN SYSTEMIC RISKS



Climate change impacts the food chain through pressures on **natural ecosystem services** essential for agriculture and water cycle. Main systemic risks are:

- Water scarcity
- Soil fertility
- Loss of forests and biodiversity
- Extreme weather events

It also impacts **people** producing essential raw materials. Smallholders with subsistence farms (less than 10 cows) account for 75% of farmers in Danone’s supply-chain, although they provide only 10% of its milk. But farmers’ profiles and exposure to climate change varies greatly according to geography. Farmers’ capability to improve their livelihoods is the number one driver for adaptation to climate change. **Danone’s goal is to co-build “climate resilience” with smallholders.** This requires a holistic view of farming economic resilience embedded in the Danone Sustainable Agriculture approach. Maintaining a diversity of agriculture systems, providing modern extension services to smallholders or protecting the diversity of genetic resources can also be important for adaptation (“sustainable agriculture white paper” on www.danone.com). Innovative approaches are already being piloted in multiple regions through the Danone Ecosystem Fund initiatives.

Danone will also **create new alliances to manage risks across its water cycle**, from upstream agriculture through its own operations.

5. OFFER HEALTHIER DIET OPTIONS USING NATURAL RESOURCES SUSTAINABLY



We are committed to stand with our employees and consumers in their quest for good health by encouraging diets and lifestyles that will bring the most benefit in people’s lives. And we recognize that consumers are looking for health and sustainability in order to trust the Danone brands they enjoy.

Our goal is to offer preferred and healthier diet options produced in a resource-efficient way, using sustainably-sourced ingredients. We will continuously explore new recipes and innovate products aimed at offering better nutrition / a carbon footprint ratio versus previous product versions or versus nutritional alternatives in the market. This goal will be embedded in R&D innovation processes “by design,” which should ensure long-term consistency in our approach and pave the way for future sustainable business growth.

MEASURE, BE TRANSPARENT AND ESTABLISH THE RELEVANT GOVERNANCE

To manage this journey in the most effective way, we need to set milestones with clear carbon plans. The next milestones are 2020 and 2025. We will renew our Climate Plan every five years after that to adjust Danone’s efforts, unless major changes occur during the trajectory. We will keep track of state-of-the-art scientific developments aimed at establishing a link between the over-arching 2°C target and sectorial efforts required to adjust our own mitigation targets and plans (carbon intensity and/or absolute “net” levels of emissions). Leading “Science Based Targets” initiatives include the Sectorial Decarbonization Approach methodology developed by the World Research Institute, UN Global Compact, WWF and Carbon Disclosure Project.

Since Danone set for itself an initial target to reduce its carbon footprint by 30% on DDR scope between 2007 and 2012, we have learnt that carbon is a very good indicator to measure the impacts on natural ecosystems and assess company progresses to use natural resources more efficiently. Since 2008, Danone has measured and reported its carbon footprint using the DanPrint tool based on PAS 2050 method. The objective has been to track CFP at multiple levels in the company (e.g. individual products, brands, subsidiaries, divisions...) to engage carbon reduction plans and projects in each country. Danone was also the first company worldwide to innovate in co-creating with the Software company SAP an integrated calculation module embedded in our Enterprise Resource Planning (ERP) systems to measure CFP. In 2015, Danone consolidated Carbon numbers from subsidiaries using this module account for 35% of group sales.

Danone’s target is to **roll-out this innovative Carbon Module in 100% of SAP-compliant subsidiaries by 2020.**

Our commitment is to comply with internationally-recognized standards and be transparent in reporting GHG emissions on Danone’s full scope of emissions. In 2014, Danone was scored “A” on “transparence” and 97/100 on “performance” by the Carbon Disclosure Project (CDP), and is a member of the CDP Climate Leadership Index (top 10 companies).

Danone will also establish the relevant governance and actions to “enable” the ambition:

- internal governance with Executive Committee sponsorship
- external expert advisory panel
- management objectives/incentive plans
- internal carbon pricing mechanisms



OTHER KEY INITIATIVES

CONTRIBUTE TO INTERNATIONAL STANDARDS INITIATIVES

Danone will continue to contribute to the work of the European Union Product Environmental Footprint project, which aims at defining the methodologies and standards to calculate product environmental impacts, including CFP. In the US, Danone subsidiaries have also been members of the Sustainability Consortium.

USE ONLY CLIMATE FRIENDLY REFRIGERANTS

Certain refrigerants have a significant impact on greenhouse gas emissions, particularly HFCs and CFCs. In the framework of the Consumer Goods Forum, Danone has committed to cease buying refrigerators with HFCs for its own fleet. Danone began updating its proprietary refrigerator fleet at points of sale in 2010 to ensure that only “climate friendly” refrigerants based on CH or CO₂ technologies are in use.

CONTRIBUTE TO REDUCE FOOD WASTE

Danone endorses the European collective initiative “Every Crumb Counts”¹ through which signatories commit to contributing to an overall 50% reduction in food losses by 2020. It has also committed to implement WRI Food Waste measure methodology to provide a 2016 baseline in 2017.

ENGAGE CONSUMERS IN “CARBON POSITIVE“ PROGRAMS THROUGH BRAND MARKETING ACTIVATION:

Danone subsidiaries like Villavicencio in Argentina, Danone in Brazil, Bonafont in Mexico, Zywiec in Poland and Aqua in Indonesia have helped restore more than 1,500 hectares of mangroves and forests and protect 80,000 hectares of ecosystems in partnership with local NGOs.

