

Danone Annual Integrated Report 2017: Methodology Note

Preliminary statement: This reporting has been done in accordance with the GRI guidelines (refer to concordance table available in Annual Integrated Report 2017).

Social, Nutrition, Environmental and Danone Way Performances

Consolidation scope and coverage

The consolidation scope consists of all Danone subsidiaries that are fully consolidated for the preparation of the consolidated financial statements — in other words, the subsidiaries in which Danone holds, directly or indirectly, exclusive control.

Nevertheless, some subsidiaries do not report all social, safety, environmental, health and nutrition indicators. These entities were consolidated for financial reporting purposes as of December 31, 2017 and action plans are planned and/or in progress to ensure the availability and reliability of the data. These are primarily the recently acquired entities in Africa, including in particular the companies in the Fan Milk group (EDP International, West Africa), and DanoneWave for the WhiteWave activities scope. Lastly, the list of subsidiaries that do not report certain indicators may differ depending on the types of indicators. The coverage scope varies according to the following Scope indicator categories, as described in the sections hereafter:

Indicator	Scope
Production Site Food Safety	In 2017, 198 production sites were included in the scope considered for FSSC22000 certification. These sites correspond to the production sites for all of Danone's Businesses and do not include the production sites of co-manufacturers and suppliers.
Social Indicators	In 2017, 172 entities representing more than 93% of Danone's total workforce reported social indicators.
Safety	In 2017, 155 entities representing approximately 99.4% of Danone's total workforce reported safety-related indicators. In addition, the safety data of subsidiaries removed from the consolidation scope as of December 31, 2017 is reported up to the date of their deconsolidation but is not included in the workforce as of December 31, 2017.
Production Site Environment	In 2017, 180 (of Danone's 202) production sites representing approximately 95% of the total production of the industrial sites reported environmental indicators. The consolidation scope for environmental indicators excludes the industrial sites of the WhiteWave group entities. The environmental impact of the administrative offices and logistics centers is not included in the consolidation scope (except for certain indicators, when the logistics centers are adjacent to the production sites).
Greenhouse Gases	<p>The presentation of greenhouse gas emissions has changed to ensure consistent monitoring of the reduction target set by Danone in 2015 and approved by the international Science-Based Targets initiative in 2017. The company's total emissions consist of:</p> <ul style="list-style-type: none"> ● scope 1 greenhouse gas emissions, comprising direct emissions from stationary combustion facilities and refrigeration units installed at the industrial sites and warehouses under Danone's operational control, as well as the employee vehicle fleet under the company's operational control. ● scope 2 greenhouse gas emissions, including indirect emissions related to the production of electricity, steam, heating and cooling purchased and consumed by Danone. ● scope 3 greenhouse gas emissions, comprising indirect emissions that are not recognized in scope 2: emissions from raw materials purchasing (including upstream agriculture), packaging, production, transport and distribution, warehousing, product usage and end of useful life. These emissions are calculated using the finished product life cycle analysis approach set out in the GHG Protocol established by the World Resources Institute (WRI), which takes into account emissions at every stage. <p>Scope 1 and 2 emissions are calculated in accordance with the methodology set out in the GHG Protocol Corporate Standard. Danone has elected to consolidate scope 1 and 2 emissions in accordance with the operational control approach and to include all sources of emissions from its industrial sites, warehouses, distribution centers and corporate vehicle fleet. Emissions from offices and research centers are excluded as they represent less than 5% of Danone's total emissions.</p> <p>Scope 3 emissions are calculated in accordance with the GHG Protocol's Product Life Cycle Accounting and Reporting Standard methodology for a scope representing approximately 89% of Danone's sales volumes (compared with 94% in 2016).</p>
Health & Nutrition	In 2011, Danone created a series of performance indicators (Health & Nutrition Scorecard) to measure improvements and progress made regarding health and nutrition, particularly product composition and responsible communication, with the results publicly disclosed annually. These indicators are consolidated for a scope of 15 countries covering all of Danone's Businesses and geographic regions. However, plant based products have not been included in the scope in 2017. In 2017, 50 entities representing about 70% of consolidated sales reported Health & Nutrition indicators.
Danone Way	In 2017, 117 entities representing 83.9% of Danone's consolidated sales (compared with 94.1% in 2016) conducted a Danone Way self-assessment.
Packaging	In 2017, packaging data were collected in 24 priority countries representing 92% Danone's consolidated sales.

Food Waste	Food waste are calculated according to the Food Loss and Waste Protocol methodology, on Danone's direct responsibility scope (when Danone is responsible for the final disposal of physical waste). This includes Danone's factories and Downstream distribution. Waters are not part of this scope. Within that perimeter, measurement covers around 76% of sales volume (versus 92% in 2016).
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Like-for-like changes in scope (constant scope and methodology)

Danone measures changes in certain environmental indicators on a like-for-like basis, i.e. at constant consolidation scope and constant methodology. The 2017 data has been restated using the same consolidation scope and methodology as that of 2016.

Definition of the Businesses

Essential Dairy and Plant-Based	Production and distribution of fresh fermented dairy products and other specialty dairy products; plant-based products and drinks (made primarily from soy, almonds, hazelnuts, rice, oats and coconut); and coffee creamers.
Early Life Nutrition	Production and distribution of specialized food for babies and young children to complement breast-feeding.
Waters	Production and distribution of packaged natural, flavored and vitamin-enriched water.
Medical Nutrition	Production and distribution of specialized food for people afflicted with certain illnesses or frail elderly people.

Data collection

To ensure the homogeneity of the indicators across the reporting scope, shared data reporting guidelines for social, safety, environmental, health and nutrition data are transmitted and updated each year following data consolidation and comments of contributors. These guidelines specify the methodologies to be used for reporting the indicators, including definitions, methodology principles, calculation formulas and standard factors.

These reporting guidelines for social, safety, environmental, GHG and nutrition data are available upon request from the Sustainability Integration Department.

The social, safety, environmental, and health and nutrition indicators are transmitted by the subsidiaries and/or production sites and consolidated at the global level by the relevant departments. The environmental data are checked at the subsidiary level and then at the Business level when reported. The social and safety data are checked at the end of the second quarter and at the time of consolidation as of December 31. Lastly, the health and nutrition data are checked at the subsidiary level and then at the Business level when reported. The health and nutrition data are then verified by independent auditors.

Social and safety indicators

The Human Resources Department is responsible for social and safety indicators. The subsidiaries' social data are generally derived from their payroll systems and reported via Danone's financial information consolidation software (SAP/BusinessObjects Financial Consolidation).

Safety indicators are reported monthly by each subsidiary in WISE, Danone's safety data consolidation system.

Environmental indicators

The Nature & Cycles Sustainability Department is responsible for environmental indicators. These indicators are reported by each production site's Environment manager using the Calame application. Data related to Greenhouse Gas emissions (scope 3) is reported via the Danprint application and/or SAP Carbon.

Health and nutrition indicators

The Corporate Nutrition Department is responsible for health and nutrition indicators. Health and nutrition data are reported by the Scorecard Owners at each subsidiary through a system of standardized forms, which are then consolidated using an automated process to calculate the global indicators. Product data are generated by Business-specific systems (Nutripride for the Essential Dairy and Plant-Based and Early Life Nutrition Businesses, and Aquamap for the Waters Business). Data on volumes and advertising expenditures are generated by Danone's financial information consolidation software. Lastly, training data are taken from the Human Resources reporting systems.

Danone Way indicators

The Sustainability Integration Department is responsible for the Danone Way indicators. These indicators correspond to the percentage of subsidiaries to which it has been determined that one or more practices apply. They are reported by the Danone Way coordinators at each subsidiary using the Calame application.

Information regarding methodologies

The methodologies used for certain social and environmental indicators may have limits due to:

- the absence of common national and/or international definitions;
- necessary estimates, the representative nature of measurements taken or the limited availability of external data required for calculations.

For these reasons, the definitions and methodologies used for the following indicators are specified.

Social performance

Workforce

A negligible portion of the managerial workforce data is not collected during the data reporting period (a few cases of internationally mobile employees on assignment at other Danone entities). Furthermore, some disparities may exist in the workforce accounting methods for expatriate employees (such as the case for expatriate employees who have three-party contracts between the employee, the home subsidiary and the host subsidiary).

Employees on long-term leave (more than nine months) are not counted in the total workforce at the end of the reporting period.

In China, employees paid by Danone but whose contracts are with a third-party company (equivalent to a temporary work agency) are not included in the workforce.

Fixed-term contracts and movements within Danone are not included in the entries/exits.

Number of training hours / Number of permanent employees trained / Percentage of permanent employees trained / Number of training hours per permanent employee

The training data of the French subsidiaries include training that is categorized as ongoing professional training, as well as other types of training.

The number of permanent employees trained takes into account all permanent employees who received at least one training course during the year, including those who were no longer employed as of December 31, 2017.

The number of training hours takes into account all courses during the year, including hours of training received by those who were no longer employed as of December 31, 2017.

Training courses for which supporting documents are not received by the closing date for reporting are included in the following fiscal year.

The percentage of permanent employees trained is equal to the ratio of the number of permanent employees trained to the average permanent employee workforce.

The number of training hours per employee is equal to the ratio of the number of training hours to the average permanent employee workforce.

Absenteeism

The absenteeism rate is expressed, in percentage, as the total number of hours of absence divided by the total number of theoretical hours worked. The reasons for absence taken into account by this indicator include sick leave (with or without hospitalization), absences due to work-related illness and injury, absences due to strikes and unauthorized absences. Absences due to maternity/paternity leave, other authorized leave and long-term absences (more than nine months) are not taken into account.

The assumptions used to calculate the theoretical hours worked are left to the discretion of the subsidiaries on the basis of specific local circumstances, which can lead to minor discrepancies.

Some subsidiaries monitor absenteeism only for employees who are paid on an hourly basis, while other employees are included in a program under which they receive a number of days that can be used for various reasons (vacation, sickness, special leave, etc.). In particular, this is the case for the activities of The Dannon Company Inc. (EDP Noram, United States) and Danone Inc. (EDP Noram, Canada), Danone Brazil (EDP International, Brazil), Danone's subsidiaries in Brazil, Danone Argentina SA (EDP International, Argentina), Aguas de Argentina (Waters, Argentina), Grupo Cuzco International S de RL de CV (Waters, Mexico) and PT Sarihusada Generasi Mahardhika (Specialized Nutrition, Indonesia), whose absenteeism rate for employees not paid on an hourly basis is estimated or reported only for the available consolidation scope. Lastly, absenteeism is not recorded at the Danone Japan (EDP International, Japan), Danone Waters of America (Waters, United States) and Happy Family (Specialized Nutrition, United States) subsidiaries.

Frequency rates of work accidents

The frequency rate of workplace accidents with lost time (FR1) represents the number of workplace accidents with lost time of one day or more that occur over a 12-month period for every one million hours worked.

The frequency rate of workplace accidents without lost time (FR2) represents the number of workplace accidents without lost time for everyone million hours worked.

The severity rate (SR) represents the number of calendar days of absence due to workplace accidents with lost time for every 1,000 hours worked. Regarding the number of lost days taken into account in the calculation of the severity rate and given the limited availability of data in certain countries, Danone made estimates for this indicator as of December 31, 2017.

The hours worked are actual hours worked; by default, theoretical hours worked are taken into account on the basis of local practices and regulations regarding working time.

The assumptions used to calculate the theoretical hours worked are left to the discretion of the subsidiaries on the basis of specific local circumstances, which can lead to minor discrepancies.

Workplace accident indicators also cover accidents affecting temporary employees, workers employed through staffing agencies or service providers working at the sites as well as interns who have an internship agreement with Danone. Temporary employees and workers employed through staffing agencies or service providers are individuals who do not have a contract with Danone but are under its management, work on a temporary or non-temporary basis, and for whom Danone is able to collect data on working time (in number of hours). The inclusion of workers employed through staffing agencies or service providers in the reporting scope for 2017 may create discrepancies between the scope of the workforce taken into account by the sites in 2016 (when reporting temporary employees was optional) and in 2017 (when reporting temporary employees and workers employed through staffing agencies or service providers was mandatory).

Compensation

The indicators communicated about compensations are calculated on the following scope: 172 subsidiaries, representing 100% of Danone's employees.

Environmental performance

Production

The production of Danone's industrial sites is the total production of finished and semi-finished products at each of the sites. As some semi-finished products are used as ingredients at other company plants, total production of the industrial sites is greater than Danone's total production.

Production of by-products such as cream and condensed milk are not included in production volumes.

Scope 1 and 2 greenhouse gas emissions

Scope 1 and 2 emissions are calculated in accordance with the methodology set out in the GHG Protocol Corporate Standard (January 2015 revised edition). In January 2015, the GHG Protocol published a guidance document on the method used to account for scope 2 greenhouse gas emissions, which introduces dual reporting:

- location-based reporting, which reflects emissions due to electricity consumption from a conventional power grid. It therefore uses primarily an average emissions factor of the country's energy mix;
- market-based reporting, which reflects emissions from energy consumption taking into account the specific features of the energy contracts chosen and also considers the impact of the use of energy from renewable sources.

Danone has set its reduction targets according to the market-based method.

Emissions (scopes 1 and 2) are calculated by applying global warming potentials and emissions factors to the activity data.

- The global warming potentials used correspond to data in the IPCC Fifth Assessment Report (AR5), Climate Change 2013. The IPCC (Intergovernmental Panel on Climate Change) is a group of inter-governmental experts specializing in climate change.
- The emissions factors used to calculate emissions related to energy combustion correspond to data in the 2006 IPCC Guidelines (2006 IPCC Guidelines for National Greenhouse Gas Inventories).
- Electricity emissions factors follow the hierarchy defined in the new scope 2 guidance document of the GHG Protocol for market-based reporting. Suppliers' specific factors must be certified by instruments that prove the origin of electricity (guarantee of origin certificates). If some of the electricity used is not of certified origin, the emissions factors used are the national residual mixes published by official bodies such as the Association of Issuing Bodies (AIB) in Europe and Green-e in North America. For countries that do not have green-electricity attribute instruments, the emissions factors used are those used for location-based reporting provided by the International Energy Agency (2015 publication of energy mixes in 2013).
- The factors used for heating, steam and cooling are from the carbon database of the UK Department for Environment, Food & Rural Affairs (DEFRA, 2017) and the French Agency for the Environment and Energy Management (ADEME, 2015).
- The emissions factors used to characterize the impact of fugitive refrigerant emissions are based on the IPCC report "Climate Change 2007, 4th Assessment Report, The Physical Science Basis" published in 2007.

Waste

Since 2016, as a result of the application of a new standard, the Food Loss and Waste Protocol (version 1.0 of June 2016), Danone has consolidated the quantities of waste generated according to the following categories: wastewater treatment plant sludge, whey waste, food waste collected on site and food waste discharged with wastewater, packaging waste, hazardous waste and, lastly, other non-hazardous waste.

This is the first international standard for measuring food losses not used for human consumption. It was established under a partnership between the Consumer Goods Forum, the Food and Agriculture Organization of the United Nations, the United Nations Environment Programme, the World Business Council for Sustainable Development and the World Resources Institute.

Food waste is measured at all Danone plants with the exception of the Waters Business plants. This includes finished product, raw material and by-product (whey not used for human consumption) losses. This waste may be collected or discharged with wastewater, or form part of the wastewater treatment plant sludge.

- Whey collected on site and not used for human consumption is reported as dry matter content.
- Waste collected on site is reported in real weight, i.e. weight as shown in on-site waste removal orders.
- Waste discharged with wastewater is recovered in the sludge at wastewater treatment plants and reported as a percentage of dry-matter content in sludge.
- Waste discharged with wastewater and not recovered in the sludge at wastewater treatment plants is calculated in tons of chemical oxygen demand (COD) discharged.

None of the products and by-products that are used for human consumption (production of lactose or cheese from whey, etc.) are included. Data related to waste recovery includes materials recovery (recycling, composting, reuse, animal feed, sludge used in agricultural applications, etc.) and energy recovery (methanation, incineration with energy recovery). Unused waste is waste that is sent to landfill, discharged to the sewer or incinerated without energy recovery.

In addition to plant related food waste, Danone measures also food losses in downstream distribution in Danone Responsibility scope (meaning when Danone is responsible for the final disposal of physical waste)

As a result, total Food Waste tracking within factories and Danone Downstream distribution include:

- All countries with coverage rate in term of sales already defined
- The following products categories were considered: Essential Dairy and Plant Based, Early Life Nutrition, Advanced Medical Nutrition. Waters are not part of this scope.
- The following life cycle stages were considered: direct responsibility (factories, distribution centers, and, in some countries, expired products wasted at retail and returned to Danone).
- The following waste types were considered: finished products losses, raw losses and by-product (whey not used for human consumption) losses. These waste types can be collected, recovered with the sludge from water treatment facilities or discharged with wastewater.

Water consumption

The definitions and the method of accounting for various uses of water (including run-off, water pumped from and discharged into streams, water used in the composition of finished products, recycled/reused water, water given to a third party, etc.) are specified in the technical environmental guide prepared by Danone and provided to its subsidiaries. The amount of water withdrawn corresponds mainly to water used for industrial processes and in finished product formulation.

Water used in once-through cooling systems (in which the water withdrawn is returned to its original environment after it has passed through the system once without recirculating) is not taken into account in the total amount of water withdrawn.

Rainwater is not taken into account in the total amount of water withdrawn. It is included in volumes of recycled/reused water only if it is used by the site.

For the Waters Business sites, volumes of water withdrawn but not consumed by the site are not taken into account, either due to losses or to overflow upstream from the plant, nor are losses or overflow at the well or spring level.

When logistics centers are located adjacent to industrial sites, their water consumption is taken into account if the site is unable to subtract this consumption.

Energy consumption

This indicator mainly covers consumption at the production sites. When Research and Development centers or warehouses are located adjacent to production sites, estimates may be made for a given production site to take into account only its own energy consumption (estimate and deduction of the amount of energy consumed by the non-industrial sites adjacent to a production site).

In some cases, the energy consumption of buildings located adjacent to an industrial site is taken into account if the site is unable to subtract its consumption.

The rules for conversion between the different units used to track energy consumption (m³, liters, Btus, etc.) and the standard reporting unit (MWh) are specified in the technical environmental guide prepared by Danone and provided to its subsidiaries. In certain cases, the subsidiaries use conversion factors provided by their suppliers.

Wastewater

The net chemical oxygen demand (COD) data presented correspond to wastewater after internal and/or external treatment. In case of external treatment reported by the site, a purification rate of 90% is assumed.

Packaging

Packaging data are gathered for primary, secondary and tertiary packaging (excluding pallets) put in the market in 24 priority countries. The recycled content for paper-based and plastic material is based on real volumes used. For glass & metal-based materials you find below hypothesis for recycled content that are made based on best available data and supplier's data:

- Recycled content for glass: 50% worldwide
- Recycled content for metal: 40% worldwide
- Recycled content for aluminum: 39% worldwide

Animal Welfare

The indicators related to animal welfare "lamb and beef having access to pasture" and "cage-free eggs" are calculated on the Socrates Scope: Early Life Nutrition food factories in the European Union.

Palm Oil

Palm oil purchased by the company in 2017 that has been certified "RSPO segregated" (Roundtable on Sustainable Palm Oil), excluding WhiteWave.

Flagship brands converted to non-GMO project certification

96% of Danimals total volume is non-GMO Project certified and 79% of brand Dannon total volume is non-GMO Project certified.

Refrigerants

The indicators related to the industrial equipment are calculated on the environment production sites scope. The commercial equipment's scope is limited to the subsidiaries providing refrigerants to sales points.

Nutrition performance

Number of employees trained on nutrition and/or hydration in the last two years

This indicator tracks the unique number of employees who received at least one training course related to nutrition, health and/or hydration over a two-year period. The training received must have lasted at least one hour.

Percentage of volumes sold in healthy categories

This percentage indicator refers to water, yogurt and other daily dairy products, baby milks & foods, milks and milk powders, beverages with 0% sugar and medical nutrition. This percentage indicator is calculated on the Nutrition & Health Scorecard scope.

Percentage of the volume of nutritionally improved products over the last three years

This percentage indicator is calculated on the scope of the Nutrition & Health Scorecard, for the product categories where it is relevant: Fresh Dairy Products, Early Life Nutrition and sweetened Aquadrinks.

Number of countries covered by Nutriplanet studies

Every year, the Global Nutrition department compiles an updated list of countries covered by Nutriplanet studies (these include: summaries of the local nutrition/health context, more detailed surveys on food and/or fluid intake, socio-anthropological studies). The number of countries covered is therefore reported every year on a consolidated basis.

Percentage of Danone's expenditures on marketing communications that comply with the guidelines defined by the ICC

The percentage indicator is calculated on the scope of the Nutrition & Health Scorecard, as a percentage of the advertising spending on Fresh Dairy Products, Waters and Aquadrinks.

Number of active education and information programs during the year / Number of people potentially affected

The people considered to be affected are consumers for the Fresh Dairy Products and Waters Divisions, parents for the Early Life Nutrition Division and patients and caregivers for the Medical Nutrition Division. People who are affected by several programs may be counted several times. If an impact assessment shows that only a percentage of the people reached have been affected, then the total number of people potentially affected is prorated on the basis of the results of the impact assessment.

Percentage of volumes of fortified products sold

The percentage of volumes of fortified products sold is calculated on the basis of the Health & Nutrition scope and concerns only the products in the Fresh Dairy Products and Early Life Nutrition Divisions. More specifically, this figure is calculated for a scope of 29 subsidiaries covering 77% of the sales of these two Businesses.

Number of employees that had access to the Health @ Work program

The number of employees that had access to a Health @ Work program is calculated on the basis of the number of subsidiaries that implemented the program in the Health & Nutrition scope, i.e., 48 out of 50 subsidiaries. A program is characterized as Health @ Work if it includes one of the three dimensions (Healthy Diet, Healthy Body, Healthy Mind).

Percentage of products sold with on-pack nutritional information / Percentage of products sold with off-pack nutritional information / Percentage of products sold providing an indication of the portion size

This percentage indicator is calculated on the scope of the Nutrition & Health Scorecard for the divisions Fresh Dairy Products, Early Life Nutrition, Medical Nutrition and Aquadrinks (not relevant for Waters, which are subject to separate regulations).

Percentage of products sold with front-of-pack nutritional information

This percentage indicator is calculated on the scope of the Nutrition & Health Scorecard for the divisions Fresh Dairy and Plant-Based Products, Africa and the Aquadrinks (excluding countries where regulations forbid the disclosure of this information). Since the commitment was extended worldwide in 2016 (previously limited to Europe), the scope of reporting has changed in 2016, which explains the decrease of the indicator.

Percentage of products compliant with the Danone Nutritional Targets 2020 / Number of active expert advisory panels / Number of networks of experts

This percentage indicator is calculated on the scope of the Nutrition & Health Scorecard.

Fluid intake

Number of countries covered by specific fluid intake studies at the end of 2017.

Percentage of products sold with nutritional claims

This indicator is calculated on the scope of the Nutrition & Health Scorecard, for the Fresh Dairy Products and Early Life Nutrition divisions and the Aquadrinks.

Social Innovations' Funds Performance

Consolidation scope and coverage

Danone Ecosystem	All the figures reported for the reporting year are updated with the latest information available on the 31th of December. The data reported correspond to all projects funded by the Fund since the validation of the project. After the end of the project with Ecosystem, the last reported figures are taken for the consolidated results. The indicators denominated in % are calculated only for Danone subsidiary having the Fund's project, not for the all Danone subsidiaries. In case of exiting of subsidiary from Danone, social and economic impacts continue to be reported, but the Danone's business impact indicators are not considered anymore.
Danone Communities	All the figures reported for the reporting year are updated with the latest information available on the 31th of December. The data reported correspond to the scope of the 10 social businesses the Fund has invested in, located in 12 different countries.
Livelihoods Carbon Fund	All the figures reported for the reporting year are updated with the latest information available on the 31th of December. The data reported correspond to all projects funded by the Fund since the validation of the project by L3F Investment Committee.
Livelihoods Fund for Family Farming	All the figures reported for the reporting year are updated with the latest information available on the 31th of December. The data reported correspond to all projects funded by the Fund since the validation of the project.

Data collection

Danone Ecosystem Fund

Raw data is collected by the local project management from Danone subsidiary with the Partner implementing the project. The data is consolidated on the project level according to the reporting instructions communicated by Fund's team and is reported with comments to the dedicated Project Progress Report system. Local subsidiary finance manager then checks the data following the list of the key checks and questions. The Ecosystem coordinator in charge of the concerned project validates the data and its coherence is checked by the Ecosystem finance team. After validation of all the projects in the reporting scope, data is consolidated on the Fund's level and communicated to the external auditors, who audit the social indicators and emit a "limited assurance" conclusion.

A process of continuous improvement of the indicators definition, reporting protocol and system is in place. All the reporting steps are reviewed each year, taking into account the auditors recommendation, improving the definitions in order to increase their consistency and enhancing the communication, monitoring and control process.

Danone Communities

Financial and social data are collected on a monthly basis. Before the 10th of each month, each social business should send to the Danone Communities finance team a template duly filled. This team then checks the relevance of the data and gathers them in a consolidated report with comments from Water & Nutrition managers. These data are challenged during Monthly Business Reviews: visio conferences for each social business with CEO, CFO and Danone Communities Directors. After validation of the Danone Communities Financial Director, the Consolidated Report is sent to the Danone Communities team and to the 10 social businesses.

Livelihoods Carbon Fund

Data is collected by the Project Developer and aggregated in a project database that is shared with Livelihoods Venture for verification.

- Mangrove projects: Carbon KPIs are audited by an independent auditor based on a sample, every 3 years.
- Agroforestry projects: Carbon and Beneficiary Number KPIs are audited by an independent auditor, every 3 years.
- Cookstove projects: Carbon and Beneficiary Number KPIs are audited by an independent auditor, every 1 to 2 years.

Besides independent audits, LCF may launch self-audits, mainly during the roll-out phase of the projects.

A process of continuous improvement of the reporting protocol and system is in place. All the reporting steps are reviewed after each audit, taking into account the auditors recommendation, improving the communication, monitoring and control process and incorporating technological innovation whenever it increases reporting efficiency or precision.

Livelihoods Fund for Family Farming

Data is collected by the Project Developer and aggregated in a project database that is shared with Livelihoods Venture for verification. The specific key results of each project are presented in a form that allows an independent audit from any of the project partners.

Information regarding methodologies

Danone Ecosystem indicators

The indicators of 3 types are reported: Social, Economic and Business. In addition, there is a regular update on the funding of the projects. Under the social indicator set, we measure the Direct beneficiaries of our projects ("People professionally empowered", which include the number of Jobs creation) and Indirect beneficiaries.

Jobs creation

Creations of position with a contract or a formalized micro-entrepreneurship status and with an employment of at least 6 months per year and occupied at the reporting date are included in the calculation.

Empowerment

A process to enable people to develop and strengthen their employability and their social & economic inclusion is developed. As there are multiple ways to empower people, a set of sub-indicators has been implemented. For the projects with a risk of double counting, a maximum number of people is retained. Otherwise, all the categories of people empowered are reported. Only direct beneficiaries, i.e. people directly concerned by the project activities are reported.

People professionally empowered

The sub-categories for People professionally empowered include: People with increased or secured revenue, People trained, People with access to social benefits, People who benefit from a micro-credit service, People with better working conditions, People who benefit from a social or professional insertion program and People who received a donation for equipment. For each category there is a split of all the people and women only.

Indirect beneficiaries

This indicator counts the people benefiting somehow from the project indirectly (that are not direct beneficiaries). The consolidated figure per project represents a sum of three project specific sub-indicators. They include Family members of direct beneficiaries benefiting from increased or secured revenue, People sensitized to the nutrition and health practices and Other beneficiaries of the project that are not covered by the sub-categories above.

Economic indicators

They measure the yearly turnover created by the project actors and project capabilities.

Indicators related to the impact on Danone's business

They measure the impact on the Danone business, which are cluster specific: Sourcing (additional volume of ingredient collected by the subsidiary thanks to the project), Recycling (volume of PET collected and volume of recyclables collected), Watershed management & territory (surface with sustainable agriculture practices), Micro-distribution (additional net sales generated) and Caring Services (number of potential consumers sensitized to our product category).

Danone Communities indicators

Social companies supported by the fund

A social company is considered as supported by the fund when Danone Communities fund invests on the social business. The company always does it as minority shareholder.

Indicators related to Danone's employees commitment

These indicators correspond to the number of Danone employees that participate to the Danone Communities impact program. This program allows employees to contribute, with their time and skills, to the social businesses and to Danone Communities.

SICAV indicator

The indicator refers to the total performance net of fees over 5 years.

Total number of beneficiaries

The indicator refers to the total number of beneficiaries of the social businesses supported by Danone Communities, in regard to the 12 countries in the Fund.

Number of beneficiaries with access to drinking water

The indicator refers to the total number of beneficiaries of the water access social businesses supported by Danone Communities.

Number of beneficiaries in the fight against malnutrition and poverty

The indicator refers to the total number of beneficiaries of the nutrition social businesses supported by Danone Communities.

Livelihoods Carbon Fund indicators

Number of active projects

A project is considered active from the moment it is approved by the LCF investment Committee, and for the duration of the contract between LCF and the Project developer, ranging from 10 to 20 years.

Total engaged investment volume

This indicator corresponds to the total amount already committed to projects, as approved by the Investment Committee representing the 10 companies financing the Fund: Groupe Caisse des Dépôts, Crédit Agricole SA, Danone, Firmenich, Hermès, Groupe La Poste, Michelin, Schneider Electric, SAP, Voyageurs du Monde.

Number of people positively impacted

This indicator corresponds to the number of people whose livelihoods are improved thanks to projects' benefits: more resources available (fish, food, cash crops, etc.) and more resilient ecosystems (restoration of agricultural land and forests, barriers against seawater, etc.). Its calculation is cumulative since 2011.

Number of households equipped with efficient cookstoves

This indicator corresponds to the number of families that use an efficient cookstove for their everyday cooking and/or heating needs. One family may use several cookstoves. Its calculation is cumulative since 2011.

Number of trees planted

This indicator corresponds to the number of trees planted by the project in the reforestation operations. Its calculation is cumulative since 2011.

Number of hectares restored

This indicator corresponds to the area which land cover has been effectively transformed by the project activities. Its calculation is cumulative since 2011.

Number of tons of Carbon credits generated

This indicator corresponds to the number of carbon credits emitted under either VCS or Gold Standard, independent Carbon Credit Standards. Its calculation is cumulative since 2014.

Livelihoods Fund for Family Farming indicators

Number of active projects

A project is considered active from the moment it is approved by the L3F investment Committee, and for the duration of the contract between L3F and the Project developer.

Total investment volume

This indicator corresponds to the total amount already committed to a given project, as approved by the Investment Committee representing the four companies financing the Fund: Danone, Mars Incorporated, Firmenich and Veolia.

Number of people positively impacted

This indicator corresponds to the number of people whose livelihoods are improved thanks to projects' benefits: more resources available (food, cash crops, etc.) and more resilient ecosystems (restoration of agricultural land and forests, access to water etc.).

Number of farmers empowered

This indicator corresponds to the number of farmers who were empowered through the project activities and converted to sustainable agricultural practices, such as agroforestry, intercropping, organic fertilization...

Number of hectares put under sustainable land management

This indicator corresponds to the area managed under the practices promoted by the project. A hectare is considered as put under sustainable land management when it meets the location-specific management criteria set forth in the contractual framework of each project

Number of farms connected to markets or supply chains

This indicator corresponds to the number of farms that are connected to markets or supply chains of investors in the funds. The farms are considered as connected if they are active project participants and that their production can be traced up to the supply chain of the project partners.