



NATURE BY DANONE



DANONE'S INITIATIVES TO FIGHT CLIMATE CHANGE

INTRODUCTION / CLIMATE CHANGE AT THE HEART OF DANONE'S COMMITMENT TO NATURE

Danone's company mission is to bring health through food to as many people as possible.

**BRINGING HEALTH
THROUGH
FOOD
TO AS MANY PEOPLE
AS POSSIBLE**

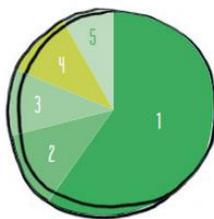
"At Danone, because we believe that healthy food can only come from a healthy nature and that the energy and raw materials we consume change the nature of our planet, we are continuing our efforts to reduce our environmental footprint." Danone CEO Emmanuel Faber thus underlines the need for the company to achieve its mission while taking care of the ecosystems impacted directly by Danone's activity.

In 2014, the company announced new ambitious objectives with its Nature 2020 plan. For Danone, reducing the environmental footprint means taking action in four priority areas: climate, water, packaging and agriculture. Reducing the carbon footprint, securing sustainable raw materials, managing water resources and improving packaging design and end-of-life represent both a challenge in terms of innovation and an opportunity to consolidate Danone's competitive advantage.

This document presents what Danone has done so far for the first of the four pillars – the fight against climate change –in an overview of the projects, results and upcoming challenges.

1 / MEASURING THE CARBON FOOTPRINT

TOTAL CO₂ EMISSIONS OVER THE PRODUCT LIFE CYCLE*



1 - RAW MATERIALS	59%
2 - PACKAGING	13%
3 - PRODUCTION	10%
4 - LOGISTICS	10%
5 - END OF PRODUCT LIFE	8%

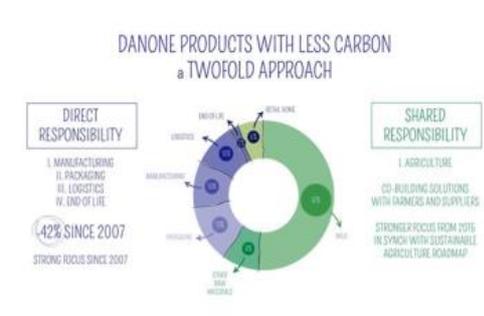
*Includes agricultural inputs.

To reduce its environmental footprint, Danone must first be able to measure it. Carbon emissions are a vital indicator in the fight against climate change, so their level is monitored with meticulous care. Since 2008, the company has developed and deployed a measuring tool, Danprint, making it possible to measure the carbon footprint throughout the entire product life cycle and in all its subsidiaries throughout the world. Danprint was then integrated into the information systems as a standard feature, thanks to an innovative solution developed in collaboration with the software publisher SAP. Once the tool was up and running, Danone's work since 2013 has involved synchronizing measurement methodologies with its main suppliers.

In 2014, the "Carbon Disclosure Leadership Index" (part of the "Carbon Disclosure Project - CDP") acknowledged Danone's efforts in alleviating climate change. The index identified the company as one of France's ten most transparent and effective companies in the fight against climate change. Danone's score was 97. With the new goals set by the company to reduce its carbon footprint, these efforts will be extended. It is therefore more crucial than ever to be able to measure the footprint in an efficient, reliable way.

2 / CONSTANTLY REDUCING THE CARBON FOOTPRINT

In 2007, Danone set itself an ambitious goal: to cut by 2012 its carbon emissions by 30% in intensity on its direct scope of responsibility, which includes packaging manufacturing, logistics and end of life. The company mobilized its teams worldwide, and created a global network of “Carbon masters” and in 2012 had surpassed its objective with a 35.2% reduction. Today, the efforts carried on by the subsidiaries and supported by Carbon Masters all around the world have enabled a 42% decrease of Danone carbon footprint. For some years now, Danone has been introducing initiatives at each step of its chain: production, packaging, logistics and the product’s end of life, mobilizing many departments and transversal teams in this journey.



The next objective is at the heart of the company’s Nature 2020 strategy: to reach a 50% carbon reduction by 2020.

While the company is pursuing its efforts on its direct scope of responsibility, it is also progressively extending them to the agricultural upstream, and more specifically to milk production. In collaboration with its raw material suppliers, Danone is working on reducing its indirect impact which represents half of the carbon-related emissions of the company.

Spotlight on a few best practices:



At the industrial production stage, Danone strives to reduce its energy intensity and promote renewable energies. Since 2011, the Poços de Caldas (Brazil) and Wexford (Ireland) plants have been using sustainably-produced biomass. Since 2008, Stonyfield France has been employing methanization (the re-use of organic waste and gas) to power its pre-treatment water plant.



Innovations in packaging were also necessary to make them more environmentally-friendly and recyclable. In China, Mizone reduced the weight of its water bottles from 40g in 2003 to 28.5g in 2012. The weight of yogurt cups has also been cut by 33% in ten years thanks to "Foam" technology, which introduces air bubbles into the plastic. In addition, Danone is a founding member of the Bioplastic Feedstock Alliance set up in 2013 in collaboration with the World Wildlife Fund and through this multi-stakeholders alliance supports research and development in bio-sourced and biodegradable plastics.



Logistics weigh significantly in the carbon footprint: for instance, they represent a third of the Fresh Dairy Product Division’s emissions. So transport has been optimized to reduce this impact: in Russia and Ukraine, software makes it possible to rapidly recalculate routes; in Spain, drivers have been trained to drive ecologically; in Germany, France, Canada and the UK, the use of trains to transport goods again helps reduce Danone’s carbon footprint.



Danone also takes action at **the end of the product’s life cycle** to reduce its impact. For instance, the Novo Ciclo project in Brazil, supported by the Danone Ecosystem Fund since 2011, improves working conditions for Brazilian waste pickers while securing Danone’s supply in recycled plastics.



Finally, in order to reduce its indirect impact on the **agricultural upstream**, Danone works with milk producers to gear their practices towards more sustainable farming, focusing specifically on feed, water and effluent management and animal welfare. For instance, Danone has collaborated with INRA (the French National Institute for Agricultural Research) to provide cows with food that reduces their methane emissions – the main cause of global warming. In 2014, the company published a "change management guide" in collaboration with international experts, to help farmers change over to more sustainable farming methods.

3 / HELPING NATURE SEQUESTER CARBON



LIVELIHOODS

Act today for a better future

Because it is impossible to maintain an industrial activity without generating greenhouse gases, the evian brand strives to offset its emissions by helping nature sequester more carbon. This ambition is embodied by the Livelihoods fund, created in 2008 as the Danone Nature Fund, and now including nine other partner companies: Crédit Agricole (Crédit Agricole CIB and Delfinances), CDC Climat, Schneider Electric Industries, La Poste, Hermès International, Voyageurs du Monde, SAP, Firmenich and Michelin.

To offset partly these companies' emissions, the fund generates carbon credits with a high social and environmental value. It invests in three types of projects in Africa, Asia and Latin America: the restoration and preservation of natural ecosystems; agroforestry and soil remediation through sustainable agricultural practices, and access for rural populations to energy sources that alleviate deforestation.

By replanting mangrove swamps, remediating soils and forests and providing energy sources that consume less wood, Livelihoods aims to sequester eight million metric tons of carbon over twenty years. In 2014, for the first time, the Fund redistributed 141,941 carbon credits to its shareholders. The evian brand, which boosted its participation in Livelihoods in 2013, looks set to achieve zero net emissions by 2020.

4 / AIMING FOR ZERO DEFORESTATION

Deforestation is one of the main factors in not only global warming but also soil erosion, biodiversity loss and the impoverishment of populations who live in or near forests. So in 2012, to reduce its footprint, Danone made a commitment to eliminate deforestation from its supply chain by 2020. This ambition covers all products and activities in Danone food chain with a negative impact on the state of forests. The company's Forest Footprint Policy has identified six key commodities to focus on: paper and cardboard packaging; palm oil; soy for livestock feed; wood as an energy source; sugar cane and biosourced raw materials for packaging.

To support this ambition, Danone has developed specific policies on paper, soy and palm oil and works in collaboration with various stakeholders:

- the NGO Rainforest Alliance as regards paper and cardboard packaging
- the consulting firm Transitions as regards soy
- and the NGO The Forest Trust as regards palm oil. The latter collaboration enables Danone to go still further than the recommendations of the Roundtable On Sustainable Palm Oil (RSPO), the industry's strictest standard. In 2014, 100% of the palm oil used by Danone was produced according to this standard, but it still was not enough: "The RSPO guarantees that palm plantations are not exploited to the detriment of primary forests, but it does not protect secondary forests or peatlands," says Vincent Crasnier, Nature Director at Danone. The work carried out with The Forest Trust makes it possible to identify high-risk zones and, eventually, to work with producers who contribute to deforestation in order to help them change their practices, and thus progressively transform the sector. Meanwhile, the policy on paper and cardboard packaging enabled a 96% compliance rate in 2014 in four high-risk countries.



Besides there are other projects focused on forest conservation and reforestation. In Argentina, the water brand Villavicencio, in partnership with the NGO Banco de Bosques, has launched the operation "Dejà tu Huella" ("Leave your footprint"): for each bottle of water purchased, Villavicencio undertakes to protect 1 m² of its natural reserve. In Mexico, Bonafont water brand, in partnership with NGO Pronatura Sur, has developed a mangrove swamp restoration project on the coasts of Chiapas and Oaxaca, devastated by a hurricane.

These efforts meant that in February 2015, Danone was one of six companies singled out in the Forest 500 ranking of the Global Canopy Program for their action against deforestation, with a mark of 5/5. The company's next goals are to define specific policies for the three other main commodities (wood, sugar cane and bio-sourced packaging) by 2020, in order to eradicate deforestation from its production chain in the long-term.

CONCLUSION

From now on, Danone's efforts to reduce its carbon footprint will continue with an even broader approach. The company will intensify its efforts not only on its direct scope of responsibility but extending it to upstream agriculture, so that Danone can build further resilience of its complete supply chain and continue to produce healthy food, thanks to a healthy nature.