5.2 NATURE

Contents

NATURE STRATEGY

Danone's ambition is to transform its value chain by developing solutions that preserve and regenerate nature.The following topics are developed under this section:

- Fight against climate change
- Preservation of the water resource
- Biodiversity
- Circular economy: packaging, waste and food waste
- Regenerative agriculture (see section 5.3 *Regenerative Agriculture*).

Governance

In 2022, Danone's environmental strategy is sponsored by the Chief Executive Officer and the Chief Sustainability and Strategic Business Development Officer, members of the Executive Committee. In coordination with the Chief Sustainability Officer and the Chief Cycles & Procurement Officer, they review its implementation, priorities and key issues within the Group governance dedicated to sustainability topics.

The review and implementation of this strategy are, as for the other sustainability topics, among the responsibilities of the governance bodies involved on all sustainability topics:

- Corporate Governance bodies (Board of Directors and CSR committee),
- Internal Governance bodies (Executive Committee, Global Sustainability Board, Global Sustainability Compliance Board, Risk Committee).

Furthermore, the strategy is monitored through the following global and local departments:

- the Sustainability Department, reporting to the Chief Sustainability and Strategic Business Development Officer, which designs and implements the Climate strategy, roadmaps and actions plans,
- the Sustainable Finance Department, reporting to the CFO, which manages the performance.

These teams work closely together and with:

- the Sustainability Teams in each Category as well as the teams of each Global Function involved (Cycles & Procurement, Operations, Research & Innovation, Marketing and Sales),
- the Categories and subsidiaries, which apply the operational, prevention and risk management action plans, and employ nearly a hundred correspondents.

Environmental risk and management systems

Environmental management systems and tools

Danone developed its environmental management system based on the international standard ISO 14001. Danone also certifies its main production sites in accordance with this standard, which is a prerequisite for obtaining the highest level of performance in its Global Risk Evaluation for ENvironment (GREEN) program (see hereinafter).

	Year ended December 31	
	2021	**2022**
ISO 14001 certification[a]		
Number of certified sites	83	84
Percentage of certified sites	46%	48%
Percentage of volumes covered	65%	68%

(a) Production Site Environment scope, see *Methodology Note*.

GREEN audit program

Danone deploys its Global Risk Evaluation for ENvironment (GREEN) program worldwide. The Group commissions external and internal audits to identify and monitor the main environmental risks at its production sites and the implementation of the environmental management system.

The Group can thus monitor and control atmospheric emissions (greenhouse and refrigerant gases), discharges into water (wastewater) and soil (treatment plant sludge and waste generated by livestock at some subsidiaries) resulting from its activities, as well as measure noise pollution generated by its production sites. The GREEN framework includes an assessment of the water-related risks, which methodology was reviewed and updated in 2020 by the Water Cycle team (see section *Preservation of the water resource*).

Danone deploys action plans at non-compliant sites in order to remediate non-conformities.

	Year ended December 31	
	2021	**2022**
Sites having undergone a GREEN audit		
Number of sites	129	123
Percentage of sites	72%	71%
Percentage of production covered by a GREEN audit	81%	82%
Compliance with GREEN standards		
Number of compliant sites	108	105
Percentage of compliant sites	84%	85%
Percentage of compliant production	91%	93%

FIGHT AGAINST CLIMATE CHANGE

Governance

The CEO and the Chief Sustainability and Strategic Business Development Officer sponsor the Group climate strategy. The review and implementation of the climate strategy are, as for the other sustainability topics, among the responsibilities of the governance bodies involved on all sustainability topics:

- Corporate Governance bodies (Board of Directors and CSR committee);
- Internal Governance bodies (Executive Committee, Global Sustainability Board, Global Sustainability Compliance Board, Risk Committee).

The CFO is responsible for climate-related measuring, controlling and reporting, including assessment and management of climate risks and opportunities, as his main role is to ensure that Danone is creating economic value while meeting long-range sustainability goals, including the journey to curb GHG emissions in line with 1.5°C.

A new Chief Sustainability Officer position reporting to the Chief Sustainability and Strategic Business Development Officer was created in 2022. Her role consists in driving the sustainability agenda, including climate related agenda, in relation with Cycles & Procurement, Operations and Finance.

The Chief Procurement and Cycles Officer (CPO) reports to the Chief Operating Officer (COO). His role consists in both assessing and managing climate-related risks and opportunities in Danone's sourcing strategy. The CPO endorses this responsibility due to the high materiality of procurement categories, representing nearly 80% of Danone's total emissions.

The Board of Directors oversights climate-related issues, and is informed notably thanks to the CSR Committee, composed of 5 board members. In 2022, Danone climate policy was presented to the CSR Committee and the Board of Directors.

Identifying the risks related to climate change

Danone has assessed the consequences of climate change and identified the following medium-term risks:

- availability of ingredients (milk, fruit, etc.) in regions exposed to drought and bad weather;
- exceptional climate events that could affect production sites located near coastlines;
- availability of water resources and degradation of watersheds and groundwater, with a potential impact on Danone's activities and relations between the subsidiaries and local stakeholders;
- price volatility for its product packaging materials and impacts on its activities;
- financing the transition toward more sustainable agricultural practices.

Furthermore, as part of the recommendations made by the Taskforce on Climate-related Financial Disclosures (TCFD), Danone has mapped the potential and existing impacts of climate change, as well as the climate-related risks and opportunities (see table hereafter). This information has enabled Danone to develop three climate change scenarios based notably on IPCC's Representative Concentration Pathways (including 1,5°C pathways), carbon prices and the evolution of agricultural production systems and consumer dietary patterns. It also enabled Danone to assess the resilience of its activities, its strategy and the related financial impacts. This map has reinforced the Group's development strategy relating to plant-based products, its ambitious regenerative agriculture program and its circular economy approach.

Over the period 2020-2030, transition risks and opportunities are the most significant for Danone, as illustrated in the table below, while physical risks are expected to become more significant over the period 2030-2050.

Risk and opportunity categories	Risk and opportunity descriptions	Probability of occurring between 2020 and 2030	Significance of the potential financial impact 2030–baseline scenario [a]	Significance of the potential financial impact 2030–alternative scenarios [a][b]
Transition risks	Shift to plant-based alternatives	High	++	+++
	Growing consumer engagement in fighting climate change	High	++	+++
	Carbon pricing in the procurement of packaging and logistics	Medium	++	++/+++
	Carbon pricing in the cost of direct operations	Medium	++	++
	Increasing reporting obligations	Medium	+	+
Physical risks	Water stress and thermal stress on the milk supply chain	Medium	++	++
	Water stress and thermal stress on agricultural ingredients	Medium	++	++
	Extreme events affecting direct operations	Low	+++	+++
	Water stress on direct operations	Low	++	++
	Impact of climate change on product use	Low	+	+

(a) The significance of the financial impact has been assessed on the basis of the reduction in the Group's profit margin if the risk occurs.
(b) Some risks have two impact assessments because their financial impact differs depending on which climate change scenario is concerned.

Policies and action plans

Climate Policy
As part of its Climate Policy, Danone pledged in 2015 to achieve net zero emissions throughout its entire value chain by 2050 (scopes 1, 2 and 3, *i.e.* all direct and indirect emissions) by reducing its greenhouse gas emissions and offsetting remaining emissions. In 2019, Danone underlined its pledge by signing the "Business Ambition for 1.5°C pledge" at the UN Climate Summit. In order to reach its Net Zero goal, Danone has developed the following strategy:

- cutting greenhouse gas emissions;
- transforming the agricultural practices of its supply chain;
- keeping more carbon in the ground;
- eliminating deforestation from its supply chain;
- offsetting remaining greenhouse gas emissions.

Action plans – reduction of emissions
Danone's greenhouse gas emissions reduction trajectory is consistent with the United Nations Framework Convention on Climate Change (UNFCCC). To achieve this, in 2017 the Group set interim targets, which were also approved by the Science Based Targets initiative (SBTi) and were in line with 2°C pathways. In December 2022, Danone's 1.5°C near term science-based targets were validated by the SBTi. Danone committed to:

- reduce absolute scope 1 and 2 energy and industrial GHG emissions 47.2% by FY2030 from a FY2020 base year (the target boundary includes land-related emissions and removals from bioenergy feedstocks);
- reduce absolute scope 3 energy and industrial GHG emissions from purchased goods and services, fuel- and energy-related activities, upstream transportation and distribution, waste generated in operations, downstream transportation and distribution

and end of life treatment of sold products 42% by FY2030 from a FY2020 base year;

- reduce absolute scope 1 and 3 Forest Land and Agriculture (FLAG) GHG emissions 30.3% by FY2030 from a FY2020 base year (the target includes FLAG emissions and removals);
- no deforestation across its primary deforestation-linked commodities with a target date of FY2025.

In 2022, Danone updated its climate roadmap to match its 1.5°C ambition.

Scope 1&2 Energy and industrial
In 2022, Danone announced Re-Fuel Danone, a Global Energy Excellence Program to drive energy efficiency, resilience and its operations' decarbonization journey, that aims to improve energy efficiency by 30% by 2025 compared to 2022 baseline, thanks to harnessing digital innovation and leveraging on Danone's existing engineering expertise. This program also added a new commitment to 50% renewable energy in 2030 to the existing pledge of 100% renewable electricity in 2030, defined as part of the RE100 initiative, a global corporate group of businesses committed to 100% renewable electricity. The first interim milestone of 50% renewable electricity was achieved in 2020 (see section *Outcomes*).

Scope 1 and 3 FLAG
In 2022, Danone updated its Milk roadmap to align it with its 1.5°C FLAG target, and identified the first three priority countries for the acceleration of its regenerative agriculture program between 2023 and 2025, with actions focused on developing cover crops, manure and herd management, reduction of the feed footprint, for example through local sourcing of feed. Farmer's engagement and training will be a key success factor in the transition towards regenerative agriculture, and rely on the Farming for Generations program (see section 5.3 *Regenerative Agriculture*).

Danone has a long history of working with key dairy ingredient suppliers in order to promote continuous improvement in the sustainability of dairy ingredients including the reduction of greenhouse gas emissions. The reduction of their GHG emissions is based on 3 pillars:

- Supplier engagement and collaboration: in 2021 Danone launched with the SAI (Sustainable Agriculture Initiative) Platform an integrated sustainability engagement framework with dairy ingredients suppliers, the Sustainable Dairy Partnership (SDP);

- Monitoring of performance: in 2022, Danone contributed within the SAI Platform to launch the SDP carbon module aiming to harmonize carbon reporting for the dairy sector and enable better monitoring of the emissions of dairy ingredients suppliers, and of the results of their action plans;

- New ways of partnership: in 2021 Danone and its supplier Royal FrieslandCampina closed a first 3 years partnership to implement sustainable farming practices and to roll out concrete carbon reductions projects together with farmers in the Netherlands. It has supported around 600 farmers in their day-to-day transition to more sustainable dairy farming models. The partnership was extended for 3 more years, with the objective to reach around 25% greenhouse gas emissions reduction over the course of the multi-year collaboration.

Danone has been updating in 2022 its dairy ingredients roadmap to align it with its 1.5°C FLAG target.

Deforestation is a key pillar of Danone's Climate strategy, and a lever to reduce the emissions of non-dairy raw materials. In 2022, Danone issued its renewed Forest Policy, with the ambition to continue and amplify efforts in protecting and restoring forests. The policy is further detailed under section *Biodiversity*.

Scope 3 Energy and industrial
In 2022, Danone updated its Packaging roadmap to align it with its 1.5°C target, and built new roadmaps on Logistics and Comanufacturing.

Action plans – Offsetting remaining emissions
Danone pledges to offset remaining greenhouse gas emissions while implementing solutions intended to improve the quality of life of the most vulnerable communities. Accordingly, Danone takes part in reforestation programs and schemes to restore natural ecosystems, notably through the Carbon Livelihoods Fund, of which Danone is a shareholder. The aim of the Livelihoods Carbon Fund is to sequester or avoid 20 million metric tons of CO_2 emissions over 20 years through a dozen projects in Asia, Africa and Latin America.

Carbon neutrality of production sites
Danone also builds its net zero commitment around the carbon neutrality of its production sites. The production plant Poços de Caldas in Brazil has been certified by the Carbon Trust in 2021 on the 3 environmental goals: carbon neutrality, water reduction and zero-waste to landfill. The site is fully powered by renewable electricity, part of which is generated by the 1,500 solar panels covering the parking lots and walkways of the production site. In 2022, the production plants in Wuhan and Qionglai in China were certified carbon neutral by SGS.

Focus – Training and awareness programs
Danone raises awareness and trains its employees on environmental issues through training sessions and online training programs.

In 2020, Danone launched an e-learning course on the transition to carbon neutrality. This course, available on the Group's training platform, is built around a general-purpose module directed at all employees and includes more technical modules particularly intended for employees responsible for leading the environmental performance of the Group. In 2021, an additional e-learning module on net zero emission was made available to all its employees to support Danone's 2050 commitment.

In 2021, Danone launched a new training course to support the launch of Danprint 2.0, the upgraded version of its carbon footprinting tool. The software facilitates the measurement of a product's carbon footprint over its entire life cycle and allows the comparison of the impact of various design scenarios.

In 2022, Danone launched a new training course to support the launch of the Initiative Module, a new tool allowing to track climate action plans all over the Group.

The Sustainable Finance Department continues to train employees involved in the categories and subsidiaries on the methodology which should be used to monitor environmental performance and its recent developments.

Outcomes

### *Energy efficiency and renewable energies*

	Year ended December 31	
(in MWh)	**2021**	**2022**
Thermal energy [a]	3,203,185	3,160,015
Electricity [a]	1,995,902	1,972,672
Total	**5,199,087**	**5,132,687**
Energy consumption intensity *(in kWh per metric ton of product)*	149.2	146.5
Total reduction in energy intensity since 2000 *(in kWh per metric ton of product)*	**46%**	**47%**

(a) Production Site Environment scope, see section 5.10 *Methodology Note.*

Energy consumption intensity decreased by 1.8% in 2022 compared to 2021.

Intensity of total energy consumption at production sites
(in kWh per metric ton of product)
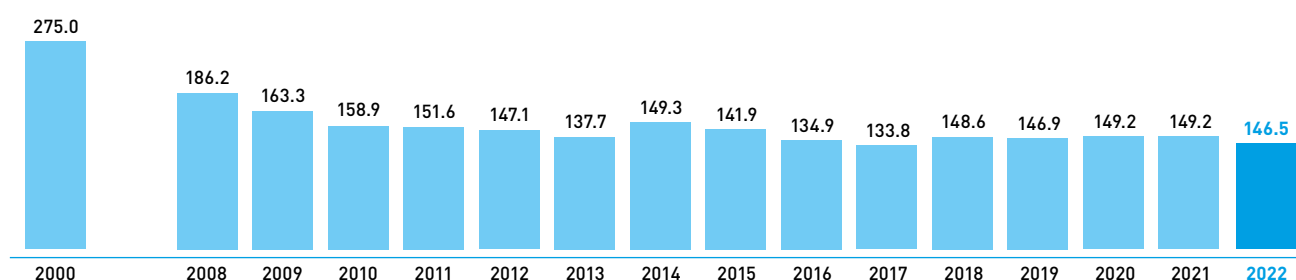
By the end of 2022, total energy consumption intensity at production sites declined by 47% compared to 2000 (+1 point compared to 2021).

Renewable energy use

	Year ended December 31	
	2021	**2022**
Production sites purchasing 100% renewable electricity [a]	87	109
Percentage of renewable electricity [a]	68.5%	70.5%
Percentage of renewable energy [a]	29.8%	31.4%

(a) Production Site Environment scope, see section 5.10 *Methodology Note.*

Thanks to the switch to renewable electricity sources in Indonesia, Mexico, and in the Steenvoorde Supply Point in France, 109 production sites purchased electricity from 100% renewable sources (wind, hydro, etc.) in 2022, compared to 87 in 2021, contributing to a total of 70.5% of Danone's electricity purchases in 2022 (compared to 68.5% in 2021). Furthermore, its total energy use from renewable sources (electricity and thermal) represented 31.4% of its total energy use in 2022 (compared to 29.8% in 2021).

Greenhouse gas emissions

Danone measures the greenhouse gas emissions of its entire value chain (scopes 1, 2 and 3) based on the international GHG Protocol developed by the World Resources Institute and the World Business Council for Sustainable Development (Greenhouse Gas Environment scope, see section 5.10 *Methodology Note*).

Greenhouse gas emissions on scopes 1 and 2

For scopes 1 and 2 energy and industrial emissions, Danone includes all emissions sources from activities under the operating control of its production sites, warehouses and vehicle fleets.

Danone set its scope 1 and 2 energy and industrial emissions target according to the GHG Protocol "market-based" method in order to reflect the share of renewables in its energy mix (Greenhouse Gas Environment scope, see section 5.10 *Methodology Note*).

Its total emissions in metric tons of CO_2 equivalent for scopes 1 and 2 energy and industrial decreased by 3.7% between 2021 and 2022, mainly due to the switch to renewable electricity sources in Indonesia, Mexico, and in the Steenvoorde Supply Point in France. Since 2020, these emissions decreased by 18.0%.

Scope 1 and 2 energy and industrial emissions, market-based (in ktCO2) [a]	2021	2022	Year ended December 31 2030 science-based target
Scope 1	684	666	
Scope 2	295	276	
Total Scopes 1 & 2 energy and industrial emissions	**979**	**942**	
Absolute energy and industrial emissions reduction, scopes 1 and 2, market-based since 2020	**14.8%**	**18.0%**	**47.2%**

(a) Greenhouse Gas scope & SBT scope, see section 5.10 *Methodology Note.*

Emissions linked to the production of fresh milk in farms owned by Danone have remained stable in 2022 and not material compared to scope 3 emissions of fresh milk purchases.

(in ktCO2eq) [a]	2021	2022
Scope 1 FLAG	164	165

(a) Greenhouse Gas scope & SBT scope, see section 5.10 *Methodology Note.*

Greenhouse gas emissions on scope 3

Danone measures indirect emissions from the following scope 3 categories (Greenhouse Gas Environment scope, see section 5.10 *Methodology Note*).

(in ktCO2eq)	2021	Year ended December 31 2022
Purchased goods and services	19,206	18,708
Upstream transportation and distribution of goods	300	336
Downstream transportation and distribution of goods	2,079	2,132
Use of sold products	830	733
End-of-life treatment of sold products	769	840
Fuel and energy related activities	262	252
Waste generated by operations	125	99
Total Scope 3	**23,571**	**23,100**

Greenhouse gas emissions on scopes 1, 2 and 3

Greenhouse gas emissions inventory (in ktCO2eq) [a]	2021	Year ended December 31 2022
Scope 1 including FLAG	848	831
Scope 2 [b]	295	276
Scope 3	23,571	23,100
Total Scopes 1, 2 and 3	**24,714**	**24,207**

(a) Greenhouse Gas scope, see section 5.10 *Methodology Note.*
(b) Market-based.

Danone's total emissions from its value chain in 2022 for scopes 1, 2 and 3 decreased by 0.5 million tons CO_2 equivalent compared to 2021, mainly due to the results of the regenerative agriculture action plans.
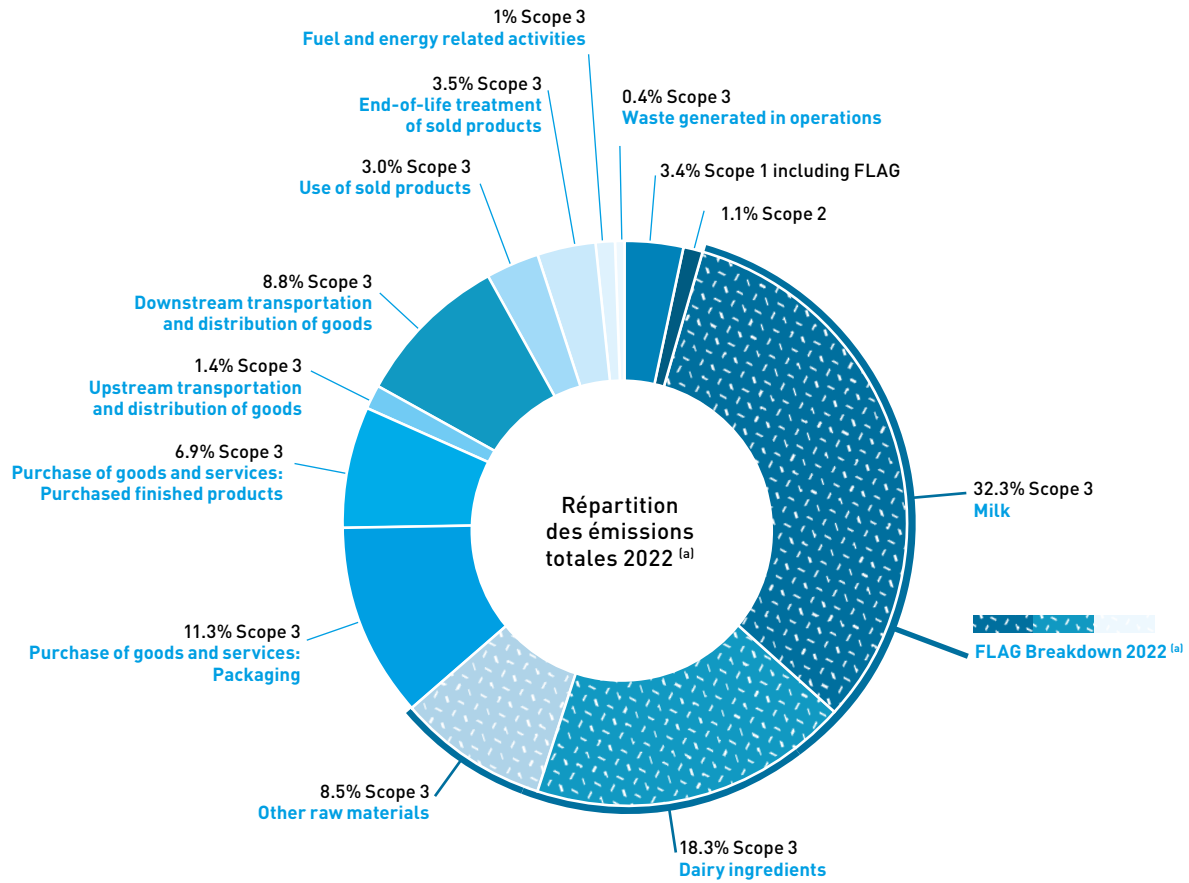
In 2022, Danone continued to measure the effects of its ambitious plan to shift to regenerative agriculture, particularly in the following countries (see section 5.3 *Regenerative Agriculture*):

- in Russia, due to soy certification and traceability and moving to local alternatives;

- in the United States, due to improvements on feed, manure management and enteric fermentation;

- in Brazil, due to action plans to improve herd diets, genetics and management (e.g. Educampo program), and improved pasture management;

- in South Africa, due to the implementation of soil health program since 2018 with improvements on soil, yields & sequestration, as well as manure management improvements.

With 95.4% of Danone's total emissions across its value chain, scope 3 represents the largest contributor, more than those from scope 1 (3.4%) and scope 2 (1.1%).

In 2019, Danone reached the peak of its carbon emissions on scopes 1, 2 and 3, five years ahead of its original target (2025).

1% Scope 3
Fuel and energy related activities

3.5% Scope 3
End-of-life treatment of sold products

0.4% Scope 3
Waste generated in operations

3.0% Scope 3
Use of sold products

3.4% Scope 1 including FLAG

1.1% Scope 2

8.8% Scope 3
Downstream transportation and distribution of goods

1.4% Scope 3
Upstream transportation and distribution of goods

6.9% Scope 3
Purchase of goods and services: Purchased finished products

32.3% Scope 3
Milk

FLAG Breakdown 2022 [a]

11.3% Scope 3
Purchase of goods and services: Packaging

8.5% Scope 3
Other raw materials

18.3% Scope 3
Dairy ingredients

Répartition des émissions totales 2022 [a]

(a) Greenhouse Gas scope, see section 5.10 *Methodology Note*.

Danone's FLAG emissions have decreased by 3.3% between 2021 and 2022, due to the milk action plans described above, making its total emission reduction on its FLAG science-based target -8.3% compared to its 2020 baseline. Danone scope 3 energy and industrial emissions ("non FLAG" scope 3) have increased by 1.8% between 2021 and 2022, making its scope 3 energy and industrial emissions increase 0.7% vs its 2020 baseline.

(in ktCO$_2$eq)[a]	2021	2022	2030 science-based target
Scope 1 FLAG	164	165	
Scope 3 FLAG	14,809	14,314	
Total FLAG	14,973	14,479	
Absolute Total FLAG emissions reduction since 2020	**-5.2%**	**-8.3%**	**-30.3%**
Scope 3 energy and industrial	7,219	7,347	
Absolute Scope 3 energy and industrial emissions reduction since 2020	**-1.1%**	**0.7%**	**-42.0%**

(a) SBT scope, see section 5.10 *Methodology Note*.

External recognition

In 2022, CDP recognized Danone as one of the world's leading companies in terms of its environmental performance and its transparency in fighting climate change, fighting deforestation and protecting water resources, for the fourth consecutive year, being one of only thirteen companies in the world awarded with the "triple A" rating for its 2021 performance in the CDP Climate Change, CDP Forests and CDP Water questionnaires.

Since 2018, Danone has used an environmental performance criterion in its Group Performance Shares plans for approximately 1,750 of its senior executives, based on its CDP Climate Change score. In 2021, Danone strengthened this environmental performance condition by taking into account, in addition to its performance in the CDP Climate Change, its performance in the CDP Forests and CDP Water. In 2022, Danone increased the percentage of its long-term incentive grant linked to its performance in the CDP Climate

Change, CDP Forests and CDP Water (see section 6.4 *Details of long-term incentive plans*).

CDP has also recognized the Group as a world leader for its strategy and actions to fight climate change with the suppliers in its supply chain. As a result of its 2021 actions, it was included for the fourth consecutive year in the CDP Supplier Engagement Leaderboard.

In October 2022, The Carbon Trust certified Danprint 2.0, Danone's product carbon footprint tool that allows the comparison of the impact of various design scenarios, against three external standards:

- Greenhouse Gas Protocol – Product Life Cycle Accounting and Reporting Standard (2011);

- ISO 14067:2018 – Greenhouse gases – Carbon footprint of products – Requirements and guidelines for quantification;

- PAS 2050: 2011 – Specification for the assessment of the life cycle greenhouse gas emissions of goods and services.

Focus – Alignment with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD)

Danone's disclosures related to climate change are in line with the recommendations of the TCFD. The following reconciliation table makes it possible to identify the main information of this Universal Registration Document with disclosures related to these recommendations.

	Sections
Governance	
a. Oversight by the Board of Directors of climate-related risks and opportunities	6.1
b. Management role in assessing and managing climate-related risks and opportunities	5.1, 5.2, 5.3, 6.1
Strategy	
a. Climate-related risks and opportunities identified over the short, medium and long term	2.6
b. Impact of climate-related risks and opportunities on the Company's businesses, strategy and financial planningoupe	5.1, 5.2, 5.3
c. Resilience of the Company's strategy, taking into consideration different climate scenarios, including a 2°C or lower scenario	5.2, 5.3
Risk management	
a. Processes for identifying and assessing climate-related risks	5.1, 5.2, 5.3
b. Processes for managing climate-related risks	5.1, 5.2, 5.3
c. Integration of processes for identifying, assessing and managing climate-related risks in the Company's overall risk management	2.6, 2.7
Metrics and targets	
a. Metrics used to assess climate-related risks and opportunities, in line with the Company's risk management strategy and process	5.1, 5.2, 5.3
b. Greenhouse gas emissions for scope 1, scope 2 and scope 3 and the related risks	5.2, 5.9, 5.10
c. Targets used to manage climate-related risks and/or opportunities and the Company's performance against these targets	5.2, 5.3, 6.4

PRESERVATION OF THE WATER RESOURCE

Definition

Water stewardship is a strategic focus for Danone's operations and supply chain and the Group recognizes the strategic importance of the topic for the planet and its communities. Thus, the Group has a three-step approach to identify risks, actions and impacts in order to act, preserve and restore natural ecosystems, wetlands and the natural water cycle, where it matters the most. These three steps are the following ones:

- understanding exposure to water-related risks through a water risk assessment done for Danone's production sites and sourced ingredients using the Water Risk Filter and the World Resources Institute Aqueduct for Food tools;

- developing mitigation and adaptation plans leveraging different set of interventions: regenerative agriculture for its supply chain, water efficiency within its production sites and Nature-Based solutions in the ecosystem around its production sites;

- developping a cost and benefit analysis to prioritize interventions based on the economical, societal and environmental values they can generate.

Policies

In the frame of its 2020 Water Policy, Danone promotes an innovative approach and integrated management of the resource. These are based on a thorough risk assessment and on local water cycle scientific diagnosis, and performed with the support of Danone hydrogeological experts deployed in identified priority geographical areas in collaboration with local scientists. The actions involve the mobilization of all local water users, the joint design of action plans and the development of governance models ensuring long lasting of actions implemented that can lead to positive impact: *i.e.* water, carbon and biodiversity ones. The actions are deployed within the following scopes:

- preserving water resources throughout its value chain;

- rethinking circularity within and around the production sites;

- providing access to safe drinking water for vulnerable people and communities.

Risk identification

In 2020, the Water Cycle team reviewed the water risk assessment process for its operations, taking into account the physical, regulatory and reputational risks, to provide (i) a detailed and structured picture of all watershed and production site risks, and (ii) the baseline for defining priorities and action plans. The methodology behind this risk assessment as well as the development of local mitigation plans follows various steps:

1. Watershed risks assessment. That uses the Water Risk Filter tool developed by the WWF to identify watersheds located in areas with water physical risk, including floods, water stress, scarcity;

2. Operational water risks assessment. That is based on the Water Risk Filter tool developed by the WWF to identify the water-related risks faced by the operating sites on physical, regulatory and reputational water risks;

3. Local implementation of action plans through local roadmaps. Danone has set up a specific tool that guides the teams in (i) defining and implementing a water stewardship projects (using SWAN methodology, set up by Danone) particularly in water-stressed areas, (ii) adopting the most suitable practices for the context to mitigate local water risks.

To understand the proportion of water withdrawn from stressed areas, Danone uses the Water Risk Filter, a public database and interactive mapping tool, that provides information on water-related risks based on the exact localization of the production sites.

Danone prioritizes the development of water stewardship plans suited to sites located in water-stressed areas. In 2020, Danone found that 17% of its production sites were located in high or extreme water risk areas. This assessment still remains relevant for 2022.

In addition, Danone assessed the water risk of its main 69 ingredients from its supply chain, through the Aqueduct water risk tool, from the World Resources Institute. This analysis, focused on water stress, highlights priority ingredients to deep dive on and helps to prioritize actions.

Danone brings together all internal stakeholders needed for the effective implementation of the Water Policy by means of (i) committees for information-sharing and joint design of action plans in production sites and watersheds, (ii) the creation of a special working group on water stewardship in the Danone supply chain (representing 89% of its water footprint), and (iii) work to implement regenerative agriculture.

Danone also works with its stakeholders on trainings. For example, during the COP26, Danone launched new open-source water stewardship training, developed in partnership with WWF and Ramsar (the Convention on Wetlands), to help build local water stewardship capacities in and beyond Danone's value chain.

5

Preserving and restoring water resources in agriculture and watersheds

PRIORITIES UNDER 2020 WATER POLICY	ACTION PLANS AND OUTCOMES
Relating to agriculture From 2020 onwards: ● *develop, for the direct milk supply chain, plans to support farmers in five high-priority areas;* ● *ask all its suppliers to set up water stewardship plans.* By 2025: ● *implement pilot projects using an integrated landscape approach on a regional scale for five other key ingredients: milk, soy, almonds, strawberries and sugar cane.* By 2030: ● *For ingredients produced in highly water-stressed areas:* ● *reduce the water use of farmers with which Danone works in high-risk areas by 25%;* ● *increase the size of buffer zones by at least 15%;* ● *optimize fertilizer use on farms for 75% of milk, fruit, almond and soy volumes*	In 2020, Danone worked to (i) identify the main ingredients on the basis of criteria such as the volume, expenditure or environmental footprint, and (ii) assess the water-related risks for all 69 ingredients in its supply chain. Danone uses the results obtained to define its priorities and its water stewardship plans for the ingredients produced in areas with a high or extreme water risk. In 2021, 20 ingredients, particularly milk, were identified at risk. For all these ingredients, Danone defined phased roadmaps as well as mitigation and adaptation plans. These remain relevant for 2022. For example, together with the WWF, Danone South Africa developed a project in the Southern Drakensberg region, suffering from water scarcity. The Group aims to preserve water resources by actively working to improve water access to local communities as well as working with local dairy farmers to transition towards regenerative agriculture practices. Danone is also working on other key ingredients such as strawberries, beetroot, sugar cane, almonds (see Danone's website for more information). For example, Danone is developing projects on almonds grown in California and Spain. In this regard, a study to baseline ecosystem performance of Danone's main supplier in the USA has been launched. This study aims to study 5,265 acres from 56 fields at 4 orchards. The study has looked at water quantity, water quality and also soil health and biodiversity allowing to set targets for their regenerative agriculture practices adoption and road map targeting better water management in the orchards studied.
Relating to watersheds By 2030: ● *build plans for protecting and/or restoring 100% of the watersheds in which Danone operates, located in highly water-stressed areas (55 watersheds);* ● *work locally to create an effective governance system with the stakeholders or integrate actions into the existing governance bodies;* ● *develop a new, "open source" Danone platform on water stewardship, to share data and scientific studies and train the internal and external players concerned on integrated water stewardship*	In 2022, 52 of the watersheds in which Danone has production sites are at-risk for which preservation and restoration plans should be started and implemented. To improve water resource stewardship and encourage biodiversity, soil health and carbon sequestration, Danone develops solutions such as agroforestry, wetland protection or agriculture optimization. Danone created and is currently leading the worldwide Nature Based Solutions (NBS) alliance in order to (i) define green solutions shared between companies and civil society organizations, and (ii) draw up suitable decision-making processes for the water resource stewardship programs. NBS provide actions to protect, sustainably manage and restore natural and modified ecosystems that address societal challenges effectively and adaptively, simultaneously providing human well-being and biodiversity benefits. Between 2020 and 2022 Danone deployed 12 watershed protection plans. In 2022, *Evian* celebrated the many initiatives it has developed over the past 30 years with local communities to ensure the preservation of water resources, in particular through the Association pour la Protection de l'Impluvium de l'Eau Minérale Evian (APIEME) co-founded in 1992.

Rethinking circularity in and around Danone's production sites

PRIORITIES UNDER 2020 WATER POLICY	ACTION PLANS AND OUTCOMES
By 2030: • *implement a collaborative 4R Strategy (3R – Reduce, Reuse, Recycle/Reclaim) on all production sites;* • *ensure that 100% of the clean water discharged directly by the sites located in highly water-stressed areas is reused to reduce the pressure on watersheds;* • *reduce the water consumption intensity of all physical high risk production sites by 50% or reach Best in Class category*	**Ensuring that water discharges are of high quality and increasing water circularity** In 2021, the Group has reviewed its internal standards, the Clean Water Standards (CWS) to align with the wastewater treatment plants capacities and with various country regulations. In 2022, 76% of its facilities comply with the CWS. The production sites implement improvement plans to achieve these standards. In addition, Danone has been working for more than 20 years to make more effective use of water in its operations by prioritizing a collaborative approach. For example, the EcoWash program in Indonesia has resulted in 30% water savings for *AQUA* (Waters Category, Indonesia) brand factories compared to the previous generation of 20L returnable bottle washers. This program also enabled to reduce detergent and disinfectant consumption by 3% and 22% respectively. The EcoWash program has thus contributed to the 142 million litres of water saved by *AQUA* brand in 2021. In 2020, the Group boosted its approach by adding the fourth pillar, Reclaim, to its 3R Strategy (Reduce, Reuse, Recycle). In order to encompass these efforts in all production sites, and related to the water policy commitments, the 4R roadmaps and action plans are being deployed to optimize the water usage and reinforce second life for water. In 2022, 86% of its facilities had a 4R action plans, compared to 55% in 2021. For example, in 2021, Danone initiated new industrial "ReUT" facilities at two *Mizone* (Waters Category, China) production sites. Thanks to this program, 25% of the treated wastewater at the Wuhan site and 51% at the Xian site were reclaimed in 2021, Danone is committed to implementing second life projects for its industrial wastewater through (i) internal uses, with reuse as industrial water or (ii) external uses with for example road washing by the municipality to support air quality. In parallel, at a bottled water production site in France from the *Volvic* brand, the Group has initiated a project to reuse its wastewater internally, which will save 500 million litres of water by 2024. In 2021, this production site started a 14-month pilot phase. Co-financed by the Agence de l'Eau Loire Bretagne, the objective is to demonstrate the potential of reuse of treated wastewater as process water. In 2022, Danone's largest reclaim unit in Wevelgem, Belgium has produced 700 million liters of reclaimed water from treated wastewater, enabling a plant water intake reduction of 50% and a water discharge volume reduction of 70% compared to 2020 without reclaim. The favorable and progressive environmental Belgian legislation, the optimal system design and a way to operate with a skilled partner, made this project a success that Danone plans to replicate from 2023 in other locations such as North America, Mexico and Europe.

Providing access to safe drinking water for vulnerable people and communities

PRIORITIES UNDER 2020 WATER POLICY	ACTION PLANS AND OUTCOMES
By 2030: • *sign the WBCSD WASH Pledge for access to safe water, sanitation and hygiene at the workplace;* • *create the Water Access Acceleration Fund (W2AF) to support social businesses providing water access;* • *provide daily access to safe drinking water for 50 million people*	Danone pledges to give all its employees access to safe drinking water, sanitation and hygiene, which is consistent with the UN Sustainable Development Goal 6, "Clean Water and Sanitation", and the standard of the World Business Council for Sustainable Development. Danone signed the Pledge in 2022 and aim to a full compliance to the standard by 2025. Globally, across its operations, nearly 89% of Danone's production sites were compliant with the WASH Pledge self-assessment in 2022 (89% in 2021). Danone's Water brands also play a key role in providing access to safe drinking water such as for example, *AQUA* in Indonesia who partnered with the organization Water.org to extend access to safe drinking water (10 liters brought to local communities for each one-liter bottle purchased). In addition, the *AQUA* brand also deployed a program to support the Indonesian Government objective to achieve 100% universal access to clean water by 2030, aligning with the UN Sustainable Goal targets. In 2022, thanks to this program, *AQUA* has provided water access to about 71,000 beneficiaries (56,037 in 2021).

Outcomes

Water use in operations

	Year ended december 31	
(in thousands of m³)	**2021**	**2022**
Water drawn from the surrounding area [a]		
River water	2,822	2,810
Municipal water	22,475	20,985
Well water	42,452	43,088
Total water drawn volume	67,749	66,883

(a) Production Site Environment scope, see section 5.10 *Methodology Note*.

In 2022, the total volume of water withdrawn decreased by 1.3% compared to 2021. The uses associated with this total volume of water withdrawn in 2022 are as follows:

- 44% went into finished products, mainly at bottling plants, or was used for by-products;
- 56% was used in industrial processes, with details given in the table below.

	Year ended December 31	
(in thousands of m³)	**2021**	**2022**
Water related to the production process [a]		
Consumption (in thousands of m³)	38,559	37,376
Intensity of consumption (in m³ per metric ton of product)	1.11	1.07
Reduction in water consumption intensity since 2000	**50%**	**52%**

(a) Production Site Environment scope, see section 5.10 *Methodology Note*.

At the end of 2022, the reduction in water consumption intensity since 2000 has increased by 2 points compared to 2021.

Discharged wastewater quality and Chemical Oxygen Demand (COD)

In all its production sites, Danone applies strict concentration limits to all wastewater discharges into the environment. These limits are based on Clean Water Standards (CWS) and are measured using applicable methods. Net chemical oxygen demand (COD), *i.e.* the amount of oxygen required to oxidize organic and mineral compounds in water, characterizes the quality of wastewater discharges from production sites after any on- or off-site treatment. Danone's assessment of off-site treatment effectiveness is based on certain assumptions (see section 5.10 *Methodology Note*).

	Year ended December 31	
	2021	**2022**
Final discharge of chemical oxygen demand (COD) [a] *(in thousands of metric tons)*	5.06	4.27
Net COD ratio [a] *(in kg/ton of product)*	0.15	0.12

(a) Production Site Environment scope, see section 5.10 *Methodology Note*.

In 2022, the construction of new on site wastewater treatment plants in Ghana and Mexico enabled a reduction of the Net COD ratio per ton of product by 18% compared to 2021.

BIODIVERSITY

Definition

Biodiversity impacts, risks and opportunities are covered through four focus areas at Danone: water (see section *Preservation of the water resource*), forests and deforestation (see section *Fight against Climate Change*), sustainable sourcing (ingredients), and soil (see section 5.3 *Regenerative Agriculture*).

Policy: eliminating deforestation from the supply chain

Policies related to water stewardship around watersheds and regenerative agriculture are developed respectively under section *Preservation of the water resource* and under section 5.3 *Regenerative Agriculture*.

To cover the main impacts, risks and opportunities related to biodiversity in the upstream supply chain, Danone has developed a set of policies aiming to eliminate deforestation from its supply chain. At the end of 2022, Danone continued to progress towards its goal, focusing on key forest risk raw materials–palm oil, paper and board and soy.

The deforestation-related action plans of Danone are based on two general policies–its Forest Footprint Policy and its Packaging Policy–and three special policies assessed by the Global Canopy Program (Palm Oil, Soy, and Paper and Cardboard Packaging). Danone publishes a dedicated report annually on its website on the progress made regarding key ingredients.

Forest Footprint Policy

In 2012, Danone launched its Forest Footprint Policy to eliminate deforestation from its supply chain by end of 2020, focusing on six main raw materials: palm oil, soy, paper and cardboard packaging, wood biomass, sugar cane, and bio-based raw materials for packaging. By 2020, Danone achieved close to 100% certified sustainable sources across several of its highest risk commodities. However, in the decade after the launch of Danone's original Forest Policy, deforestation has continued to accelerate and climate change impacts are being felt around the world. It is Danone's plan to go further and faster by delivering verified deforestation and conversion free supply chains across five priority commodities by 2025 and moving to a regenerative future. The policy was reviewed, updated, presented to the Board of Directors and published as 'Renewed Forest Policy 2022' in December. Going forward, this new policy will supersede Forest Footprint Policy and its related forest-risk commodity specific policies.

Palm Oil Policy

Danone has pledged to ensure the traceability and provenance of the palm oil it uses. It must come from plantations whose expansion does not threaten forests, in particular High Conservation Value (HCV) and High Carbon Stock (HCS) or tropical peatland. Also, the plantations must respect the rights of indigenous populations and local communities as well as the rights of all workers.

In 2022, Danone used approximately 69,140 metric tons of palm oil (compared with 67,498 metric tons in 2021). The increase was the result of increased sales in Africa and Specialized Nutrition Category.

Soy Policy

Danone has pledged to contribute to the development of a responsible supply chain for the soy used in its plant-based products and for use in animal feeds. Its Soy Policy consists of increasing transparency across its entire supply chain and notably promoting local protein-rich crops, alternatives to soy imports that help local farmers become more autonomous in animal feed production. Its goal is also to ensure the traceability of the soy used in animal feed for dairy cows from regions with a low deforestation risk. Danone also works with the Round Table on Responsible Soy (RTRS) association for the purchase of credits supporting the transition toward sustainable soy.

Packaging Policy and Paper and Cardboard Packaging Policy

Through its Packaging Policy, Danone aims to guarantee the circularity of its packaging and accelerate the transition toward a global circular economy (see section *Circular economy*).

Danone has also developed a special Paper and Cardboard Packaging Policy with several leading NGOs (notably Rainforest Alliance), setting out three aims:

- switch to lighter-weight packaging across its product range;
- use recycled fiber whenever possible;
- if not, use FSC certified virgin fibers or equivalent.

Beyond its policies and action plans, Danone is committed to continuing to work with its peers and suppliers to accelerate progress and foster systemic change on this issue.

Action plans and outcomes

The actions taken are about bringing more transparency on Danone upstream supply chain, driving the change through positive projects, mitigating risks and addressing alerts whether addressing environmental or human rights issues. They all contribute to Danone's raw material sustainable sourcing due diligence.

Upstream supply chain transparency and risk mitigation through certification

With input from independent experts, Danone is working on transparency for the following priority categories:

palm oil:

- Danone works with Earthworm Foundation to ensure traceability of palm oil. In 2022, 88% of the palm oil sourced by Danone was certified Roundtable on Sustainable Palm Oil (RSPO) segregated, 9% was certified RSPO Mass Balance and the remaining 4% was conventional palm oil sourced in Africa (the 5% decrease of RSPO segregated volumes compared to 2021 was largely caused by global supply chain disruption). According to its most recent mill mapping over the first semester 2022, Danone maintained 98% traceability to plantation. These initiatives were recognized by the CDP and enabled Danone to obtain for the fourth year in a row the highest score possible in the CDP Forests–Palm Oil questionnaire for its transparency and its environmental performance in fighting deforestation. In addition, the Group continues to publish updated list of its palm oil direct suppliers and mills as well as the grievance process on its website;

soy:

- soy used in plant-based products: in Europe (Alpro) and in North America, soy comes from areas with very low deforestation risk. In addition, 100% of soy used for the Alpro brand is ProTerra-certified;

- soy for animal feed: Danone estimates that soy accounts for less than 5% of the feed consumed by the dairy cows in its supply chain. In order to identify the deforestation risks accurately, Danone has been conducting country by country assessment of soy feed volume and origin through its Cool Farm Tool. At the end of 2022, Danone has analyzed soy sourcing for 95% of its milk volume (increasing its milk sourcing coverage from 86% in 2021 with integration of Morocco as an additional country in Cool Farm Tool's scope), of which 56% is from low-risk origin, 7% is certified, and out of the remaining 37%, 29% potentially at risk are compensated through Round Table on Responsible

Soy (RTRS) credits.The Group's key strategy focus to tackle deforestation risks for soy feed are:

- increase traceability systemically;
- promote sustainable soy through engagement with farmers and dairy processors;
- encourage feed autonomy through local and / or alternative protein.

paper and board

- in 2022 Danone worked thoroughly to strengthen and finalize its Forest Policy, including Paper, consulting internal stakeholders frequently to ensure smooth implementation and prioritization of traceability and verified Deforestation and Conversion Free (DCF). Because of these efforts, Danone expects to have maintained 99% of paper and board packaging made of recycled fibers or virgin certified (FSC, PEFC, SFI) fibers. At the moment this report was published, the 2022 data collection was still ongoing. The exact numbers will be confirmed in the first semester within our annual Forest Update.

Transparency and traceability being key enablers for sustainable sourcing, Danone is also mapping the chain and using certification for the following priority ingredients in relation to human rights risks:

fruit:

- in 2022, 100% of Danone's fruit supplies were traceable up to the Group's Tier 2 suppliers;

cocoa:

- Based on volumes purchased in 2022, approximately 79% is certified within one or more programs (Rainforest Alliance, Organic, Fair Trade, Fair For Life). This decrease versus 2021 (86%) is the result of initiating a better traceability process in 2022. At the moment this report was published, the 2022 data collection was still ongoing. The exact numbers will be confirmed in Q2 within our annual Forest Update;

sugar cane:

- In 2022, Danone reached 94% traceability to mill (88% in 2021). Danone purchased 51% certified cane, up from 33% in 2021.

Driving the change for responsible sourcing

Impact Projects

The Group works directly with selected producers further up its supply chain and has developed many collaborative projects that help producers address environmental and labor issues, such as:

- a vanilla plantation project in Madagascar supported by the Livelihoods Fund for Family Farming (L3F). The aim of this project, which involves 3,000 family farms, is to develop solutions that improve the quality and traceability of vanilla production, boost food security for farmers and preserve biodiversity. For instance, an impact study performed in 2022 shows that the project has achieved to preserve 770 hectares of local biodiversity in Pointe à Larrée protected area. Overall, according to 88% of producers, the human activities that are threatening biodiversity have decreased significantly;
- together with the Livelihoods Fund for Family Farming (L3F), Danone has launched a 10-year project to help 2,500 small-holder palm oil farmers achieve a sustainable transition in Sumatra Island, Indonesia. The project will build a transparent and deforestation-free supply chain thanks to locally adapted agroforestry models, regenerative agriculture, and biodiversity enhancement. The project is brought together with Mars Incorporated, L'Oréal, and implemented locally by Musim Mas and SNV. It will help regenerate 8,000 hectares of palm farms in degrading land areas, while restoring additional 3,500 hectares of local biodiversity over 10 years;

- the Regenerative Coconuts Agriculture Project (ReCAP) in Thailand, started in 2020. Danone Ecosystem Fund, Harmless Harvest, the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and Danone teamed up with farmers to restore biodiversity and sequester carbon. The surge in demand of the "Nam Hom", an aromatic variety of coconut from Thailand, has led to monocropping and agriculture practices that can be damaging for local ecosystem and unsustainable for the climate, causing many environmental problems ranging from soil erosion to loss of biodiversity. The objective is to have 350 farmers trained to implement regenerative agriculture practices.

Collaborative initiatives

Danone participates in the One Planet Business for Biodiversity (OP2B) coalition, Forest Positive Coalition in Consumer Goods Forum and also to several dedicated palm oil platforms such as Palm Oil Innovation Group (POIG) and RSPO, as well as more generic platforms such as the Sustainable Agriculture Initiative (SAI).

Managing grievances and alerts related to raw material

Since 2019, Danone has implemented a grievance mechanism for palm oil, with the support of the Earthworm Foundation. Currently this mechanism is also being used for other commodities. Danone is working to adapt the process to track and manage more effectively all commodity alerts.

A dedicated team meets regularly to address any incoming NGO and media alerts. When allegations of noncompliance against producers arise, the Group carries out an investigation with support from internal and external experts, and in particular Tier 1 suppliers. If a low-risk non-conformity has been confirmed, Danone asks the producers to develop an action plan to resolve the non-conformity. In the case of a high-risk non-conformity, which has occurred most often for palm oil, the Group works with its Tier 1 suppliers and can choose to suspend the non-compliant producers until they demonstrate concrete progress towards its commitments. Danone informs all of its active suppliers about the suspension decisions and the suspended producer is only allowed to enter the Group's supply chain after demonstrating progress and, ultimately, with Danone's consent.

In 2022, Danone registered 14 new alerts linked to deforestation and human rights violations, 12 of which were related to palm oil and 2 to other commodities.

In total, the Group is monitoring 28 alerts that have been brought to its attention by organizations such as Earthworm Foundation, Chain Reaction Research, Global Witness and Friends of Earth.

According to Danone's grievance mechanism, the alerts are being investigated and monitored in dialogue with the parties involved and the supporting NGOs and experts. For 4 of the cases Danone has a suspension in place.

CIRCULAR ECONOMY
Circularity of packaging

Definition

Packaging is essential to Danone's mission as it allows food and beverages protection, an increased shelf-life and a reduction of food waste. The Group works to offer nutritious, high-quality food and drinks in packaging that is 100% circular. This means eliminating the packaging it does not need, innovating so all the packaging it needs is designed to be safely reused, recycled or composted and ensuring the material it produces stays in the economy and never becomes waste or pollution. Danone works with numerous value chain stakeholders to accelerate the transition to a circular economy.

Process to identify material impacts, risks and opportunities

Circular Packaging topic is managed in a cross-functional way including key functions such as Research & Innovation, Procurement, Operations, General Secretary with the coordination by Circular Economy dedicated team.

Regulatory monitoring is undertaken by General Secretary function at national and regional levels. A global policy assessment is undertaken on a yearly basis to inform on policy trends and anticipate upcoming developments.

Danone packaging footprint is assessed on a yearly basis with volumes put on the market and environmental Key Performance Indicators (KPIs) calculated for each country and for each type of packaging. These environmental KPIs include packaging recyclability rates, actual recycling rates, recycled content usage and greenhouse gas emissions.

Identification of risks

Thanks to this approach and processes, Danone is able to identify:

- license to operate risks in relation to regulatory measures and retailers packaging guidelines/ restrictions;
- consumer level of pressure and expectations in terms of packaging sustainability;
- environmental impact of its packaging, in particular, in countries of operations where waste management infrastructure is lacking

or where there is a high risk of leakage into the environment or the oceans.

Packaging Policy

In 2018, Danone signed up to the Ellen MacArthur Foundation (EMF) Global Commitment on Plastics and published its Packaging Policy, setting out the roadmap to shift from a linear to a circular economy of packaging.

Danone's packaging policy has been defined based on the vision & principles of EMF and follows three guiding principles/policies:

Packaging designed for circularity:

- design 100% of its packaging to be reusable, recyclable or compostable;
- act to eliminate problematic or unnecessary plastic packaging;
- launch alternatives to plastic and single-use packaging across all major markets of the Water brands.

Packaging reused, recycled and composted in practice: co-building effective and inclusive systems for collection and recycling and engaging consumers.

Preservation of natural resources: shifting away from fossil resources, by integrating recycled content, and using renewable materials.

Partnership and collective initiatives

Danone is strongly connected to NGOs and part of key initiatives acting on the transition to circular economy for packaging. Through these initiatives, Danone is looking to participate in global action and work on systemic solutions to packaging waste issue. Among the most significant, Danone is involved in the following partnerships:

- the Ellen MacArthur Foundation: Danone is a member of EMF New Plastics Economy initiative Advisory Board and is participating to EMF yearly progress report on Global Commitment targets. The Group hence supports the Foundation in driving progress, providing transparency, and informing legislation;
- the Consumer Goods Forum Plastic Waste Coalition of Action (CGF PWCoA), which aims to set standards and align industry to improve plastic collection and recycling.

5

Actions plans and outcomes

Danone aims to using 100% reusable, recyclable or compostable packaging, with set of actions and progress including the following:

- **accelerating reuse models:**
  - in several countries, such as Indonesia, Mexico and Turkey, Danone sells reusable water containers, as well as reusable glass packaging for the hotel, cafés and restaurant industry. In 2022, more than 50% of the worldwide sales volumes by the Water brands were sold in reusable packaging;
  - Danone tested returnable glass bottles in Germany under *Volvic* brand and launched an offer for the HORECA sector in Spain under *Lanjaron* brand.
  - for its Dairy business, Danone is successfully expanding its dairy dispenser offer for HORECA in Spain

- **eliminating problematic or unnecessary packaging and diversifying the use of materials:**
  - the Group continued working on PVC elimination (decrease of 91% since 2018), with plans to complete phase out, achieving a PVC free portfolio;
  - end 2021, Danone launched *Danacol* bottle with no sleeve in Spain, removing around 94 million sleeves per year (equivalent of 130 tons of plastic.

The Group also continued its diversification with the launch of new PET yogurt pots in France.

As of 2022, 84% of Danone packaging is reusable, recyclable or compostable (stable vs. 2021). Specifically for plastic packaging, it represented 74% (stable vs. 2021). During the year, the Group used 762,519 tons of plastic (compared with 750,994 tons in 2021), due to an increase of sales volumes for the Waters category .

Danone is engaged into co-developing efficient and inclusive collection and recycling systems, through a collaborative approach with its ecosystem.

Danone is supporting Extended Producer Responsibility (EPR) principle including Deposit Return Schemes for beverage bottles.

The Group has endorsed EMF position paper on EPR as a necessary part of the solution to packaging waste and pollution. It is also collaborating within CGF Plastic Waste Coalition of Action to align position on key principles for EPR and advocate for global implementation.

Danone is also working on co-building efficient collection systems, engaging with local partners notably in Europe and North America to create sustainable recycling streams for yogurt pots.

The Group supports countries where infrastructures and recycling systems are not fully developed.

Danone committed 15 million dollars in the Circulate Capital Ocean Fund (CCOF) for the development of recycling infrastructure in South and South East Asia. CCOF has committed to date more than 60 million dollars. In 2022, its portfolio companies had an impact on an additional ~100 kilotons of plastic leakage prevented and created more than 1,300 safe and stable additional jobs in the collection and recycling sector.

Moreover, the brand *AQUA* has also partnered with CCOF to fund and scale up Reciki, one of Indonesia's leading waste management companies.

Lastly, Danone Ecosystem Fund continues to support actively 5 inclusive recycling projects in 5 countries.

Danone is committed to preserving natural resources and aiming at reducing usage of fossil materials.

Danone works to reintegrate recycled materials in its packaging and increase the use of renewable materials.

In 2022, Danone achieved the following results:

- 11.9% recycled materials on average in its plastic packaging (compared with 10.4% in 2021);
- 21.0% recycled PET (rPET) used on average by the Waters category (compared with 20.6% in 2021) and 26.4% in countries where local standards and regulations allow it (compared with 27.4% in 2020).

The Group continued the launch of 100% rPET bottles. Since end 2021, all Danone's main water brands have at least one format in 100% recycled materials (where authorized).

Danone is also actively supporting new recycling technologies to reach its sustainable packaging ambition. In 2022, the Group has secured partnership with Loop Industries to enhance closed-loop recycling for PET bottles and enable the recycling of hard-to-recycle packaging and materials.

Danone pioneered circular economy concept for packaging by co-creating Eco-Emballages (now Citeo) in France in 1992, and with *Evian* being the first brand to use rPET for natural mineral water in France in 2008.

The Group fully embraced the ambition of a circular economy of packaging when it joined Ellen MacArthur Foundations New Plastics Economy initiative in 2017 and signed the 2018 Global Commitment on Plastics, spearheaded by Ellen MacArthur Foundation.

Since then, Danone has been working to advance on its targets as well as to advocate for a collective global transition.

Since 2018, Danone has demonstrated tangible progress in key areas such as in virgin plastic reduction, reuse, recyclability rate and recycled content. Still, the Group has experienced systemic barriers–from underdeveloped reuse, collection and recycling infrastructure to scarcity of recycled content.

These systemic barriers need to be overcome together with other industry players across the value chain and policy makers, notably through regulation. This is why Danone has advocated since 2020 with World Wide Fund For Nature (WWF) and EMF for an ambitious and binding UN Treaty on Plastics as this is an important opportunity in unlocking and accelerating the Group own progress on plastics circularity.

Building on the learnings gathered and challenges faced over the last years, and acknowledging the need to reduce greenhouse gas emissions related to packaging, Danone will continue to drive the transition of its activities to a circular and low-carbon packaging system. The Group is hence setting new targets:

- design our packaging for circularity with 100% reusable, recyclable or compostable packaging by 2030;
- half the use of virgin fossil-based packaging by 2040, with a 30% reduction by 2030, accelerating reuse and recycled materials;
- lead the development of effective collection systems to recover as much plastic as we use by 2040.

WASTE MANAGEMENT

Danone monitors waste production and recovery through implementing practices such as recycling, reuse, composting and waste-to-energy. The Group's production sites seek to maximize the recovery rate for their waste through on-site sorting and staff training. To that end, these sites enter into agreements with subcontractors that can recover the various types of waste generated.

	2021	2022
Industrial waste [a]		
Total quantity of industrial waste *(in ktons)*	364 [b]	344 [b]
Ratio of total quantity of industrial waste per metric ton of product *(in kg/tons)*	10.4 [b]	9.8 [b]
Proportion of industrial waste recovered	91.9% [b]	93.5% [b]
Packaging industrial waste [a]		
Total quantity of packaging industrial waste *(in ktons)*	115	114
Ratio of total quantity of packaging industrial waste per metric ton of product *(in kg/tons)*	3.3	3.3
Proportion of packaging industrial waste recovered	97.3%	98.4%
Proportion of plastic packaging waste recovered	96.5%	98.2%

(a) Production Sites Environment scope, see Note 5.10 *Methodology Note.*
(b) Excluding sites from the Water category for Food Waste.

The amount of industrial waste generated per metric ton of product declined by 5.7% between 2021 and 2022, due mainly to a decrease of food waste generated in production sites. In 2022, the recovery rate for industrial waste increased by 1.6 point compared to 2021 (Production Site Environment scope, see Note 5.10 *Methodology Note*).

The recovery rate for plastic packaging waste at the production sites totaled 98.2% in 2022 (compared with 96.5% in 2021). In 2022, 1.7% of post-industrial packaging waste was sent to landfill (2.7% in 2021). The target is to achieve 0% by 2025.

Reducing food waste

Definition

Danone is committed to reduce Food Waste in its end to end supply chain. For that purpose, the Group launched an extensive global program named the Battle against waste. The program is designed to deliver sustainability and productivity targets. The dual project engages end to end supply chain stakeholders, partners externally with suppliers and customers and leverages internal expertise in order to halve Danone's food waste.

Policies

Danone closely monitors and reports food waste generated in its end-to-end supply chain and continuously optimizes processes, by driving internal awareness and building losses reduction capabilities, investing in new manufacturing technologies, re-purposing and up-cycling, where possible, and redistributing food surplus. The program is tracked via a robust reporting system and is driven by individually allocated targets for each production site and selling unit. Performance is reviewed on a quarterly basis.

Targets

Danone's target is to (i) reduce waste in its operations and its supply chain, notably by combating food loss and recovering food waste, and (ii) help reduce loss and waste prior to and following its direct operations by means of partnerships, consumer education or improved product markings.

Under the resolution against food waste adopted by the Consumer Goods Forum in 2015, Danone has pledged to reduce its non-recovered food waste by 50% to 3 destinations (Landfill, Sewer, Refuse/Discards) between 2016 and 2025.

The Group strengthened this ambition in line with the United Nations' Sustainable Development Goal (SDG) 12.3 by joining the 10x20x30 Initiative and by going beyond non-recovered waste. To achieve this, Danone has committed to halve its food waste ratio to 8 destinations (Landfill, Sewer, Refuse/Discards, Controlled Combustion, Not Harvested, Land Application & Co/Anabolic Digestion) throughout its operations and distribution chain between 2020 and 2030, on a like-for-like basis.

Action plans

Danone adopts a collaborative approach to reducing food waste–from farm to fork–across its entire product portfolio, involving consumers, suppliers, distributors and partners in the process. The Group reduces food waste not only within its operations but all along its value chain as follows:

- **upstream,** by working with its suppliers. For example, the Group engaged three of its main fruits' preparation suppliers into the 10x20x30 platform, committing to reduce by half their food waste by 2030;

- **in its production sites, warehouses and logistics centers,** by creating a Food Waste Champions network in each production site in order to track and reduce food waste and loss within operations. This network enables to (i) foster the sharing and deployment of best practices among Danone's operations, (ii) enable the consistency of the reporting on food waste and loss, and (iii) develop and implement audit methodology with external

experts. Furthermore, the Group redistributes its surplus food to specialist charities in order to support vulnerable communities. Lastly, any unavoidable food waste is preferentially sent to recovery streams with higher valorization, consistently with Sustainable Development Goal 12.3;

- **downstream,** by acting to reduce waste through new consumers channels: in 2022, Danone worked with local partners such as Too Good To Go to raise awareness around food waste and inform consumers on date labeling. The Group continued to influence the shift its date labels from "use-by" date to "best-before" date in key European markets. In addition, Danone Germany introduced an online clearance sales shop for wholesalers in Germany and Austria. Through these new sales channels, Danone exclusively offers products with a shorter minimum freshness at discounted rates. This online clearance sales shop was awarded the "Too Good For The Bin" prize in the category "digitalization" by the German Federal Ministry of Food and Agriculture.

Year ended December 31

	Production sites [a][b]		Production sites and supply chain [b][c]	
	2021	**2022**	**2021**	**2022**
Food waste management				
Total quantity of food waste generated *(in ktons)*	249	230	321	295
Ratio of total quantity of food waste per metric ton of product sold *(in kg/tons)*	29.2	28.0	35.7	35.2
Ratio of total quantity of food waste recovered per metric ton of product sold *(in kg/tons)*	26.1	25.5	29.0	29.3
Proportion of waste recovered	89.4%	91.2%	81.1%	83.0%
Ratio of total quantity of food waste non-recovered per metric ton of product sold *(in kg/ tons)*	–	–	6.8	6
Reduction in the ratio of total quantity of food waste non-recovered per metric ton of product sold since 2016, on a like-for-like basis [d]	–	–	-27.2%	-34.1%
Ratio of total quantity of food waste per metric ton of product sold, excluding waste intended for animal feed and the processing of biomaterials (in kg/tons) - SDG 12.3	–	–	23.0	21.2
Reduction in the total quantity of food waste per metric ton of product sold, excluding waste intended for animal feed and the processing of biomaterials - SDG 12.3, since 2020 on a like-for-like basis	–	–	-5.3%	-13.5%

(a) Production Site Environment scope, see Note 5.10 *Methodology Note.*
(b) Excludes sites from the Waters category.
(c) Production Site Environment scope see Note 5.10 *Methodology Note.*
(d) Based on constant consolidation scope and methodology.

The ratio of total quantity of food waste non-recovered per metric ton of product sold since 2016 decreased in 2022 by an additional 6.9% in 2022 compared to 2021, mainly due to results of action plans on supply chain food waste in Morocco, and on industrial food waste in the United States and in Russia.

5.3 REGENERATIVE AGRICULTURE

Definition

Agriculture is the biggest source of Danone's greenhouse gas emissions (representing 59% of total emissions in 2022) and 89% of its water use. As a food company, one of the most important ways to deliver positive environmental and societal impact is through the chosen farming model. Danone is firmly committed to regenerative agriculture and promoting practices that protect soil, water, biodiversity and animal welfare, whilst also supporting farmers in a just transition toward more resilient agricultural models that protect farmer livelihoods and decent working conditions for workers.

Policies

Since 2017, Danone has been designing and deploying a Regenerative Agriculture Program. In 2021, Danone published its Regenerative Agriculture Framework that complemented and strengthened the 2015 White Paper. This framework details the concept of regenerative agriculture, defines a set of practices and a strategy to drive the transformation on the ground. Danone's regenerative agriculture approach is based on the following three pillars:

- protecting soils, water and biodiversity (also reinforced by Danone's Water and Deforestation Policies);

- empowering generations of farmers;

- bolstering animal health and welfare.

It is a key lever of Danone's 1.5°C roadmap to reduce greenhouse gas footprint, through increased carbon sequestration in soils and reduced emissions (e.g. by increasing feed autonomy on farm and improving manure management and fertilization practices).

Danone's 2025 Entreprise à Mission target of sourcing 30% of its volumes of key ingredients such as fresh milk, soy, oats and almonds from farms that have begun to transition to regenerative agriculture is one step in Danone's wider ambition to make regenerative agriculture practices the norm across its dairy farms and ingredient sourcing.

In 2022, the Group paved the way for accelerating its work on empowering generations of farmers by publishing its Human Rights Policy. Empowering means developing sustainable relations with farmers, supporting them in the transition of their practices, via funding and training, and assessing farmers and workers livelihoods and working conditions in order to develop appropriate and enhanced human rights due diligence.

Danone has also made a number of animal health and welfare commitments and priorities, which are formalized in its Animal Welfare Position Paper and for which a progress report is published regularly. Danone's approach to animal health and welfare was developed in collaboration with the NGO Compassion in World Farming (CIWF) and is based on the five freedoms, recognized internationally by the Farm Animal Welfare Council. In 2022, Danone published a position paper documenting on animal research.

Action plans and outcomes

Danone works with a large number of farmers, including 58,000 dairy farmers, worldwide. Danone's global, regional and local teams work hand in hand with farmers, suppliers and technical partners to support farmers and develop action plans and roadmaps for continuous improvement towards more resilient, sustainable and economically viable farms. These roadmaps are tailored to where the farms are in their regenerative agriculture and decarbonization journey, and what the farms' challenges are, in order to prioritize improvement practices, bearing in mind trade-offs and co-benefits.

Regular monitoring helps to establish a clear understanding of where farms in the supply chain are currently placed in their regenerative agriculture transition journey and what steps Danone needs to take to support them to go further. This also allows for increased supply chain transparency and enables continuous improvement. Danone assesses farmers' practices and / or impact on the three pillars of regenerative agriculture, based on a number of tools. These include Cool Farm Tool worldwide (in 14 countries) or CAP2ER (in France) to monitor GHG footprint of the purchased milk, Danone regenerative agriculture scorecards on the environmental and social pillars, as well as Danone animal welfare grid (see each sub-section below).

Danone also works with many partners, NGOs, universities and agricultural technicians to promote the adoption of best agricultural practices and share learnings with the farming communities and supporting ecosystem. For example, Danone created the Farming for Generations (F4G) global alliance in 2019, bringing together 8 leading agricultural players across the entire dairy value chain and 3 world renowned advisory partners (Wageningen University, WWF France and Compassion in World Farming). This alliance aims to provide a forum for peer-to-peer exchanges of information on topics such as animal welfare, herd management, emissions reduction, soil health or biodiversity, with a continuous improvement approach. In 2019, Danone and F4G partners set up pilot projects in 33 farms in 8 countries (in Europe and the United States). The alliance has created a toolbox, which as of 2022 has more than 50 solutions for holistic improvement on farms. The toolbox provides solutions on: animal health and welfare, herd management, nutrient cycle management, feed autonomy and feed efficiency, soil health, emissions reduction and farm management skills. By 2022, more than 225 farmers have implemented practices on their farms and 98% of them improved their performance or kept the practice after one year. F4G has now also reached more than 2,600 farmers, sharing learnings through farmers events, webinars, newsletters and the Danone Regenerative Agriculture Knowledge Center (see section *Empowering (new) generations of farmers and assessing farmers and workers conditions*).

In parallel, Danone continues to actively work with coalitions such as Sustainable Agriculture Initiative (SAI) Platform, OP2B (One Planet Business for Biodiversity) and with peers to accelerate and scale the transition to regenerative practices in the food and beverage sector, as well as in other sectors relying on agriculture. Danone also collaborates with its suppliers of key ingredients by developing strategic partnerships, such as its partnership with Royal FrieslandCampina to reduce greenhouse gas emissions on farms (see section 5.2 *Nature*).

Protecting soils, water and biodiversity

The first pillar (environmental) of Danone's regenerative agriculture framework - protect and restore soils, water and biodiversity – focuses on enhancing soil organic matter content, increasing soil carbon sequestration capability, strengthening biodiversity, and protecting and retaining water resources (see section 5.2 *Nature* section *Preservation of the water resource*).

In 2021, Danone introduced two resources, the Danone Regenerative Agriculture Handbook and Scorecard, to support field technicians and practitioners to assess a farmers' level of adherence to regenerative agriculture practices, advise them on best practices and to develop continuous improvement plans. These resources were updated in 2022 to incorporate feedback from the previous assessment campaign, and were embedded in a digital tool, to improve engaging with local teams and collecting farm information. This new digital survey was piloted in more than 25 farms in Europe, North and Latin America and from 2023 onwards will allow for better data quality at scale.