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DANONE ECOSYSTEM FUND

“ IT'S IN A COMPANY'S
BEST INTERESTS TO TAKE
GOOD CARE OF ITS
ECONOMIC AND SOCIAL
ENVIRONMENT - WHAT YOU
MIGHT CALL ITS 'ECOSYSTEM' ”

Franck Riboud



What led you to set up the Danone Ecosystem Fund?

The current global crisis has made one thing quite clear: all economic stakeholders involved in wealth creation are interdependent. Even a flourishing firm can become fragile if it's operating in a weakened environment. So it's in a company's best interests to take good care of its economic and social environment, meaning its suppliers, its employees, its customers and the places where it operates. That's what I call its ecosystem. In various places around the world, we have already developed structures designed to promote local economic development. But we now believe that approach needs to be made systematic, expanded and consolidated for the longer term, by creating a specific device, an endowment fund dedicated to strengthening our ecosystem.



How do you define the role of the corporation in society?

For a long time, it was generally accepted that a listed company's primary purpose was to generate maximum value for its shareholders. But that view is wrong. An approach that focuses solely on maximizing profit is mechanically unsustainable, and will merely serve to weaken the links between the company and its stakeholders, who ultimately feel their interests are being ignored. A company needs to keep generating value for its shareholders, as without their investment, there's no economy. But it also needs to create wealth for its own ecosystem, since its long-term future depends just as much on that.

How does this new initiative fit in with the Danone culture?

The creation of the Fund is in line with the dual economic and social project that has been the leitmotif for Danone for close to 40 years: pioneering new approaches to training, industrial relations and profit-sharing; developing innovative environmental practices; launching major social initiatives, such as our work with Muhammad Yunus. With the Danone Ecosystem Fund, we are continuing in the same vein, opening up new ways of looking at the company's role in the economy and civil society.

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1972 A FOUNDING PHILOSOPHY

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The dual economic and social project, part of Danone's DNA.

In 1972, in a speech to the French employers federation the CNPF (now the MEDEF), Antoine Riboud made an historic declaration: "A company's responsibility does not end at the door to the factory or the office. The jobs it provides shape whole lives. It consumes energy and raw materials, and in doing so alters the face of our planet. The public will remind us of our responsibilities in this industrial society".

Nearly 40 years later, on 5th December 2008, Franck Riboud followed in his late father's footsteps, when he announced at the launch of the Danone - HEC Chair in Social Business and Poverty: "A company only exists and lasts because it creates value for the whole of society (...) a company's raison d'être is its social usefulness. That means serving society - men and women - in their everyday lives, through products, services, work or the dividends it pays".

It's an approach that has been adopted more officially down the years.

This dual economic and social project that shapes the Danone model is founded upon a simple principle: that economic performance must go hand in hand with care for people and respect for the environment. It forms the basis for the daily work of Danone's 80,000 employees in more than 120 countries around the globe. Over the years, Danone's vision of the company has been formally set out in a number of documents, that define the group's principles and policies: the Fundamental Social Principles, the IUF (International Union of Food Workers) accords, the Business Conduct Principles, the Environmental Charter or the Food Nutrition and Health Charter are among the key texts that guide the group's actions around the world.

To ensure this culture is shared by everyone working in the organization, Danone relies on a self-assessment approach ("Danone Way") which helps each subsidiary to incorporate economic performance and social and environmental responsibility. "Social innovation laboratories" are also set up, to allow best practices to be shared: in 2009, there were some 120 initiatives from 70 Danone subsidiaries worldwide. Another example is the inclusion of social targets in the final salaries of 1,500 key managers and directors at Danone, from 2008.

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- 1 Antoine Riboud, Chairman of BSN, visiting China in 1983
- 2,3 "Milking Parlor" of Cavusköy village in Turkey
- 4,5 Milk collection in Ukraine
- 6 Micro-distribution in Ukraine



2009 THE DANONE ECOSYSTEM FUND

For sustainable performance that generates value for all partners.

The creation of the Danone Ecosystem Fund was approved at the Danone General Meeting held on 23rd April 2009. It is managed under the regime governing endowment funds with general interest purposes. Financed by Danone, it has been allocated an initial endowment of 100 million euros in 2009, to be completed from 2010 onwards by a further annual contribution of up to 1% of Danone's net yearly profits, for a period of five years.

The Fund is intended to expand the dual economic and social project, to strengthen and develop the activities of the partners who make up Danone's ecosystem: farmers, suppliers and subcontractors, transport and logistics operators, distributors, territories. The Fund will finance initiatives that must first have been identified by Danone subsidiaries in the territories where they operate: creating activities in conjunction with Danone's business lines (such as micro-food retailers); running professional reintegration schemes around plants, to help get people back into work; running skills development programmes for local suppliers...

The Fund aims to prevent crisis situations, by strengthening the economic environment in which Danone and its ecosystem maintain a mutually dependent relationship.

Also, the Fund will only support suppliers whose practices comply with the RESPECT programme (Danone's charter of fundamental social rights). It will act in cooperation with partners such as NGOs, micro-credit organizations or consultancies.



INITIAL ENDOWMENT
FOR THE ECOSYSTEM
FUND:

100

100 MILLION EUROS.

FURTHER ANNUAL
CONTRIBUTION
OF UP TO

1

%
OF NET PROFITS
OVER

5

YEARS.

Muriel Pénicaud

Chair of the Board of Directors
of the Danone Ecosystem Fund

How important is this Fund for Danone?

We have the chance to write a new chapter in the story of social and economic innovation at Danone, a chapter of concrete actions that will transform the way we see the company, the way we do business and our impact on our environment.

In your view, what's the single most important advantage of the ecosystem concept?

The Ecosystem Fund will enable us to explore a new vision of the company; a company whose long-term success depends on the success of all its stakeholders, both upstream and downstream. Obviously, the line between economic interests and creating social value is a narrow one, and the right decisions will need to be explored by experimenting with concrete projects.

Philippe Bassin

General Manager of the Danone Ecosystem Fund

What will be the key factors for the success of this new approach?

The Ecosystem Fund is a change-based approach that will impact the company's practices. Ensuring that projects are firmly anchored in the subsidiaries' business and securing the commitment of employees at all levels will be key factors for success. Rigorous assessments of the impact of the programmes financed by the Fund will also be crucial.

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WHAT IS AN ENDOWMENT FUND?

"The endowment fund is a legal, non-profit entity in private law, which receives and manages, by capitalization, property and rights of any kind contributed thereto irrevocably and without consideration, and uses the income from the capitalization for the purpose of completing a work or task of general interest, or redistributes said income to assist a non-profit legal entity in the accomplishment of its works and tasks of general interest".

(cf. Article 140 of Law n°2008-776 dated 4th August 2008 on Modernization of the Economy, Official Journal of 5th August 2008)

DECISION-MAKING PROCESS BEHIND THE DANONE ECOSYSTEM FUND



THE FIRST TWO PROJECTS SUPPORTED BY THE FUND

PROXICITY

Danone Produits Frais France and La Petite Reine, an integration business specializing in the eco-transport of goods by delivery tricycle, are launching a new distribution service aimed at local independent retailers (bakeries, takeaways, etc.).

Besides developing a new means of environmentally-friendly local commerce, the service is intended to provide jobs for people who are experiencing serious difficulties in finding work. The Ecosystem Fund, in conjunction with La Petite Reine, is helping to finance the launch costs (vehicles, computer equipment). The aim is to open three initial sites in Paris, generating 19 jobs. In the future, the initiative could be extended to other sites in Paris or towns and cities in other parts of the country.

"Proximity is living proof of the ability of our firms, whatever their size or line of business, to think outside the box and devise alternative business models that serve society's needs".

Gilles Manuelle, Director of La Petite Reine



UKRAINE MILK COMMUNITIES

By joining forces with the NGO Heifer-Ukraine to help create 20 agricultural cooperatives, each including between 60 and 80 smallholders, Danone Ukraine (with support from the Danone Ecosystem Fund) is set to strengthen its small dairy producers and add value to their entire agriculture output. These cooperatives, based in regions close to the Danone production site at Kherson, will be built on three pillars: milking and storage equipment that must improve dairy quality and productivity, agricultural and business development training that must improve farmers' knowledge and skills, shared agricultural services (milk collection and cooling, fodder preparation, veterinary, etc.) that must help optimize costs. Around 1,000 farmer families should thus see improvements to their quality of life and income, which is currently among the lowest in the country (approximately 80 Euros per month/per person in rural area).

"Danone Ecosystem Fund will lend its support to Ukrainian rural families that produce up to 80% of labor intense agricultural products (milk, vegetables and fruits). This project will contribute to uniting rural communities through developing cooperatives and scaling up smallholders. This support is fully in line with Heifer-Ukraine's mission to work with rural communities to improve the well-being of families while caring for the environment. We are happy to share this mission with the Danone Ecosystem Fund!"

Viktor Teres, Director of Heifer Ukraine





Contacts

Philippe Bassin

Jean-Christophe Lauee

Natacha Le Bescond

Yann Brault (Asia)

Pilar Fourcade (LATAM)

ecosysteme@danone.com

T +33 (0) 1 44 35 24 54

Press Office

Danone Corporate Communications

T +33 (0) 1 44 35 20 75

press.relations@danone.com

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