

Danone SA

Packaged Foods France PAR:BN

ESG Risk Rating

19.4

Updated Nov 17, 2020

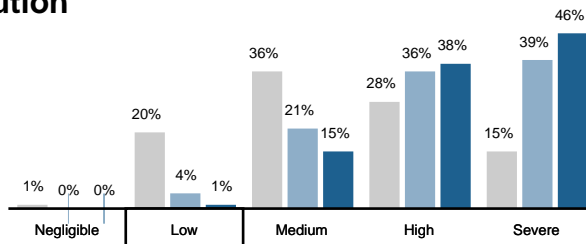
-1.0

Momentum

Low Risk



ESG Risk Rating Category Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 st = lowest risk)	(1 st = lowest risk)
Global Universe	2566/13717	20th
Food Products INDUSTRY	17/558	4th
Packaged Foods SUBINDUSTRY	2/327	1st

Peers Comparison

Peers (Market cap \$37.1 - \$79.0bn)

Peers (Market cap \$37.1 - \$79.0bn)	Exposure	Management	ESG Risk Rating
1. Danone SA	53.9 Medium	68.4 Strong	19.4 Low
2. General Mills Inc	53.1 Medium	64.4 Strong	21.3 Medium
3. The Kraft Heinz Co	57.6 High	43.5 Average	34.3 High
4. Inner Mongolia Yili Industrial Group Co Ltd	47.9 Medium	19.0 Weak	39.3 High
5. Foshan Haitian Flavouring & Food Co., Ltd.	48.5 Medium	14.6 Weak	41.8 Severe

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ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

Exposure

53.9 -2.6

Medium Momentum

Beta = 1.04

Low	Medium	High
0-35	35-55	55+

Subindustry

While the company offers a range of healthy nutritional products, it caters to a consumer base which is particularly sensitive to product quality. Its Early Life segment focuses on producing nutritional goods for the first 1,000 days of life, while its Advanced Medical Nutrition business focuses on special dietary needs for those diagnosed with medical conditions. As such, product quality and safety is critical. There is increasing demand for more environmentally or socially responsible products. Companies adapting to this trend have the opportunity to improve brand image and to differentiate from the market. To maintain its ongoing operations, Danone relies on large quantities of water. As water resources are becoming increasingly constrained, especially in drought prone areas, companies may face limited fresh water availability, higher water prices or even regulatory restrictions.

The company's overall exposure is medium and is similar to subindustry average. Resource Use, Product Governance and Resource Use -Supply Chain are notable material ESG issues.

Management refers to how well a company is managing its relevant ESG issues. Our management score assesses the robustness of a company's ESG programs, practices, and policies.

Management

68.4 -0.2

Strong Momentum

Strong	Average	Weak
100-50	50-25	25-0

In 2019, Danone merged its Social Responsibility Committee and Strategy Committee to create the Purpose & Engagement Committee, to ensure that its approach of consultation and engagement with employees is properly coordinated with the work and strategic orientations of the Board relating to sustainable development. The committee is responsible for all areas of social responsibility. Sustainability issues are integrated in Danone's risk identification and risk management processes. In this regard, the company identifies and analyzes operational and strategic risks, drawing on its sustainability departments to support the work of its internal control and financial controlling departments. Moreover, Danone has been making great strides in having its operations B-Corp certified. As of 2020, 27 of Danone's entities had been certified, representing 45% of Danone's global sales.

The company's overall management of material ESG issues is strong.

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Material ESG Issues

ESG Issues regarded material for the company.

Issue Name	Exposure	Management	ESG Risk Rating	Contribution to ESG Risk Rating
	Score Category	Score Category	Score Category	
Corporate Governance	9.0 High	61.9 Strong	3.4 Low	17.7%
Human Capital	4.0 Medium	44.5 Average	2.3 Low	11.9%
Resource Use	5.8 Medium	76.9 Strong	2.2 Low	11.4%
Product Governance	9.2 High	76.8 Strong	2.1 Low	11.0%
Carbon -Own Operations	5.7 Medium	64.7 Strong	2.0 Low	10.4%
Human Rights -Supply Chain	4.0 Medium	66.8 Strong	1.9 Negligible	9.6%
Business Ethics	3.2 Low	48.0 Average	1.7 Negligible	8.8%
Land Use and Biodiversity -Supply Chain	3.0 Low	72.0 Strong	1.3 Negligible	6.6%
E&S Impact of Products and Services	5.3 Medium	77.4 Strong	1.2 Negligible	6.1%
Occupational Health and Safety	2.9 Low	73.7 Strong	0.9 Negligible	4.4%
Resource Use -Supply Chain	2.0 Low	100.0 Strong	0.4 Negligible	2.1%
Overall	53.9 Medium	68.4 Strong	19.4 Low	100.0%

Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

Category (Events)

5 Severe (0)

4 High (0)

3 Significant (0)

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Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

Category (Events)

Moderate (11)

Anti-Competitive Practices

Business Ethics

Employees - Human Rights

Environmental Impact of Products

Intellectual Property

Labour Relations

Labour Relations - SC

Land Use and Biodiversity - SC

Lobbying and Public Policy

Marketing Practices

Quality and Safety

Low (2)

Energy Use and GHG Emissions

Social Impact of Products

None (10)

Accounting and Taxation

Animal Welfare

Bribery and Corruption

Employees - Human Rights - SC

Occupational Health and Safety

Occupational Health and Safety - SC

Sanctions

Society - Human Rights - SC

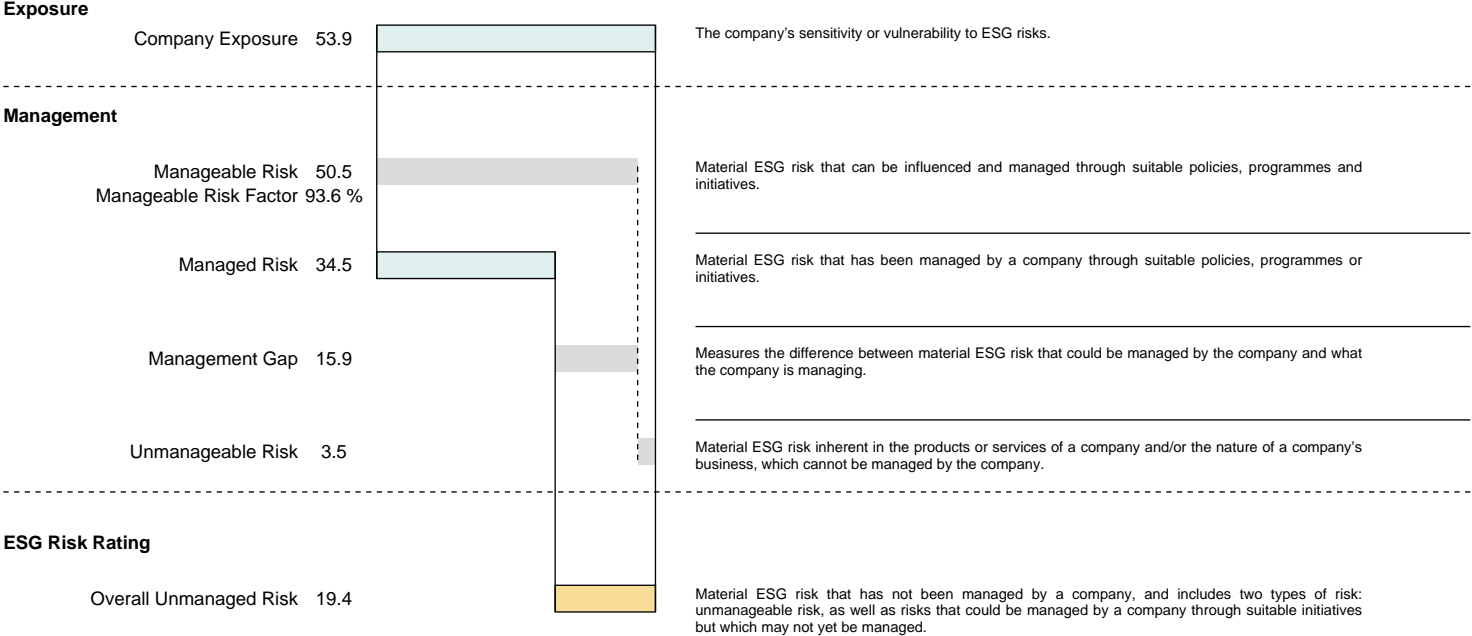
Water Use

Water Use - SC

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Risk Decomposition



Momentum Details



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Issue

Contribution 17.7 %



Corporate Governance

Corporate Governance represents foundational structures for the management of ESG risks.

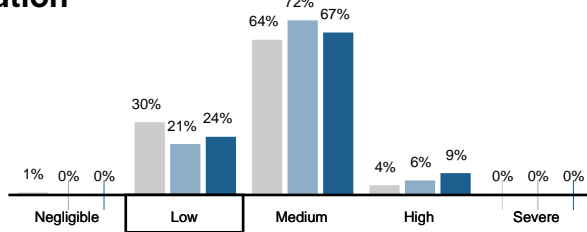
ESG Risk Rating

3.4

Low Risk



ESG Risk Rating Category Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK <small>(1st = lowest risk)</small>	PERCENTILE <small>(1st = lowest risk)</small>
Global Universe	479/4467	12th
Food Products INDUSTRY	15/201	8th
Packaged Foods SUBINDUSTRY	10/109	9th

Peers Comparison

Peers (Market cap \$37.1 - \$79.0bn)

	Exposure	Management	ESG Risk Rating
1. General Mills Inc	9.0 High	63.3 Strong	3.3 Low
2. Danone SA	9.0 High	61.9 Strong	3.4 Low
3. The Kraft Heinz Co	9.0 High	45.9 Average	4.9 Medium
4. Inner Mongolia Yili Industrial Group Co Ltd	9.0 High	39.6 Average	5.4 Medium
5. Foshan Haitian Flavouring & Food Co., Ltd.	9.0 High	34.4 Weak	5.9 Medium

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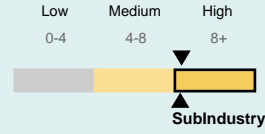
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ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

Exposure

9.0
High

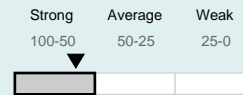


The quality and integrity of the company's board and management and its remuneration systems are identified as the highest weighted governance areas of focus. The company is publicly traded, which leads to heightened scrutiny of its governance practices and increases the importance of governance structures, practices and behaviour. This translates into high exposure to baseline Corporate Governance risk.

Management refers to how well a company is managing its relevant ESG issues. Our management score assesses the robustness of a company's ESG programs, practices, and policies.

Management

61.9
Strong



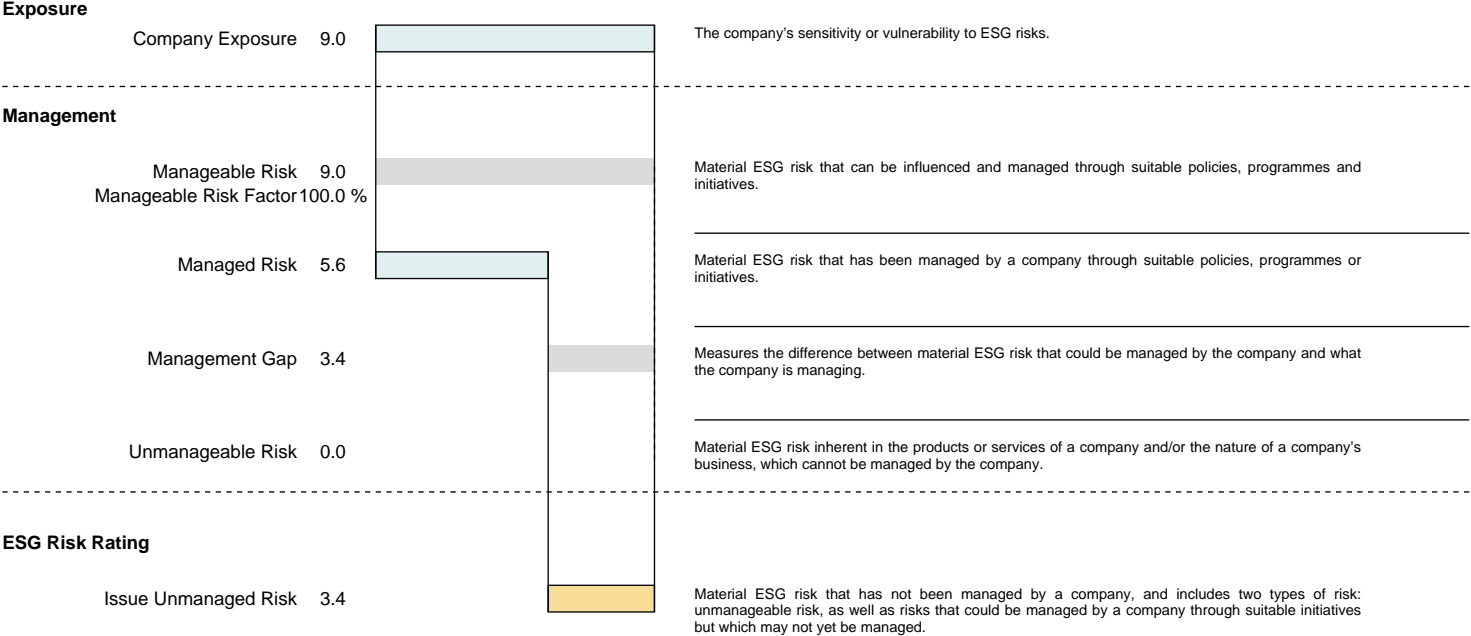
The company is noted for showing particular strength in the quality and integrity of its board/management, its board structure, its remuneration systems, its audit and financial performance systems and its stakeholder governance. On the other hand, it is noted for weakness in its ownership structure/shareholder rights. Overall, we rate the company's corporate governance management as strong.

Corporate Governance Pillars	Raw Score	Weight	Weighted Score
Board/Management Quality & Integrity	61	25.0%	15.3
Board Structure	72	17.0%	12.2
Ownership & Shareholder Rights	43	20.0%	8.6
Remuneration	63	22.0%	13.9
Audit & Financial Reporting	70	8.0%	5.6
Stakeholder Governance	79	8.0%	6.3
Totals		100.0%	61.9

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Risk Decomposition



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Issue

Contribution 11.9 %



Human Capital

Human Capital focuses on the management of risks related to scarcity of skilled labour as well as labour relations, such as non-discrimination, working hours and minimum wages.

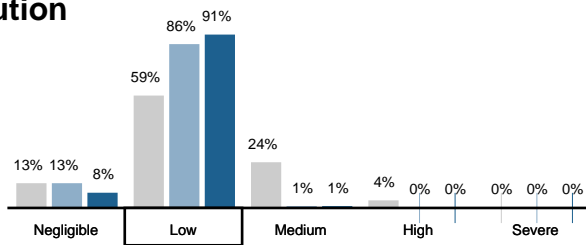
ESG Risk Rating

2.3

Low Risk



ESG Risk Rating Category Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK (1 st = lowest risk)	PERCENTILE (1 st = lowest risk)
Global Universe	840/4221	21 st
Food Products INDUSTRY	53/201	27 th
Packaged Foods SUBINDUSTRY	17/109	16 th

Peers Comparison

Peers (Market cap \$37.1 - \$79.0bn)

	Exposure	Management	ESG Risk Rating
1. General Mills Inc	3.8 Low	59.9 Strong	1.6 Negligible
2. Danone SA	4.0 Medium	44.5 Average	2.3 Low
3. The Kraft Heinz Co	4.2 Medium	44.9 Average	2.4 Low
4. Inner Mongolia Yili Industrial Group Co Ltd	3.6 Low	14.5 Weak	3.1 Low
5. Foshan Haitian Flavouring & Food Co., Ltd.	3.6 Low	7.4 Weak	3.3 Low

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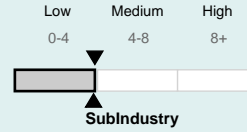
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ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

Exposure

4.0
Medium



Food producers rely on a diverse set of employees globally, from highly skilled R&D and marketing professionals to workers in factories. Labour costs are among the top expenditures for food producers, not including product costs. As food manufacturers face increasing pressure from retailers to reduce product costs (and secure a good spot on the shelf), some companies have begun outsourcing labour as a way to cut costs in the face of global competition. By hiring subcontractors and temporary workers instead of permanent employees, companies may cut wages, benefits and insurance. Cost-cutting may increase worker tensions, which can erupt into labour disputes with the potential to cause work stoppages. Food producers' brand image can be significantly hit by large-scale union campaigns. Employees, unions or regulators regularly bring lawsuits against companies that seek to minimize workforce expenditures by offering low wages or curbing freedom of association. Beyond legal risks, poor management practices often result in lower employee motivation, impacting turnover rates. High turnover impacts bottom lines through employee replacement costs, including HR activities and training. Companies with strong human capital practices can accrue advantages in the form of lower turnover and more motivated employees to drive sales growth. While many companies operate internationally, most have revenues concentrated in key markets, especially the US and Europe. While risk is primarily driven by business model, geographic exposure is driven by the maturity of workers' rights legislation and civil society in particular countries.

The company's exposure to Human Capital issues is medium and similar to subindustry average.

Exposure Analysis

Subindustry Issue Exposure	4.0
Issue Beta	x 1.00
Company Issue Exposure	4.0

Beta Indicators

Beta Signal

Labour Relations	0.02
Employees - Human Rights	0.02
Operating Performance	-0.02
Solvency	0.03
Financial Flexibility	-0.03
Asset Performance	0.00
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
Total Beta Signal	0.00
Baseline	+1.00
Issue Beta	1.00

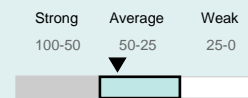
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Management refers to how well a company is managing its relevant ESG issues. Our management score assesses the robustness of a company's ESG programs, practices, and policies.

Management

44.5
Average



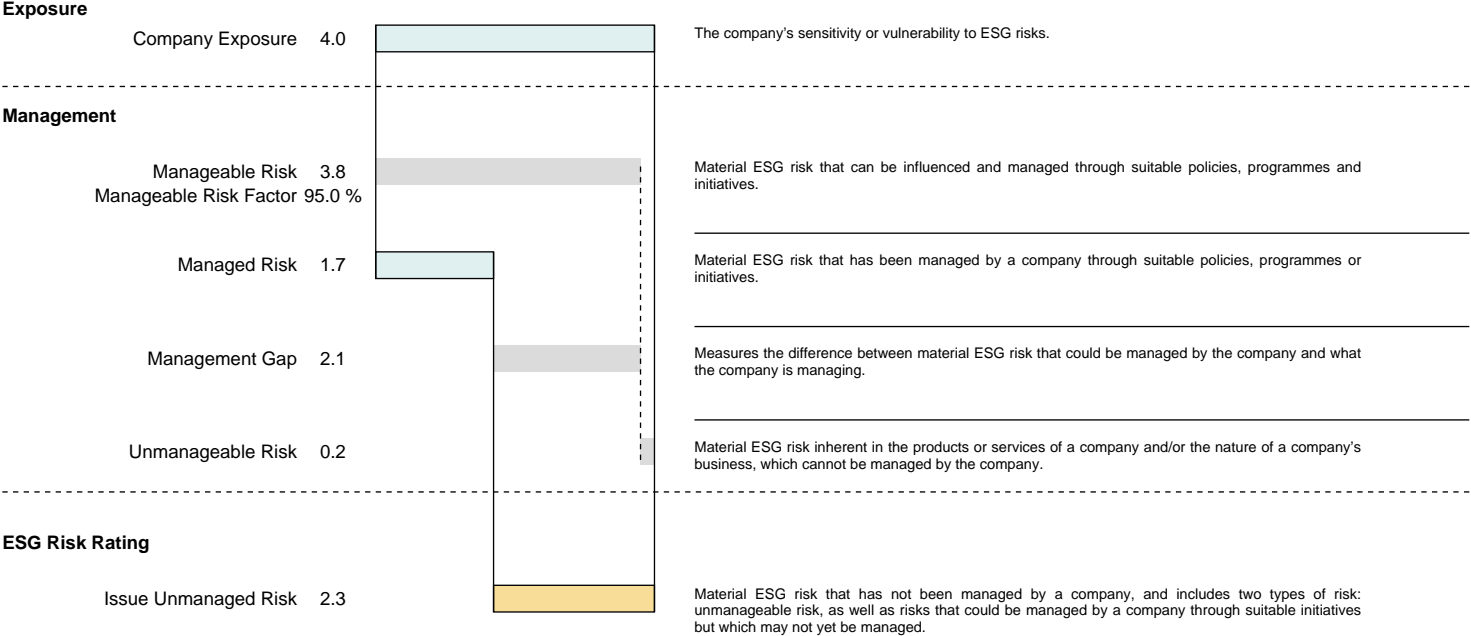
The company has above average preparedness measures to address Human Capital issues and has been implicated in minor controversies related to the issue. In our view, the company's management of the issue is average.

Management Indicators	Raw Score	Weight	Weighted Score
Collective Bargaining Agreements	100	4.0%	4.0
Discrimination Policy	100	10.0%	10.0
Freedom of Association Policy	100	10.0%	10.0
Human Capital Development	75	14.0%	10.5
Diversity Programmes	50	12.0%	6.0
Gender Pay Equality Programme	25	8.0%	2.0
Working Hours Policy	25	8.0%	2.0
Employee Turnover Rate	0	12.0%	0.0
Gender Pay Disclosure	0	2.0%	0.0
 Employees - Human Rights	Category 2	10%	0.0
 Labour Relations	Category 2	10%	0.0
Weighted Sum			44.5

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Risk Decomposition



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Issue

Contribution 11.4 %



Resource Use

Resource Use focuses on how efficiently and effectively a company uses its raw material inputs (excluding energy and petroleum-based products) in production and how it manages related risks.

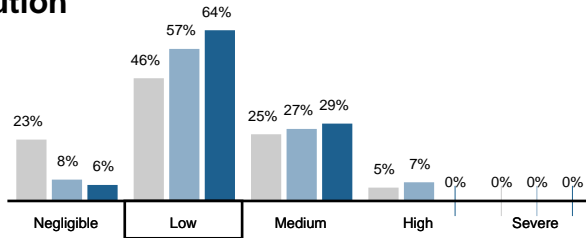
ESG Risk Rating

2.2

Low Risk



ESG Risk Rating Category Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK (1 st = lowest risk)	PERCENTILE (1 st = lowest risk)
Global Universe	343/1211	29th
Food Products INDUSTRY	26/201	13th
Packaged Foods SUBINDUSTRY	11/109	10th

Peers Comparison

Peers (Market cap \$37.1 - \$79.0bn)

	Exposure	Management	ESG Risk Rating
1. General Mills Inc	4.8 Medium	70.1 Strong	2.1 Low
2. Danone SA	5.8 Medium	76.9 Strong	2.2 Low
3. The Kraft Heinz Co	5.8 Medium	43.5 Average	3.7 Low
4. Inner Mongolia Yili Industrial Group Co Ltd	4.5 Medium	11.4 Weak	4.1 Medium
5. Foshan Haitian Flavouring & Food Co., Ltd.	4.5 Medium	11.1 Weak	4.1 Medium

Danone SA

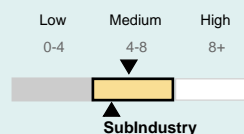
Packaged Foods France PAR:BN

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

Exposure

5.8
Medium



While food producers rely on water for cooking, processing and cleaning, water is also a vital ingredient and a key product offering for Danone. In 2019, its water business represented 18% of its annual revenues. In 2019, the company reported the 44% of its production sites are located in high or extreme risks zones, compared to 9% in 2018. Water scarcity is increasing, with major droughts across the globe. As climate change continues, more regions will experience water scarcity, and food producers may face limited freshwater availability, higher water prices or even regulatory restrictions.

The company's exposure to Resource Use issues is medium and moderately above subindustry average.

Exposure Analysis

Subindustry Issue Exposure	5.0
Issue Beta	x 1.15
Company Issue Exposure	5.8

Beta Indicators

Beta Signal

Water Use	0.00
Operating Performance	-0.02
Solvency	0.03
Financial Flexibility	-0.03
Asset Performance	0.00
Regional Water Stress	0.00
Qualitative Overlay	0.15
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
Total Beta Signal	0.15
Baseline	+1.00
Issue Beta	1.15

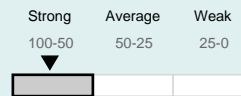
Danone SA

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Management refers to how well a company is managing its relevant ESG issues. Our management score assesses the robustness of a company's ESG programs, practices, and policies.


Management

76.9
Strong



The company demonstrates a high awareness of its water risks. In 2018, Danone updated its GREEN audit framework, incorporating new water risk assessment criteria from the World Wide Fund for Nature's Water Risk Filter. The GREEN audit programme commissions external audits to identify and track key environmental risks at its production sites. In 2019, 68% of sites underwent an audit. The Nature & Water Cycle Department is responsible for environmental indicators and falls under the responsibility of the Chief Procurement & Cycles Officer. The company has set a target to reduce water intensity by 60% against a 2000 baseline by 2020. Thus far, the company has achieved a 49% reduction in intensity. The company focuses on mapping water operations to identify where water can be reused and recycled and also looks to embed sustainable practices in its bottling operations.

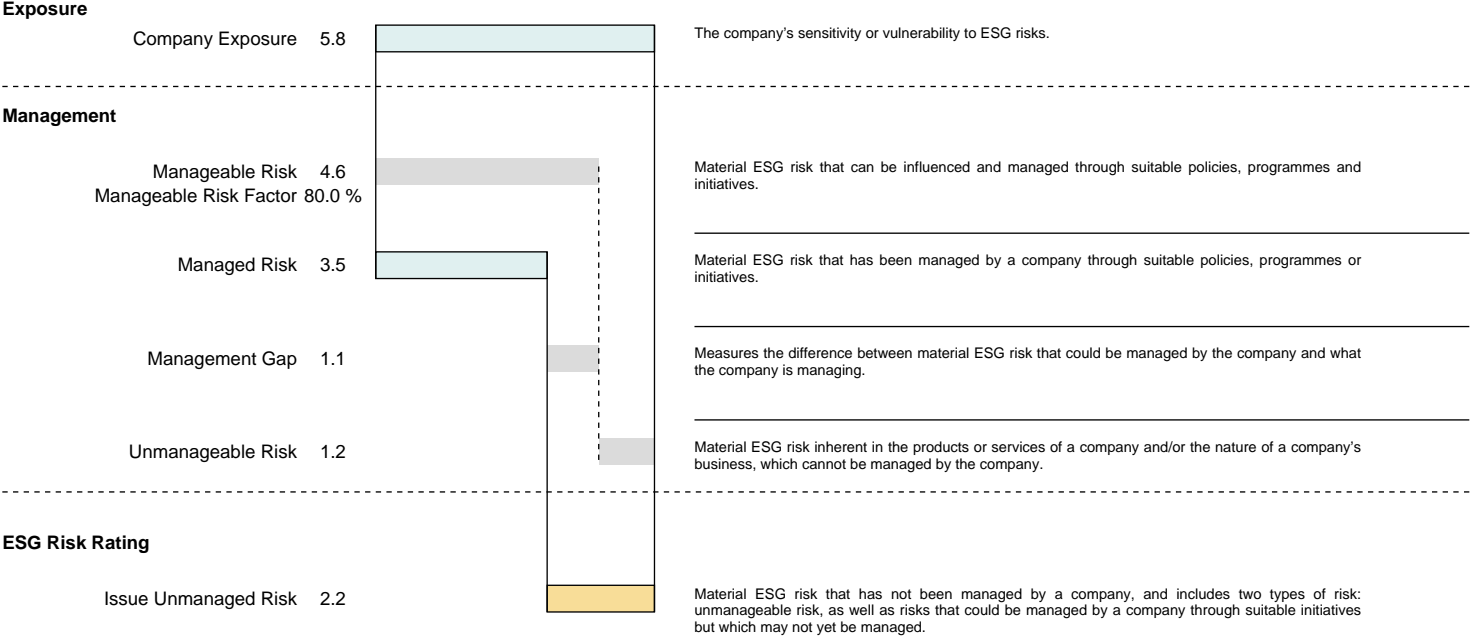
In our view, the company's management of the issue is above average.

Management Indicators	Raw Score	Weight	Weighted Score
Environmental Management System	100	7.5%	7.5
Water Management Programmes	100	35.0%	35.0
Water Risk Management	100	20.0%	20.0
Environmental Policy	75	7.5%	5.6
EMS Certification	50	5.0%	2.5
Water Intensity	25	25.0%	6.3
 Water Use	Category 0	0%	0.0
Weighted Sum			76.9

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Risk Decomposition



Danone SA

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Issue

Contribution 11.0 %



Product Governance

Product Governance focuses on how companies manage responsibilities to their clients. Emphasis is put on quality management systems, marketing practices, fair billing and post-sales responsibility.

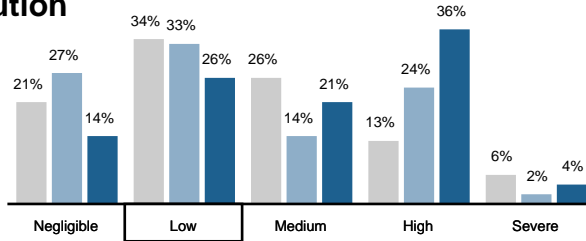
ESG Risk Rating

2.1

Low Risk



ESG Risk Rating Category Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 st = lowest risk)	(1 st = lowest risk)
Global Universe	888/3531	26th
Food Products INDUSTRY	48/165	29th
Packaged Foods SUBINDUSTRY	16/109	15th

Peers Comparison

Peers (Market cap \$37.1 - \$79.0bn)

Peers (Market cap \$37.1 - \$79.0bn)	Exposure	Management	ESG Risk Rating
1. Danone SA	9.2 High	76.8 Strong	2.1 Low
2. General Mills Inc	8.0 High	68.0 Strong	2.6 Low
3. Inner Mongolia Yili Industrial Group Co Ltd	7.2 Medium	19.0 Weak	5.8 Medium
4. Foshan Haitian Flavouring & Food Co., Ltd.	7.6 Medium	20.0 Weak	6.1 High
5. The Kraft Heinz Co	8.8 High	20.0 Weak	7.0 High

Danone SA

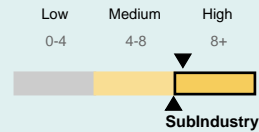
Packaged Foods France PAR:BN

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

Exposure

9.2
High



Food quality and safety is a particular concern for food producers. Contamination of products can lead to expensive recalls and damage to brand value. Companies have lost market share and experienced revenue drops of hundreds of millions of dollars after food safety scares. Challenges include product contamination with bacteria, toxins and mislabeling. Safety and quality concerns can also result in customer health impacts, frequently escalating into lawsuits.

The company's exposure to Product Governance issues is high and moderately above subindustry average.

Exposure Analysis

Subindustry Issue Exposure	8.0
Issue Beta	x 1.15
Company Issue Exposure	9.2

Beta Indicators

Beta Signal

Marketing Practices	0.02
Quality and Safety	0.02
Operating Performance	-0.02
Solvency	0.03
Financial Flexibility	-0.03
Asset Performance	0.00
Headquarters Location	-0.02
Sales Location	0.05
Qualitative Overlay	0.10
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
Total Beta Signal	0.15
Baseline	+1.00
Issue Beta	1.15

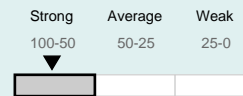
Danone SA

Packaged Foods France PAR:BN



Management refers to how well a company is managing its relevant ESG issues. Our management score assesses the robustness of a company's ESG programs, practices, and policies.

Management

76.8
Strong



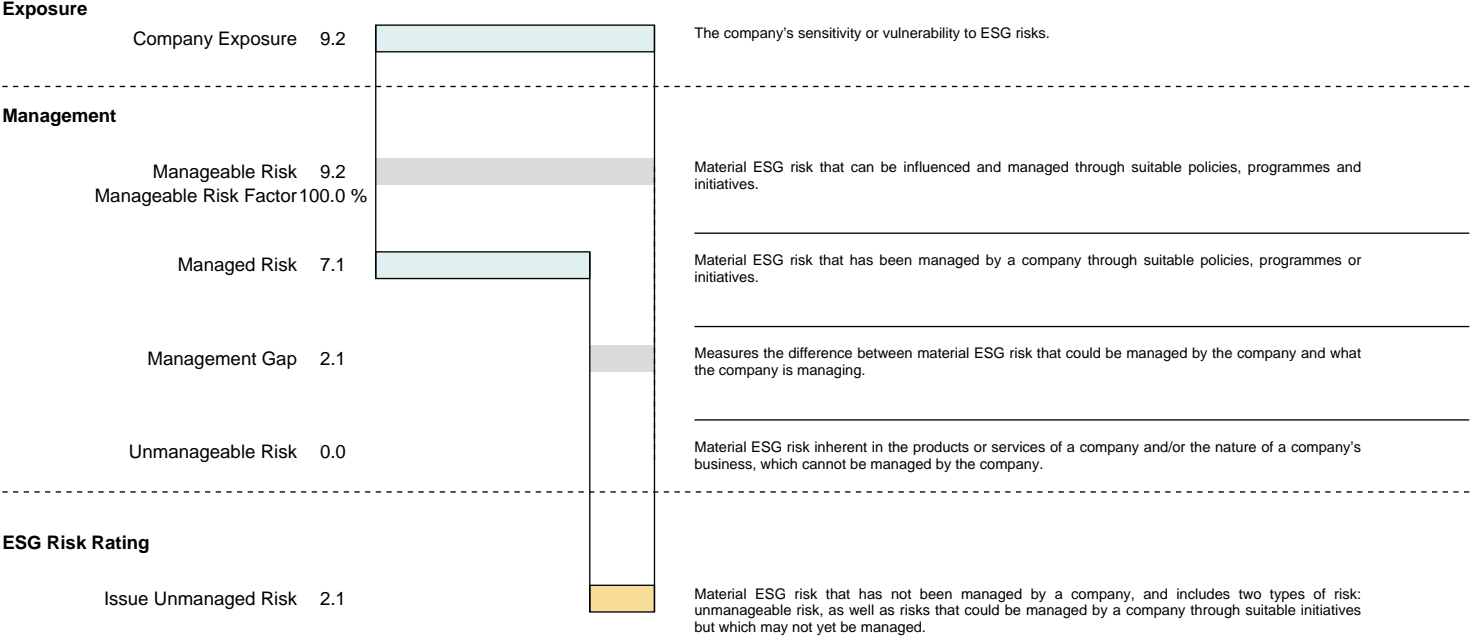
Danone has created a Food Safety Department, which reports up to the General Secretary. Its product quality and safety management system is bench-marked against FSSC 22000 protocols, considered a best practice standard. Danone has implemented horizon scanning and crisis management to manage product safety risk. The standards set by the Food Safety Department are applied across the company's whole value chain and are tailored for each business, product and technology. While the Food Safety Department carries out internal audits, the company aims to have all of its production sites FCSSC 22000 certified by 2020. In 2019, 175 FSSC 22000 certification audits were carried out which equates to 86% site certification (up from 159 audits -74% site certification rate in 2018). Moreover, Danone also requires third-party stakeholders to earn food safety certification recognized by GFSI. The company has above average preparedness measures to address Product Governance issues and has been implicated in minor controversies related to the issue. In our view, the company's management of the issue is above average.

Management Indicators	Raw Score	Weight	Weighted Score
Product and Service Safety	100	48.0%	48.0
Responsible Marketing Policy	100	16.0%	16.0
QMS Certifications	80	16.0%	12.8
 Marketing Practices	Category 2	10%	0.0
 Quality and Safety	Category 2	10%	0.0
Weighted Sum			76.8

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Risk Decomposition



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Issue

Contribution 10.4 %



Carbon - Own Operations

Carbon - Own Operations refers to a company's management of risks related to its own operational energy use and GHG emissions (scope 1 and 2). It also includes parts of Scope 3 emissions.

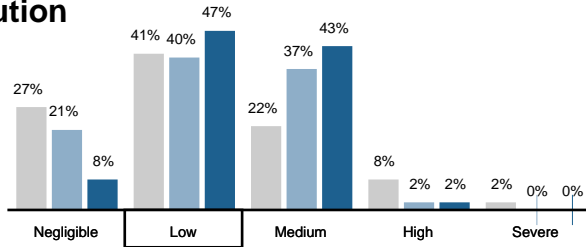
ESG Risk Rating

2.0

Low Risk



ESG Risk Rating Category Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK (1 st = lowest risk)	PERCENTILE (1 st = lowest risk)
Global Universe	669/2463	28th
Food Products INDUSTRY	43/191	23rd
Packaged Foods SUBINDUSTRY	11/109	10th

Peers Comparison

Peers (Market cap \$37.1 - \$79.0bn)

	Exposure	Management	ESG Risk Rating
1. General Mills Inc	5.4 Medium	67.1 Strong	1.8 Negligible
2. Danone SA	5.7 Medium	64.7 Strong	2.0 Low
3. The Kraft Heinz Co	6.0 Medium	42.3 Average	3.5 Low
4. Inner Mongolia Yili Industrial Group Co Ltd	5.4 Medium	13.3 Weak	4.7 Medium
5. Foshan Haitian Flavouring & Food Co., Ltd.	5.4 Medium	7.5 Weak	5.0 Medium

Danone SA

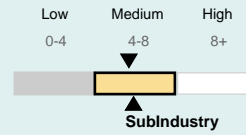
Packaged Foods France PAR:BN

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

Exposure

5.7
Medium



Energy costs can be among the major operating costs for food producers, with energy spend primarily devoted to cooking, refrigeration and packaging. Depending on the company's size and nature of operations, opportunities for greater efficiency and cost savings in this area can be significant. Furthermore, the substantial proportional cost of energy for these companies increases risks associated with climate change regulations, which could result in changes to energy prices. Broad political momentum to reign in global GHG emissions in the wake of the COP21 Paris agreement has increased the likelihood of stricter regulations on GHG emissions. Companies that are more efficient in their energy use will realize short-term cost savings, while those that have also begun transitioning towards renewable sources of energy may also be better placed to mitigate longer-term risks related to climate change regulation. Food companies can also ease social pressure arising from civic groups that have criticized companies for slow progress on reducing GHG emissions.

The company's exposure to Carbon -Own Operations issues is medium and moderately below subindustry average.

Exposure Analysis

Subindustry Issue Exposure	6.0
Issue Beta	x 0.95
Company Issue Exposure	5.7

Beta Indicators

Beta Signal

Energy Use and GHG Emissions	0.01
Operating Performance	-0.02
Solvency	0.03
Financial Flexibility	-0.03
Asset Performance	0.00
Carbon Emissions	-0.05
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
Total Beta Signal	-0.05
Baseline	+1.00
Issue Beta	0.95

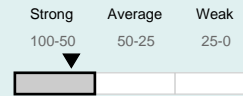
Danone SA

Packaged Foods France PAR:BN


Management refers to how well a company is managing its relevant ESG issues. Our management score assesses the robustness of a company's ESG programs, practices, and policies.

Management

64.7
Strong



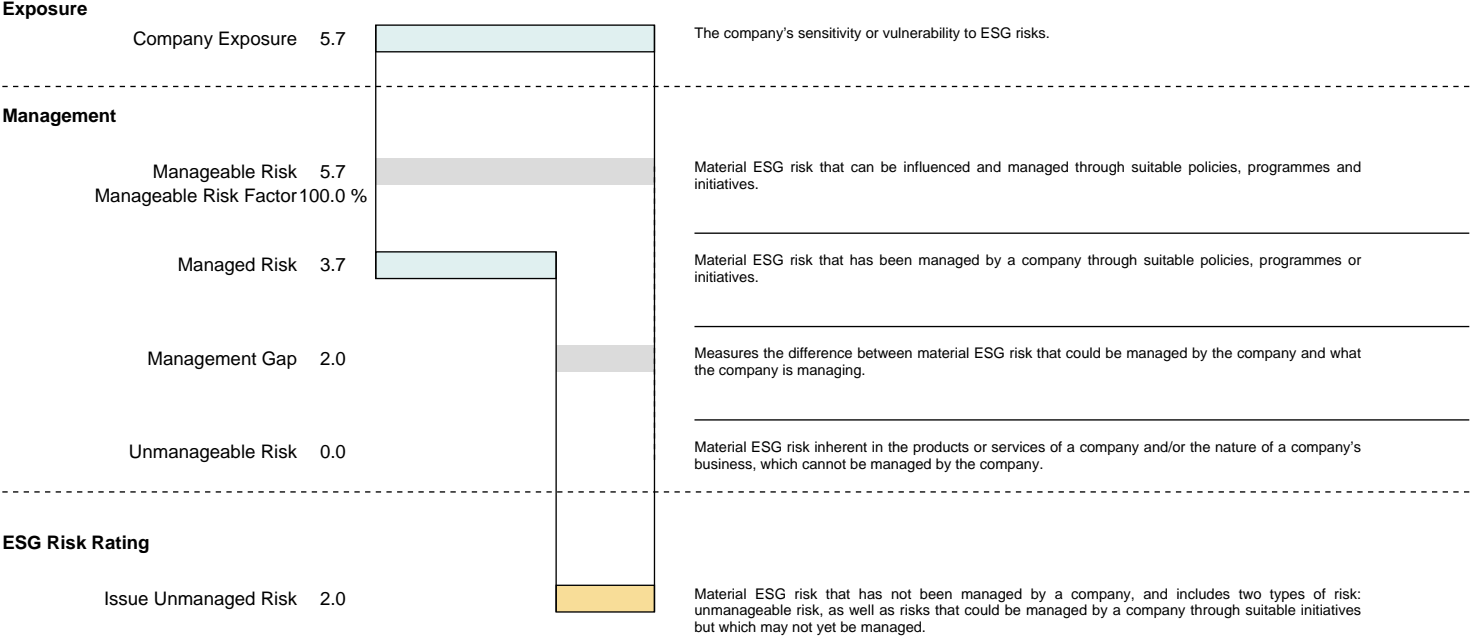
The company has above average preparedness measures to address Carbon -Own Operations issues and has been implicated in minor controversies related to the issue. In our view, the company's management of the issue is above average.

Management Indicators	Raw Score	Weight	Weighted Score
Environmental Management System	100	4.8%	4.8
GHG Reduction Programme	100	19.0%	19.0
Scope of GHG Reporting	100	9.5%	9.5
Carbon Intensity	75	7.1%	5.3
Environmental Policy	75	4.8%	3.6
GHG Risk Management	75	9.5%	7.1
Renewable Energy Use	60	9.5%	5.7
Carbon Intensity Trend	50	7.1%	3.6
EMS Certification	50	4.8%	2.4
Renewable Energy Programmes	40	9.5%	3.8
Green Logistics Programmes	0	9.5%	0.0
 Energy Use and GHG Emissions	Category 1	5%	0.0
Weighted Sum			64.7

Danone SA

Packaged Foods France PAR:BN

Risk Decomposition



Danone SA

Packaged Foods France PAR:BN

Issue

Contribution 9.6 %



Human Rights - Supply Chain

Human Rights - Supply Chain focuses on a company's management of fundamental human rights issues occurring in its supply chain.

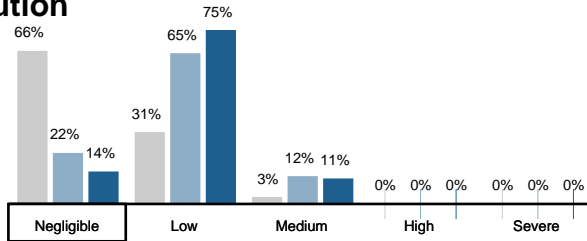
ESG Risk Rating

1.9

Negligible Risk



ESG Risk Rating Category Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK (1 st = lowest risk)	PERCENTILE (1 st = lowest risk)
Global Universe	690/1164	60th
Food Products INDUSTRY	34/201	17th
Packaged Foods SUBINDUSTRY	10/109	9th

Peers Comparison

Peers (Market cap \$37.1 - \$79.0bn)

	Exposure	Management	ESG Risk Rating
1. Danone SA	4.0 Medium	66.8 Strong	1.9 Negligible
2. General Mills Inc	3.8 Low	47.7 Average	2.3 Low
3. The Kraft Heinz Co	4.2 Medium	51.8 Strong	2.5 Low
4. Inner Mongolia Yili Industrial Group Co Ltd	3.6 Low	0.0 Weak	3.6 Low
5. Foshan Haitian Flavouring & Food Co., Ltd.	3.6 Low	0.0 Weak	3.6 Low

Danone SA

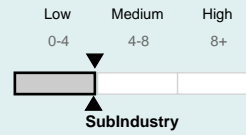
Packaged Foods France PAR:BN

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

Exposure

4.0
Medium



Packaged Foods and Meats companies are most directly exposed to Human Rights issues through their supply chains for agricultural ingredients. Agriculture is identified by the International Labour Organization (ILO) as an industry particularly prone to human rights abuses such as forced labour, human trafficking and slavery. Child labour is also relatively common in agriculture. Exposure to this issue is driven particularly by geography, with higher exposure among emerging market suppliers. However, in recent years, agricultural companies based in developed markets have also been found to be exploiting vulnerable populations for labour. Suppliers' implication in human rights abuses has reputational consequences for companies' brands, potentially leading to reduced demand for products. Human rights issues are increasingly being addressed by regulators. The United States, a key market for many companies, has recently passed legislation providing customs officials with the power to block goods known to have been produced with forced labour from entry into the US market, for example. Companies can manage reputational risks and disruptions to their supply chain by outlining and enforcing compliance with a comprehensive set of social supplier standards. Compliance should be monitored by regular audits, while ongoing supplier engagement and training on best practice is critical to ensuring continuous improvement.

The company's exposure to Human Rights -Supply Chain issues is medium and similar to subindustry average.

Exposure Analysis

Subindustry Issue Exposure	4.0
Issue Beta	x 1.00
Company Issue Exposure	4.0

Beta Indicators

Beta Signal

Labour Relations - SC	0.02
Occupational Health and Safety -	0.00
Employees - Human Rights - SC	0.00
Society - Human Rights - SC	0.00
Operating Performance	-0.02
Solvency	0.03
Financial Flexibility	-0.03
Asset Performance	0.00
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
Total Beta Signal	0.00
Baseline	+1.00
Issue Beta	1.00

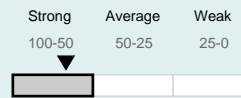
Danone SA

Packaged Foods France PAR:BN





Management refers to how well a company is managing its relevant ESG issues. Our management score assesses the robustness of a company's ESG programs, practices, and policies.

Management

66.8
Strong



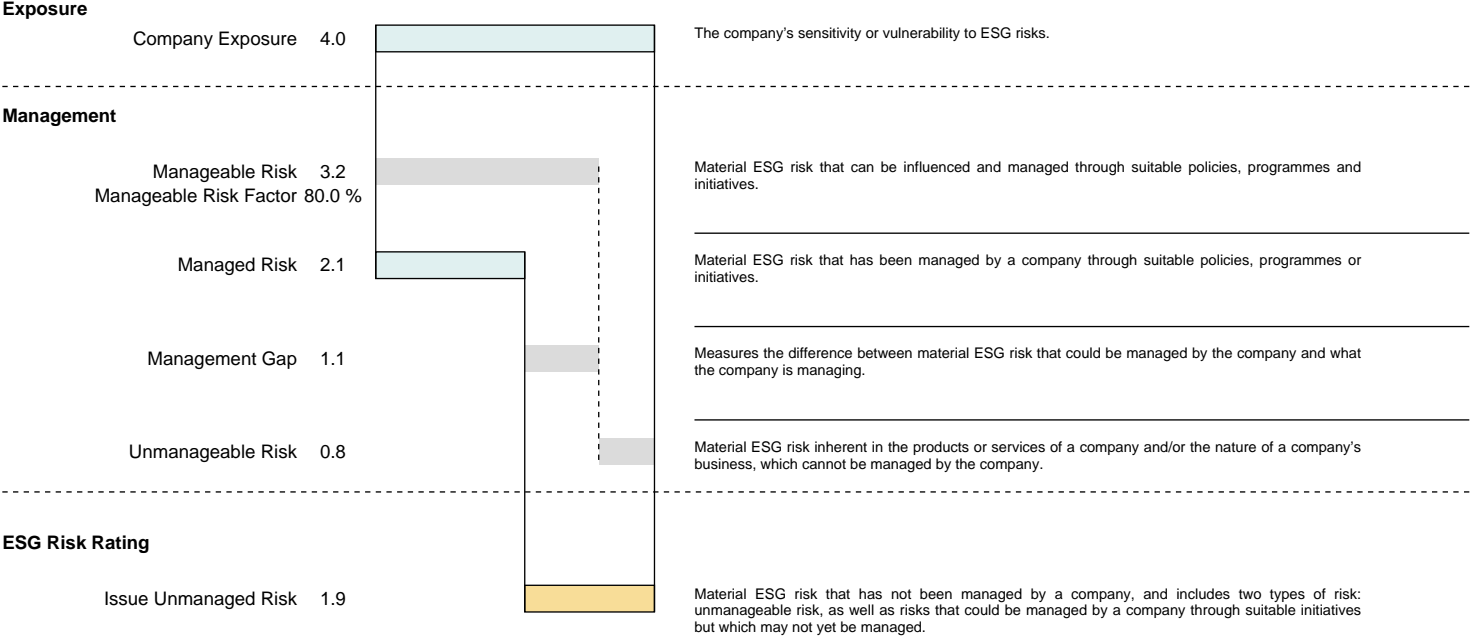
The company has above average preparedness measures to address Human Rights -Supply Chain issues and has been implicated in minor controversies related to the issue. In our view, the company's management of the issue is above average.

Management Indicators	Raw Score	Weight	Weighted Score
Scope of Social Supplier Standards	75	38.2%	28.7
Supply Chain Management	75	38.2%	28.7
Human Rights Policy	70	13.5%	9.5
 Labour Relations - SC	Category 2	10%	0.0
 Employees - Human Rights - SC	Category 0	0%	0.0
 Occupational Health and Safety -	Category 0	0%	0.0
 Society - Human Rights - SC	Category 0	0%	0.0
Weighted Sum			66.8

Danone SA

Packaged Foods France PAR:BN

Risk Decomposition



Danone SA

Packaged Foods France PAR:BN

Issue

Contribution 8.8 %

Business Ethics

Business Ethics focuses on the management of ethical considerations applicable to most or all sectors, such as taxation and accounting, anti-competitive practices and intellectual property issues.

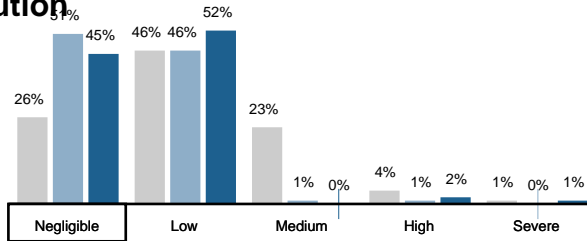
ESG Risk Rating

1.7

Negligible Risk



ESG Risk Rating Category Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK (1 st = lowest risk)	PERCENTILE (1 st = lowest risk)
Global Universe	751/4090	19th
Food Products INDUSTRY	78/201	39th
Packaged Foods SUBINDUSTRY	31/109	29th

Peers Comparison

Peers (Market cap \$37.1 - \$79.0bn)

	Exposure	Management	ESG Risk Rating
1. General Mills Inc	2.9 Low	72.0 Strong	0.9 Negligible
2. Danone SA	3.2 Low	48.0 Average	1.7 Negligible
3. The Kraft Heinz Co	3.2 Low	44.2 Average	1.8 Negligible
4. Foshan Haitian Flavouring & Food Co., Ltd.	2.7 Low	6.2 Weak	2.5 Low
5. Inner Mongolia Yili Industrial Group Co Ltd	2.7 Low	5.0 Weak	2.6 Low

Danone SA

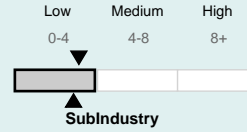
Packaged Foods France PAR:BN

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

Exposure

3.2
Low



Packaged foods companies are exposed to business ethics risks related to anti-competitive practices. Key issues identified by the OECD include anti-competitive mergers, abuse of dominance, price fixing, vertical restraints and exclusive dealing. The actions impact the efficient functioning of free markets, with potentially detrimental impacts for suppliers, consumers and retailers, creating reputational, legal and compliance risks for companies involved in the practices. Lawsuits against companies suspected of market manipulation are not uncommon, including class action lawsuits seeking damages on behalf of consumers and business partners. Markets with mature regulatory frameworks have legislative mechanisms to prevent companies from engaging in such activities, and can implement punitive measures on entities found to be in violation of the law, including criminal proceedings for those involved. Best practice involves setting out clear guidelines in policies and providing strong protections to whistleblowers.

The company's exposure to Business Ethics issues is low and similar to subindustry average.

Exposure Analysis

Subindustry Issue Exposure	3.0
Issue Beta	x 1.05
Company Issue Exposure	3.2

Beta Indicators

Beta Signal

Accounting and Taxation	0.00
Animal Welfare	0.00
Anti-Competitive Practices	0.02
Bribery and Corruption	0.00
Business Ethics	0.02
Intellectual Property	0.02
Lobbying and Public Policy	0.02
Sanctions	0.00
Operating Performance	-0.02
Solvency	0.03
Financial Flexibility	-0.03
Asset Performance	0.00
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
Total Beta Signal	0.05
Baseline	+1.00
Issue Beta	1.05

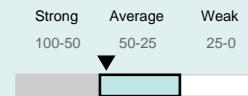
Danone SA

Packaged Foods France PAR:BN

Management refers to how well a company is managing its relevant ESG issues. Our management score assesses the robustness of a company's ESG programs, practices, and policies.

Management

48.0
Average



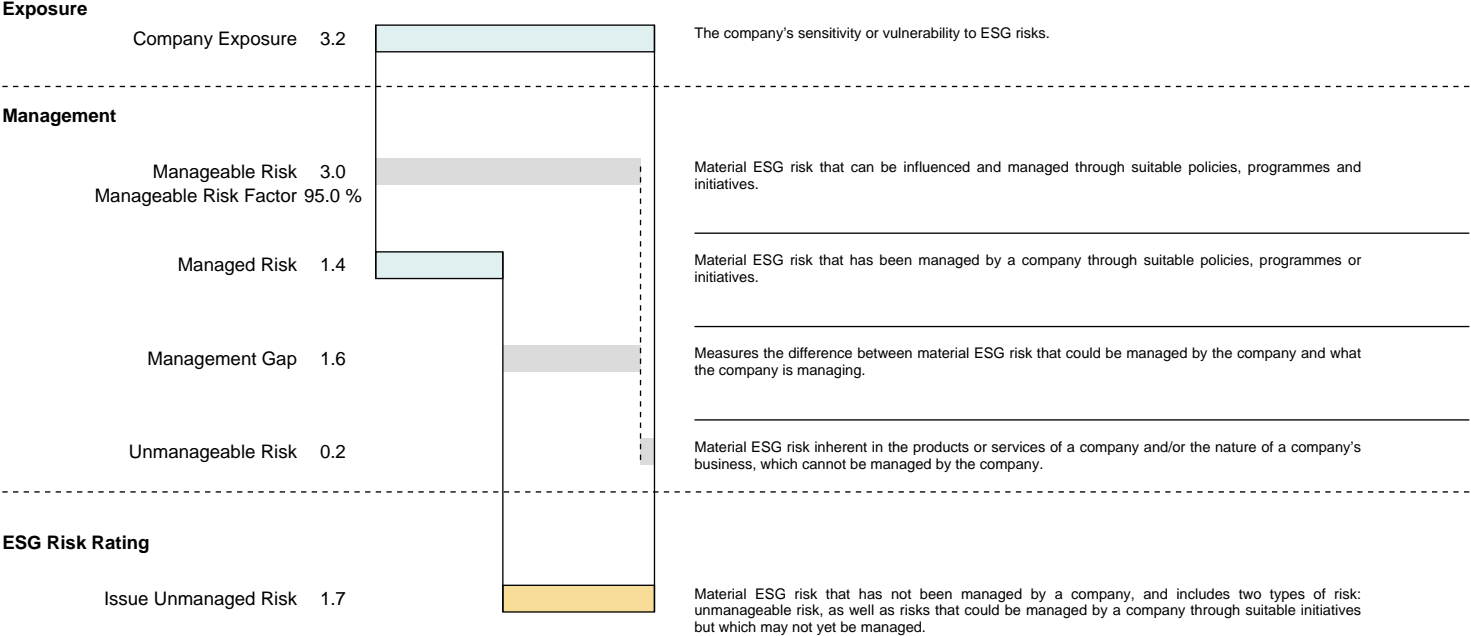
The company has above average preparedness measures to address Business Ethics issues and has been implicated in major controversies related to the issue. In our view, the company's management of the issue is average.

Management Indicators	Raw Score	Weight	Weighted Score
Animal Welfare Policy	100	6.0%	6.0
Animal Welfare Programme	100	6.0%	6.0
Bribery & Corruption Programmes	100	9.0%	9.0
Bribery & Corruption Policy	75	18.0%	13.5
Political Involvement Policy	75	3.0%	2.2
Whistleblower Programmes	75	15.0%	11.3
Lobbying and Political Expenses	0	3.0%	0.0
Anti-Competitive Practices	Category 2	10%	0.0
Business Ethics	Category 2	10%	0.0
Intellectual Property	Category 2	10%	0.0
Lobbying and Public Policy	Category 2	10%	0.0
Accounting and Taxation	Category 0	0%	0.0
Animal Welfare	Category 0	0%	0.0
Bribery and Corruption	Category 0	0%	0.0
Sanctions	Category 0	0%	0.0
Weighted Sum			48.0

Danone SA

Packaged Foods France PAR:BN

Risk Decomposition



Danone SA

Packaged Foods France PAR:BN

Issue

Contribution 6.6 %



Land Use and Biodiversity - Supply Chain

Land Use and Biodiversity - Supply Chain focuses on how companies manage the impact of their suppliers' operations on land, ecosystems and wildlife.

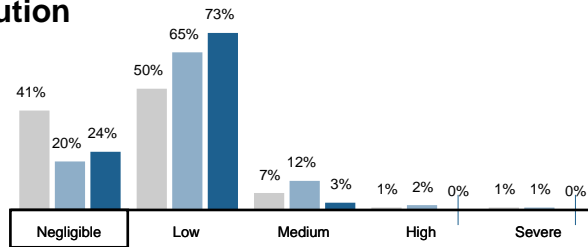
ESG Risk Rating

1.3

Negligible Risk



ESG Risk Rating Category Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK (1 st = lowest risk)	PERCENTILE (1 st = lowest risk)
Global Universe	33/240	14th
Food Products INDUSTRY	7/145	5th
Packaged Foods SUBINDUSTRY	6/109	6th

Peers Comparison

Peers (Market cap \$37.1 - \$79.0bn)

Peers (Market cap \$37.1 - \$79.0bn)	Exposure	Management	ESG Risk Rating
1. Danone SA	3.0 Low	72.0 Strong	1.3 Negligible
2. General Mills Inc	3.8 Low	63.7 Strong	1.9 Negligible
3. The Kraft Heinz Co	4.2 Medium	55.8 Strong	2.3 Low
4. Inner Mongolia Yili Industrial Group Co Ltd	2.7 Low	15.5 Weak	2.4 Low
5. Foshan Haitian Flavouring & Food Co., Ltd.	2.7 Low	0.0 Weak	2.7 Low

Danone SA

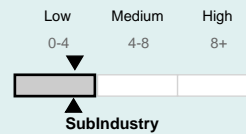
Packaged Foods France PAR:BN

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

Exposure

3.0
Low



Expansion of agricultural land is a primary driver of global deforestation, with significant impacts for biodiversity. As population growth and rising incomes fuel global demand for food, agriculture production must keep pace. The expansion of land dedicated to agricultural production will continue to grow in the coming decades. Tropical regions remain hotspots for agriculture driven deforestation. Production of feed and development of pastures to support beef production continue to place pressure on South America's rainforests. The growth of the palm oil industry, an inexpensive and cost-effective vegetable oil, is contributing to largescale deforestation in Indonesia and, increasingly, West Africa. The companies directly engaged in deforestation and their Packaged Foods & Meats customers have come under significant and increasing scrutiny, with impacted communities and global civil society organizations highlighting the social and environmental costs of the loss of forests. Reputational risks connected to deforestation, especially of high conservation value or high carbon stock areas, are growing. Some Packaged Foods and Meats companies have had to cancel procurement contracts with important suppliers as a result of high-profile deforestation incidents. Companies can manage the issue through strong environmental sourcing criteria, which include considerations for biodiversity management. Of particular importance is support for multi-stakeholder initiatives that have emerged to foster sustainable production of agricultural products, such as the Roundtable for Sustainable Beef and the Roundtable on Sustainable Palm Oil.

The company's exposure to Land Use and Biodiversity -Supply Chain issues is low and similar to subindustry average.

Exposure Analysis

Subindustry Issue Exposure	3.0
Issue Beta	x 1.00
Company Issue Exposure	3.0

Beta Indicators

Beta Signal

Land Use and Biodiversity - SC	0.02
Operating Performance	-0.02
Solvency	0.03
Financial Flexibility	-0.03
Asset Performance	0.00
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
Total Beta Signal	0.00
Baseline	+1.00
Issue Beta	1.00

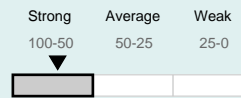
Danone SA

Packaged Foods France PAR:BN


Management refers to how well a company is managing its relevant ESG issues. Our management score assesses the robustness of a company's ESG programs, practices, and policies.

Management

72.0
Strong



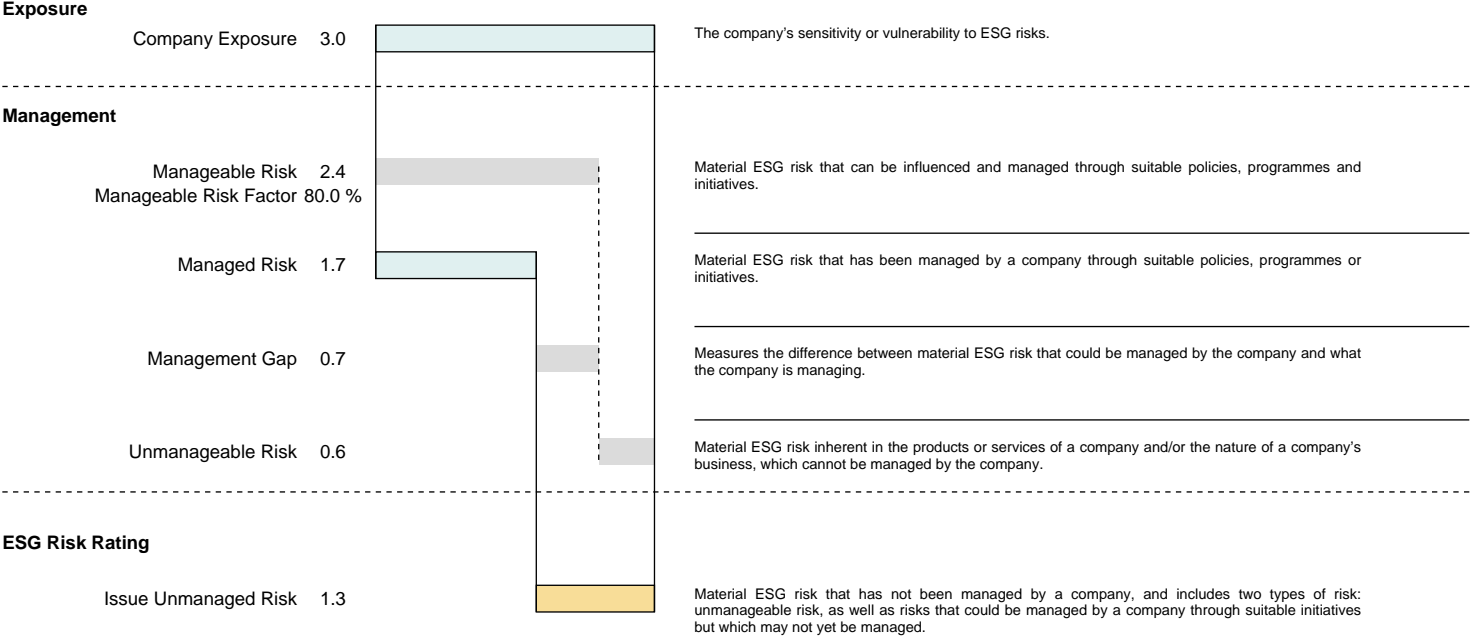
The company has above average preparedness measures to address Land Use and Biodiversity -Supply Chain issues and has been implicated in minor controversies related to the issue. In our view, the company's management of the issue is above average.

Management Indicators	Raw Score	Weight	Weighted Score
Green Procurement Policy	100	4.5%	4.5
Supplier Environmental Programmes	100	18.0%	18.0
Sustainable Agriculture Programmes	100	18.0%	18.0
Deforestation Programme	75	27.0%	20.2
Deforestation Policy	50	22.5%	11.3
 Land Use and Biodiversity - SC	Category 2	10%	0.0
Weighted Sum			72.0

Danone SA

Packaged Foods France PAR:BN

Risk Decomposition



Danone SA

Packaged Foods France PAR:BN

Issue

Contribution 6.1 %



E&S Impact of Products and Services

E&S Impact of Products and Services refers to the management of the inherent characteristics of input materials, and the impacts during use, disposal and recycling (excluding Carbon).

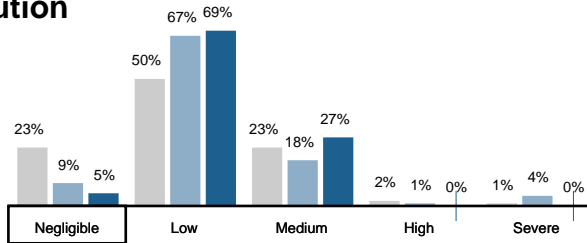
ESG Risk Rating

1.2

Negligible Risk



ESG Risk Rating Category Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK <small>(1st = lowest risk)</small>	PERCENTILE <small>(1st = lowest risk)</small>
Global Universe	57/1232	6th
Food Products INDUSTRY	3/201	2nd
Packaged Foods SUBINDUSTRY	3/109	3rd

Peers Comparison

Peers (Market cap \$37.1 - \$79.0bn)

	Exposure	Management	ESG Risk Rating
1. Danone SA	5.3 Medium	77.4 Strong	1.2 Negligible
2. General Mills Inc	5.0 Medium	53.9 Strong	2.3 Low
3. The Kraft Heinz Co	5.3 Medium	47.0 Average	2.8 Low
4. Inner Mongolia Yili Industrial Group Co Ltd	4.5 Medium	19.4 Weak	3.6 Low
5. Foshan Haitian Flavouring & Food Co., Ltd.	4.8 Medium	12.8 Weak	4.1 Medium

Danone SA

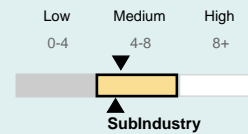
Packaged Foods France PAR:BN

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

Exposure

5.3
Medium



The nutritional value of food products that companies sell can have important consequences on societal health. Growing rates of obesity and associated diet-related chronic diseases have broad negative social impacts and can burden healthcare systems globally. Growing awareness of negative health impacts associated with the over-consumption of red and processed meats, saturated fats, trans-fats, sodium and sugars is leading some consumers to shift their eating habits toward healthier products. Food producers that adjust their product portfolio towards healthier choices are better positioned to capture this growing demand. Additionally, products deemed more natural or sustainable, such as organic products, show strong growth. Consumers demonstrate a growing willingness to spend more for organics and sustainable food products. While this trend is more pronounced in markets where consumers may have larger disposable incomes, emerging markets are also showing concern over the health impacts of food products. In some cases, regulators have taken steps to curb consumption of less healthful products. For example, in Mexico, the government has taxed sugary drinks. Companies can manage the issue by providing healthier or more sustainable products, such as organic, GMO-free and antibiotic-free products.

The company's exposure to E&S Impact of Products and Services issues is medium and similar to subindustry average.

Exposure Analysis

Subindustry Issue Exposure	5.0
Issue Beta	x 1.05
Company Issue Exposure	5.3

Beta Indicators

Beta Signal

Environmental Impact of	0.02
Social Impact of Products	0.01
Operating Performance	-0.02
Solvency	0.03
Financial Flexibility	-0.03
Asset Performance	0.00
Headquarters Location	-0.02
Sales Location	0.05
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
Total Beta Signal	0.05
Baseline	+1.00
Issue Beta	1.05

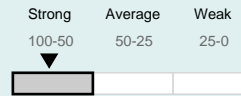
Danone SA

Packaged Foods France PAR:BN



Management refers to how well a company is managing its relevant ESG issues. Our management score assesses the robustness of a company's ESG programs, practices, and policies.

Management

77.4
Strong



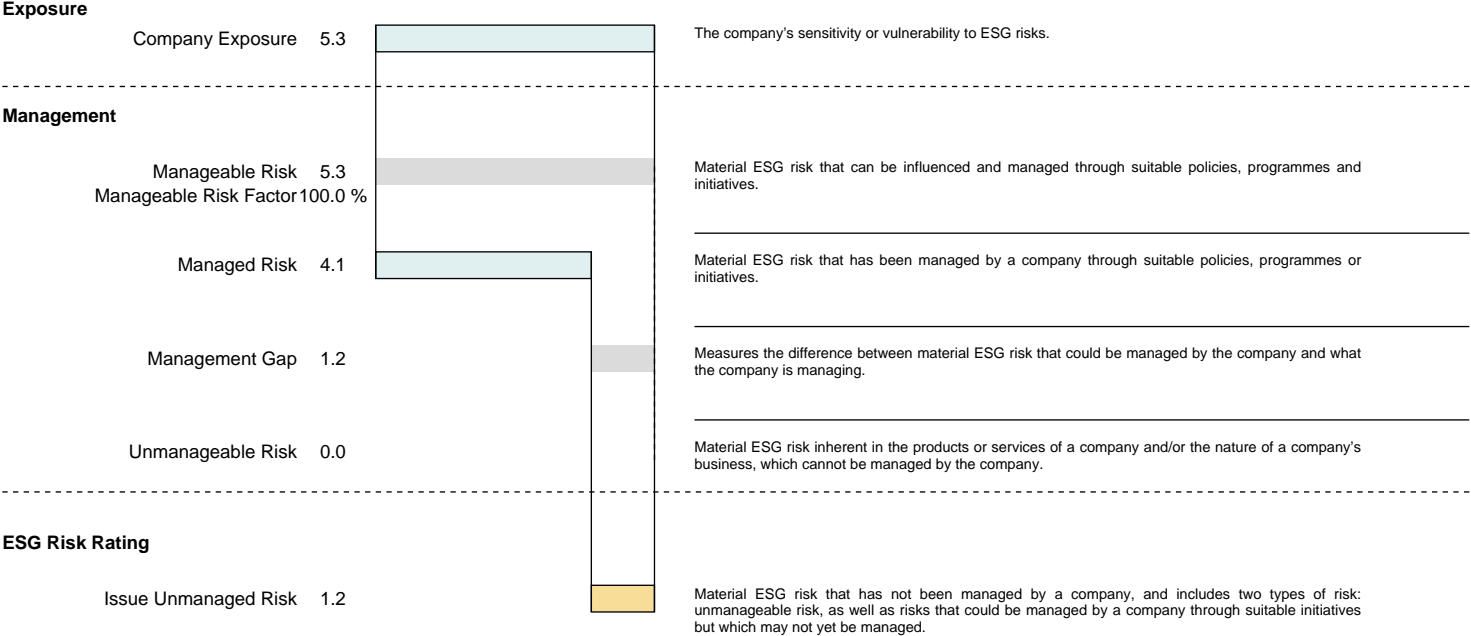
The company has above average preparedness measures to address E&S Impact of Products and Services issues and has been implicated in minor controversies related to the issue. In our view, the company's management of the issue is above average.

Management Indicators	Raw Score	Weight	Weighted Score
Food & Beverage Sustainability	100	4.2%	4.2
GMO Policy	100	8.5%	8.5
Nutrition and Health Programme	100	12.8%	12.8
Product Health Statement	100	21.3%	21.3
Solid Waste Management	100	17.0%	17.0
Sustainable Products & Services	100	8.5%	8.5
Fair Trade Products	40	4.2%	1.7
Organic Products	40	8.5%	3.4
 Environmental Impact of Products	Category 2	10%	0.0
 Social Impact of Products	Category 1	5%	0.0
Weighted Sum			77.4

Danone SA

Packaged Foods France PAR:BN

Risk Decomposition



Danone SA

Packaged Foods France PAR:BN

Issue

Contribution 4.4 %



Occupational Health and Safety

Occupational Health and Safety focuses on the management of workplace hazards affecting a company's own employees and on-site contractors. Where relevant, it may also include HIV/AIDS programmes.

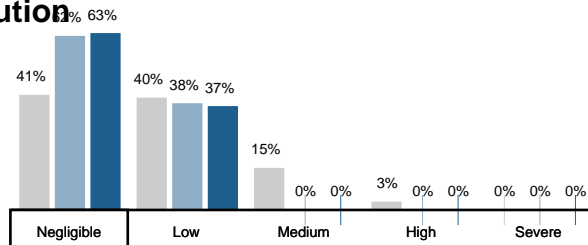
ESG Risk Rating

0.9

Negligible Risk



ESG Risk Rating Category Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK (1 st = lowest risk)	PERCENTILE (1 st = lowest risk)
Global Universe	142/1991	8th
Food Products INDUSTRY	16/146	11th
Packaged Foods SUBINDUSTRY	11/109	10th

Peers Comparison

Peers (Market cap \$37.1 - \$79.0bn)

Peers (Market cap \$37.1 - \$79.0bn)	Exposure	Management	ESG Risk Rating
1. Danone SA	2.9 Low	73.7 Strong	0.9 Negligible
2. General Mills Inc	2.9 Low	61.3 Strong	1.2 Negligible
3. The Kraft Heinz Co	3.0 Low	58.5 Strong	1.3 Negligible
4. Inner Mongolia Yili Industrial Group Co Ltd	2.9 Low	20.5 Weak	2.3 Low
5. Foshan Haitian Flavouring & Food Co., Ltd.	2.9 Low	8.0 Weak	2.6 Low

Danone SA

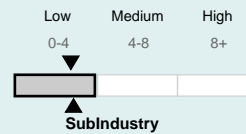
Packaged Foods France PAR:BN

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

Exposure

2.9
Low



Workers in the Packaged Foods industry may experience multiple occupational health and safety hazards, which can occur from long hours spent in either low-or high-temperature environments, sharp and dangerous cutting tools, particulate matter in the air, or hazardous chemicals used at various stages of the production process. Associated health conditions may include frostbite, heat-related injuries and respiratory disorders, as well as slips, falls or other injuries. Mechanization has increased both the speed of work and the number of repetitive tasks, with a consequent rise in machinery injuries and musculo-skeletal disorders. Employees' safety is a particularly important issue for meat processing companies, which continue to experience high accident and fatality rates despite advances in safety technology and awareness. Workers in this segment are also in contact with various pathogens when handling meat or animal waste, which may put them at risk of developing chronic diseases. Authorities have imposed substantial fines over repeated, serious and even wilful violations of health and safety standards, which may also result in reputational damage and increased difficulties in attracting workers. To mitigate social and business risks, companies are required to apply strong management systems to address the wide range of risk factors. These should include investments in safety infrastructure, risk assessments and hazard identification systems, and regular safety training programmes.

The company's exposure to Occupational Health and Safety issues is low and moderately below subindustry average.

Exposure Analysis

Subindustry Issue Exposure	3.0
Issue Beta	x 0.95
Company Issue Exposure	2.9

Beta Indicators

Beta Signal

Occupational Health and Safety	0.00
Operating Performance	-0.02
Solvency	0.03
Financial Flexibility	-0.03
Asset Performance	0.00
Headquarters Location	-0.02
Assets Location	-0.05
Qualitative Overlay	0.00
Subindustry Correction Factor	0.06
Exceptional Event Adjustment	0.00
Total Beta Signal	-0.05
Baseline	+1.00
Issue Beta	0.95

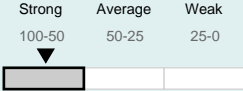
Danone SA

Packaged Foods France PAR:BN


Management refers to how well a company is managing its relevant ESG issues. Our management score assesses the robustness of a company's ESG programs, practices, and policies.

Management

73.7
Strong



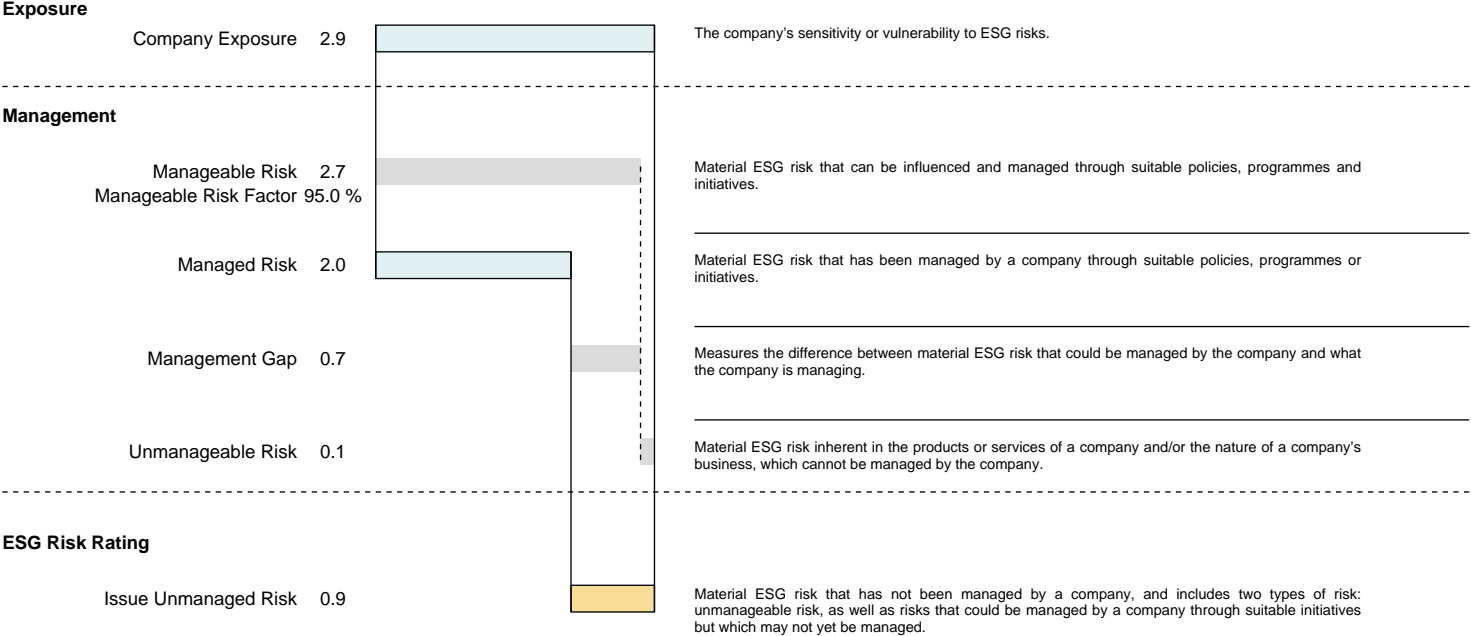
In our view, the company's management of the issue is above average.

Management Indicators	Raw Score	Weight	Weighted Score
LTIR Trend	100	25.0%	25.0
Employee Fatality Rate	75	15.0%	11.2
Health and Safety Management	75	50.0%	37.5
Health & Safety Certifications	0	10.0%	0.0
 Occupational Health and Safety	Category 0	0%	0.0
Weighted Sum			73.7

Danone SA

Packaged Foods France PAR:BN

Risk Decomposition



Danone SA

Packaged Foods France PAR:BN

Issue

Contribution 2.1 %



Resource Use - Supply Chain

Resource Use - Supply Chain focuses on companies' management water scarcity and raw material inputs risks (excluding energy and petroleum-based products) within its supply chain.

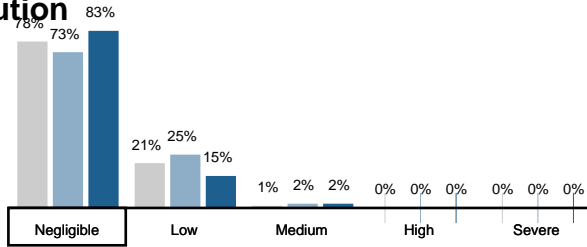
ESG Risk Rating

0.4

Negligible Risk



ESG Risk Rating Category Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 st = lowest risk)	(1 st = lowest risk)
Global Universe	3/313	2nd
Food Products INDUSTRY	3/175	2nd
Packaged Foods SUBINDUSTRY	3/109	3rd

Peers Comparison

Peers (Market cap \$37.1 - \$79.0bn)

Peers (Market cap \$37.1 - \$79.0bn)	Exposure	Management	ESG Risk Rating
1. Danone SA	2.0 Low	100.0 Strong	0.4 Negligible
2. General Mills Inc	3.8 Low	82.0 Strong	1.3 Negligible
3. Inner Mongolia Yili Industrial Group Co Ltd	1.8 Low	7.5 Weak	1.7 Negligible
4. Foshan Haitian Flavouring & Food Co., Ltd.	1.8 Low	0.0 Weak	1.8 Negligible
5. The Kraft Heinz Co	4.0 Medium	61.0 Strong	2.0 Low

Danone SA

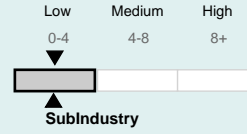
Packaged Foods France PAR:BN

ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

Exposure

2.0
Low



Agriculture counts for the largest part of Danone’s water footprint. Water scarcity is increasing, with major droughts across the globe. As climate change continues, more regions will experience water scarcity, and food producers may face limited fresh water availability, higher water prices or even regulatory restrictions.

The company's exposure to Resource Use -Supply Chain issues is low and similar to subindustry average.

Exposure Analysis

Subindustry Issue Exposure	2.0
Issue Beta	x 1.00
Company Issue Exposure	2.0

Beta Indicators

Beta Signal

Water Use - SC	0.00
Operating Performance	-0.02
Solvency	0.03
Financial Flexibility	-0.03
Asset Performance	0.00
Qualitative Overlay	0.00
Subindustry Correction Factor	0.00
Exceptional Event Adjustment	0.00
Total Beta Signal	0.00
Baseline	+1.00
Issue Beta	1.00

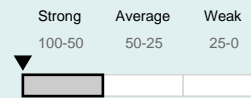
Danone SA

Packaged Foods France PAR:BN


Management refers to how well a company is managing its relevant ESG issues. Our management score assesses the robustness of a company's ESG programs, practices, and policies.

Management

100.0
Strong



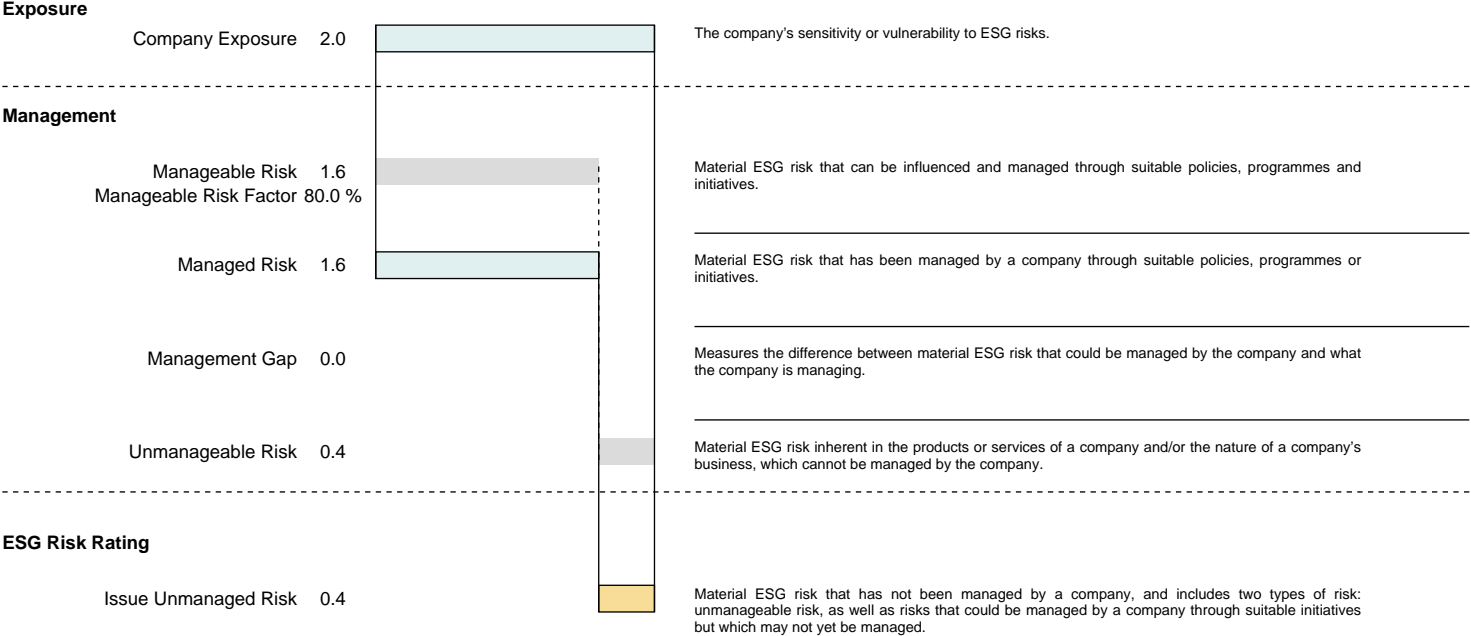
The company demonstrates a high awareness of its water risks. In 2018, Danone began assessing its water risks along its value chain, with the first assessment looking at the company's fresh liquid milk supply chain, which has a significant water footprint. The company maps water risk by region and looks at how the risk will evolve through the WRI's Aqueduct Water Risk Atlas. Danone worked on a 2030 scenario, looking at a detailed map of suppliers and dairy farms in potentially water-stressed areas. As a result, Danone was able to identify areas of particular concern and worked on setting up action plans to mitigate future risk. Danone is also looking at other areas of its supply chain such as fruit and vegetables, while plant based Alpro partnered with the WWF. Despite having facilities in water stressed regions, Danone has avoided implication in controversies related to the issue. In our view, the company's management of the issue is above average.

Management Indicators	Raw Score	Weight	Weighted Score
Green Procurement Policy	100	30.0%	30.0
Supplier Environmental Programmes	100	40.0%	40.0
Sustainable Agriculture Programmes	100	30.0%	30.0
 Water Use - SC	Category 0	0%	0.0
Weighted Sum			100.0

Danone SA

Packaged Foods France PAR:BN

Risk Decomposition



Appendix



Management Details



Corporate Governance

Board/Management Quality & Integrity

61 Outperformer

Raw Score



Our analysis of the quality and integrity of the company's board and management indicates the following key areas of focus for Danone SA:

- The company has not received significant (>30%) votes against company recommendations/ nominees in the two most recent AGMs and the company discloses a shareholder engagement policy.
 - One or more non-executive directors have relevant industry experience as a public or private company executive and one or more non-executive directors have relevant industry experience as a public company outside director.
 - No directors are linked to governance controversies at other companies and no directors are linked to performance failures at other companies.
- Overall, Danone SA positions itself as an Outperformer with regard to its Board/Management Quality & Integrity compared to peers.

Indicators

Score

Board Experience	70
Director Track Record	60
Board Capture	60
Related Party Transactions	50
Director Stock Ownership	60
Executive/Board Misconduct	50
Business Practices Controversies	50
Governance Controversies	50
Shareholder Engagement and Responsiveness	100

Board Structure

72 Outperformer

Raw Score



In reviewing the company's structural board features, we note the following for Danone SA:

- There is a separate board committee in charge of oversight of industry-specific risks and the company identifies and assesses the main risks faced by the business.
 - The company has a majority standard for election of directors and the company has a resignation policy for directors failing to receive a majority of votes.
 - Women constitute one-third or more of the board's membership and the company has disclosed a robust diversity policy including specific commitments and targets to increase the diversity of board membership.
- Overall, Danone SA positions itself as an Outperformer with regard to its Board Structure compared to peers.

Indicators

Score

Board Leadership	40
Board Tenure	70
Board Independence	40
Nominating Committee Effectiveness	60
Director Disclosure	80
Voting Structures	100
Directors not Elected by Shareholders	60
Risk Oversight	100
Board Diversity	90

Ownership & Shareholder Rights

43 Underperformer

Raw Score



Danone SA's Ownership & Shareholder rights regime includes the following key areas of focus:

- Substantially all common stockholders have identical voting rights and there are voting caps limiting the voting power of shareholdings beyond a threshold.
 - Not all the directors on the board are elected annually.
 - There is no significant shareholder with more than 15% of voting power and there is no dominant shareholder.
- Overall, Danone SA positions itself as an Underperformer with regard to its Ownership & Shareholder Rights compared to peers.

Indicators

Score

Director Appointment & Removal	30
Proportionality - One Share/One Vote	20
Ownership Structure	50
Capital Issuance Risks	60
Shareholder Action	60
Poison Pill & Takeover Defences	50
Supermajority Provisions	50

Appendix



Management Details

Remuneration

63 Outperformer

Raw Score



Our analysis of executive compensation practices at Danone SA points to the following:

- Specific quantifiable performance metrics with pre-set targets are disclosed and the formula used to calculate STI payout is disclosed.

- Half or more of the LTI is subject to pre-set goals for performance over a period of two or three years and specific quantifiable performance metrics with pre-set targets are disclosed for performance-based components of the LTI.

- Remuneration amounts are disclosed for the CEO and remuneration amounts are disclosed individually for executives other than the CEO.

Overall, Danone SA positions itself as an Outperformer with regard to its Remuneration compared to peers.

Indicators

Score

Remuneration Disclosure	80
Remuneration Committee Effectiveness	20
Say on Pay	70
Pay Controversies	50
STI Performance Metrics	100
LTI Performance Metrics	80
Pay Magnitude	60
Pay for Performance	60
Pay for Failure	60
CEO Termination Scenarios	70
Internal Pay Equity	50
Clawback Policy	0

Audit & Financial Reporting

70 Leader

Raw Score



In reviewing the company's Audit & Financial reporting features, we note the following for Danone SA:

- The audit committee met fewer than 6 times during the year and there is at least one independent member of the audit committee with financial expertise.

- The audit committee is entirely independent and audit committee independence exceeds market standards.

- The company has a policy to rotate or re-tender the audit mandate and there is a market requirement to periodically re-tender or rotate the audit mandate.

Overall, Danone SA positions itself as a Leader with regard to its Audit & Financial Reporting compared to peers.

Indicators

Score

Audit Committee Structure	80
Audit Committee Effectiveness	80
Auditor Fees	50
Audit Rotation Policy	70
Auditor Change	50
Reporting Irregularities	50

Stakeholder Governance

79 Leader

Raw Score



In reviewing the company's practices regarding ESG stakeholder governance, points of attention for Danone SA are: ESG Governance, Discrimination Policy and GHG Reduction Programme.

- ESG Governance: A board member or a board committee is responsible for overseeing ESG issues

- Discrimination Policy: The company has a strong policy

- GHG Reduction Programme: The company has a strong programme

Indicators

Score

ESG Governance	100
ESG Reporting Standards	25
Verification of ESG Reporting	50
Global Compact Signatory	100
ESG Performance Targets	100
Political Involvement Policy	75
Lobbying and Political Expenses	0
Bribery & Corruption Policy	75
Environmental Policy	75
Whistleblower Programmes	75
Tax Disclosure	50
Discrimination Policy	100
Scope of Social Supplier Standards	75
GHG Reduction Programme	100
Green Procurement Policy	100

Appendix

Exposure Details

Human Capital

EA.E.22 - Labour Relations

0.02
Beta Signal

The company is involved in moderate-level controversies of this type, signaling higher exposure to this issue.

EA.E.47 - Employees - Human Rights

0.02
Beta Signal

The company is involved in moderate-level controversies of this type, signaling higher exposure to this issue.

EA.F.1 - Operating Performance

- 0.02
Beta Signal

The company has a strong net income margin.

Average Net Income Margin (2016-2018): 9.08%
Subindustry Median (2016-2018): 4.93%
Source: Morningstar, October 2019. All Rights Reserved.

EA.F.2 - Solvency

0.03
Beta Signal

The company has a very weak debt-equity ratio.

Debt to Equity Ratio (2018-2016): 1.32
Subindustry Median (2018-2016): 0.47
Source: Morningstar, October 2019. All Rights Reserved.

EA.F.3 - Financial Flexibility

- 0.03
Beta Signal

The company has a very strong cash flow ratio.

Free Cash Flow Ratio (2018-2016): 8.24%
Subindustry Median (2018-2016): 3.03%
Source: Morningstar, October 2019. All Rights Reserved.

EA.F.4 - Asset Performance

0.00
Beta Signal

The company has an average return on assets.

Return on Assets (2018-2016): 5.11%
Subindustry Median (2018-2016): 5.27%
Source: Morningstar, October 2019. All Rights Reserved.

EA.S.1 - Qualitative Overlay

0.00
Beta Signal

The analyst did not apply a qualitative overlay.

EA.S.2 - Subindustry Correction Factor

0.00
Beta Signal

Appendix



Exposure Details

EA.S.3 - Exceptional Event Adjustment

0.00

Beta Signal

Appendix



Management Details

S.1.1 - Freedom of Association Policy

100	10.00%	10.0
Raw Score	Weight	Weighted Score

The company has a strong policy on freedom of association

Within its Code of Conduct Danone commits to respect human rights of employees as set in ILO fundamental conventions, including the right to freedom of association.

Sources

Danone Code of Conduct, released January 2016

S.1.1.1 - Working Hours Policy

25	8.00%	2.0
Raw Score	Weight	Weighted Score

The company has a weak policy on working hours

Within its Code of Conduct Danone commits to provide employees with fair working hours, without committing to a daily and/or weekly limit.

Sources

Danone Code of Conduct, released January 2016

S.1.2 - Discrimination Policy

100	10.00%	10.0
Raw Score	Weight	Weighted Score

The company has a strong policy

Criteria

- Commitment to ensure equal opportunity
- Reference to the ILO conventions
- List of the types of discrimination the company is committed to eliminate

Sources

Danone Code of Conduct, released January 2016
 Danone IUF Convention on Diversity, released June 2007
 The company provided feedback on 4 October 2019.

S.1.3 - Diversity Programmes

50	12.00%	6.0
Raw Score	Weight	Weighted Score

The company has an adequate programme

Criteria

- Targeted recruitment
- Employee affinity groups, diversity councils, or networking groups
- Diversity monitoring or audits
- Mentorship programmes
- Managerial or board level responsibility for diversity initiatives
- Training and guidance regarding diversity
- Initiatives supporting a diverse workforce
- Diversity initiatives that go beyond legal compliance

Sources

Danone Global Parental Policy, revised June 2017
 Danone Inclusive Diversity Position Paper, released October 2019
 Danone Universal Registration Document 2019 (FY 2019)
 The company provided feedback on 13th October 2020.
 The company provided feedback on 22 October 2020.

S.1.3.1 - Gender Pay Equality Programme

25	8.00%	2.0
Raw Score	Weight	Weighted Score

The company has a weak programme

Criteria

- Monitoring and measurement
- Commitment to gender pay equality
- Initiatives to close the gender pay gap
- Global gender pay gap audit or compensation review
- Quantitative targets and deadlines

Sources



S.1.3.2 - Gender Pay Disclosure

0	2.00%	0.0
Raw Score	Weight	Weighted Score

Based on available evidence, the company does not disclose related information

Criteria

- Disclosure of the company's global mean (average) raw gender pay gap
- Disclosure of ratio of basic salary and remuneration of women to men for specific employment categories (level or function)
- Disclosure of the company's global median raw gender pay gap

Appendix



Management Details

S.1.4 - Collective Bargaining Agreements

100	4.00%	4.0
Raw Score	Weight	Weighted Score

75% or more of the company's employees are covered by collective bargaining agreements

During FY2019 78% of Danone's workforce was covered by collective bargaining agreements.

Sources

Danone Exhaustive Extra-Financial Data 2019 (FY2019)

S.1.5 - Employee Turnover Rate

0	12.00%	0.0
Raw Score	Weight	Weighted Score

The company's employee turnover rate is high

During FY 2019 Danone registered a 17% employee turnover rate.

Sources

Danone Exhaustive Extra-Financial Data 2019 (FY2019)

S.1.5.2 - Human Capital Development

75	14.00%	10.5
Raw Score	Weight	Weighted Score

The company has a strong programme

Criteria

- Initiatives for talent recruitment
- Quantitative targets related to human capital development
- Reporting on human capital risk assessment
- Reporting on human capital development metrics
- Regular formal performance reviews for all permanent employees aligned with career development
- Initiatives for talent retention
- Formal mechanisms to promote an open feedback culture
- Initiatives for talent development

Sources

Danone Exhaustive Extra-Financial Data 2019 (FY2019)
 Danone Inclusive Diversity Position Paper, released October 2019
 Danone Universal Registration Document 2019 (FY 2019)

Appendix



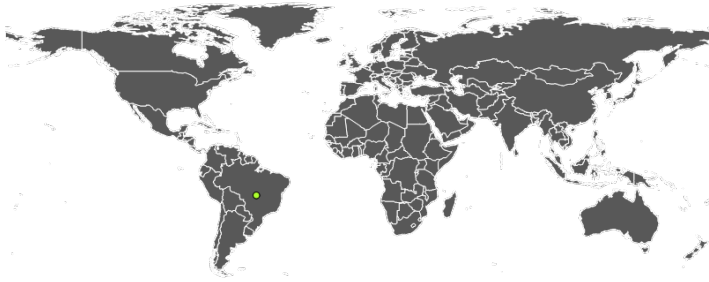
Management Details

Employees - Human Rights Events



Category 2 Event - Moderate

Incident History



Company denies links to human rights violations
Company feedback - 04 October 2019

Update: Brazilian distribution chain linked to human rights violations
Reuters Africa - 06 February 2019

Locations: Brazil

Tags: Employees -Other Human Rights Violations

Appendix



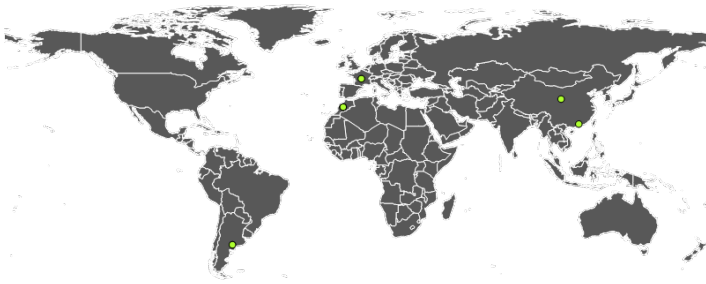
Management Details

Labour Relations Events



Category 2 Event - Moderate

Incident History



Locations: Argentina, France, Morocco, Guangzhou, Guangdong, China, China

Tags: Labour Relations

Union claims company coerced Argentinian employees to accept voluntary
CE Noticias Financieras English - 08 January 2021

Argentinian court denies removal of union privileges
EdairyNews - 23 December 2020

Company response to strike at Evian Waters
Company feedback - 13 October 2020

Update: Strike over better working conditions at Evian Waters
Le Messenger.fr - 19 February 2020

Subsidiary implements new pricing system
Company feedback - 15 October 2018

Update: Subsidiary to lower milk prices after boycott
Jeune Afrique - 17 August 2018

Update: CEO states that subsidiary would not exit Morocco
Reuters Africa - 26 June 2018

Update: Moroccan workers protest against lay-offs
Long Room.com - 06 June 2018

Update: Subsidiary faces boycott in Morocco over high prices
Bloomberg-Quint - 30 May 2018

Chinese workers strike over sale of bottling factory
AsiaNews.it - 07 December 2016

Update: Company response to strike over bottling factory sale
Company feedback - 15 October 2018

Appendix

Exposure Details

Resource Use

EA.E.33 - Water Use

0.00
Beta Signal

The company is not involved in any controversies of this type.

EA.F.1 - Operating Performance

- 0.02
Beta Signal

The company has a strong net income margin.

Average Net Income Margin (2016-2018): 9.08%
Subindustry Median (2016-2018): 4.93%
Source: Morningstar, October 2019. All Rights Reserved.

EA.F.2 - Solvency

0.03
Beta Signal

The company has a very weak debt-equity ratio.

Debt to Equity Ratio (2018-2016): 1.32
Subindustry Median (2018-2016): 0.47
Source: Morningstar, October 2019. All Rights Reserved.

EA.F.3 - Financial Flexibility

- 0.03
Beta Signal

The company has a very strong cash flow ratio.

Free Cash Flow Ratio (2018-2016): 8.24%
Subindustry Median (2018-2016): 3.03%
Source: Morningstar, October 2019. All Rights Reserved.

EA.F.4 - Asset Performance

0.00
Beta Signal

The company has an average return on assets.

Return on Assets (2018-2016): 5.11%
Subindustry Median (2018-2016): 5.27%
Source: Morningstar, October 2019. All Rights Reserved.

EA.G.5 - Regional Water Stress

0.00
Beta Signal

Information is insufficient to determine the location of the company's operations.

Appendix



Exposure Details

EA.S.1 - Qualitative Overlay

0.15
Beta Signal

The analyst increased the beta for this company.

The profile is pending further assessment by an analyst. Additional details will be provided soon.

EA.S.2 - Subindustry Correction Factor

0.00
Beta Signal

EA.S.3 - Exceptional Event Adjustment

0.00
Beta Signal

Appendix



Management Details

E.1.1 - Environmental Policy

75	7.50%	5.6
Raw Score	Weight	Weighted Score

The company has a strong policy

Criteria

- Commitment to monitor the company's environmental performance
- Commitment to implement an environmental management system
- Commitment to consult with stakeholders on environmental issues
- Commitment to use natural resources or energy more efficiently
- Commitment to report regularly on environmental issues
- Commitment to environmental protection
- Approved by senior management or the board of directors
- Commitment to reduce emissions, releases and waste
- Commitment to create environmental awareness

Sources

Danone Charter for the Environment, released 1996
 Danone Climate Policy, released 2016
 Danone Packaging Policy, released October 2018
 The company provided feedback on 13th October 2020.

E.1.2 - Environmental Management System

100	7.50%	7.5
Raw Score	Weight	Weighted Score

The company has a very strong EMS

For FY 2019 Danone reports that 86 of its production sites were ISO 14001 certified, representing 67% of production volume.

Criteria

- Internal environmental audits
- Training and awareness programmes for employees
- Objectives, targets and deadlines
- External environmental audits
- Identification of products, activities and services that have significant impacts on the environment
- Assigned roles and responsibilities
- Monitoring and measurement
- Compliance with environmental regulation
- Environmental programmes
- Environmental performance records
- Corrective actions to stimulate continual improvement
- Internal and external communications on environmental management issues
- Managerial or board level responsibility for environmental issues

Sources

Danone Exhaustive Extra-Financial Data 2019 (FY2019)

E.1.2.7 - Water Intensity

25	25.00%	6.3
Raw Score	Weight	Weighted Score

The company's water intensity is above the industry median

Danone SA Annual Report 2019

E.1.2.7.1 - Water Risk Management

100	20.00%	20.0
Raw Score	Weight	Weighted Score

The company has a strong programme

Criteria

- Detailed reporting on risks posed by water scarcity or their absence
- Managerial or board level responsibility for addressing risks posed by water scarcity
- Participation in relevant multistakeholder or industry initiatives
- Integration of water scarcity into regular risk assessments and business strategy
- Reporting on contextualized water metrics
- Recognition of the risks posed by water scarcity or the absence of such risks

Sources

Alliance for Water Stewardship, a4ws.org; accessed 21 September 2020
 CEO Water Mandate, ceowatermandate.org; accessed 21 September 2020
 Danone Exhaustive Extra-Financial Data 2019 (FY2019)
 Danone Universal Registration Document 2019 (FY 2019)
 The company provided feedback on 13th October 2020.

Appendix



Management Details

E.1.3 - EMS Certification

Raw Score	Weight	Weighted Score
50	5.00%	2.5

Between 50% and 75% of the company's activities have received external certification

For FY 2019 Danone reports that 86 of its production sites were ISO 14001 certified, representing 67% of production volume.

Sources

Danone Exhaustive Extra-Financial Data 2019 (FY2019)

E.1.3.4 - Water Management Programmes

Raw Score	Weight	Weighted Score
100	35.00%	35.0

The company has a strong programme

Criteria

- Water reduction targets and deadlines
- Managerial responsibility for water use
- Water use reporting
- Initiatives to reduce fresh water use
- Water use monitoring and measurement
- Policy commitment to reduce water use

Sources

Danone Charter for the Environment, released 1996
 Danone Exhaustive Extra-Financial Data 2019 (FY2019)
 Danone Universal Registration Document 2019 (FY 2019)

Appendix

Exposure Details



Product Governance

EA.E.24 - Marketing Practices

0.02
Beta Signal

The company is involved in moderate-level controversies of this type, signaling higher exposure to this issue.

EA.E.28 - Quality and Safety

0.02
Beta Signal

The company is involved in moderate-level controversies of this type, signaling higher exposure to this issue.

EA.F.1 - Operating Performance

- 0.02
Beta Signal

The company has a strong net income margin.

Average Net Income Margin (2016-2018): 9.08%
Subindustry Median (2016-2018): 4.93%
Source: Morningstar, October 2019. All Rights Reserved.

EA.F.2 - Solvency

0.03
Beta Signal

The company has a very weak debt-equity ratio.

Debt to Equity Ratio (2018-2016): 1.32
Subindustry Median (2018-2016): 0.47
Source: Morningstar, October 2019. All Rights Reserved.

EA.F.3 - Financial Flexibility

- 0.03
Beta Signal

The company has a very strong cash flow ratio.

Free Cash Flow Ratio (2018-2016): 8.24%
Subindustry Median (2018-2016): 3.03%
Source: Morningstar, October 2019. All Rights Reserved.

EA.F.4 - Asset Performance

0.00
Beta Signal

The company has an average return on assets.

Return on Assets (2018-2016): 5.11%
Subindustry Median (2018-2016): 5.27%
Source: Morningstar, October 2019. All Rights Reserved.

EA.G.1 - Headquarters Location

- 0.02
Beta Signal

The location of the company's headquarters indicates slightly lower exposure to this issue.

France: Slightly lower exposure
Source: Sustainalytics Country Risk Rating, May 2019.

EA.G.3 - Sales Location

0.05
Beta Signal

The location of the company's sales indicates slightly higher exposure to this issue.

Rest of World: 84% (Slightly higher exposure)
France: 16% (Slightly higher exposure)
Source: Sustainalytics Country Risk Rating, May 2019.
Morningstar, October 2019. All Rights Reserved.

Appendix



Exposure Details

EA.S.1 - Qualitative Overlay

0.10
Beta Signal

The analyst increased the beta for this company.

The profile is pending further assessment by an analyst. Additional details will be provided soon.

EA.S.2 - Subindustry Correction Factor

0.00
Beta Signal

EA.S.3 - Exceptional Event Adjustment

0.00
Beta Signal

Appendix



Management Details

S.3.1.1 - Responsible Marketing Policy

100	16.00%	16.0
Raw Score	Weight	Weighted Score

The company has a strong and detailed policy statement

Within its Policy for the Marketing of Breast-Milk Substitutes, based on the 1981 WHO Code, Danone commits not to market its complementary foods as breast-milk substitutes nor to discourage breast-feeding in any way. Also states that labels for such products should always contain a statement of the superiority of breast-feeding as well as clear age indications and provision for medical advice upon use. Furthermore, Danone commits not to employ health care organizations for the display of such products. Finally, Danone upholds the WHO's Set of Recommendations on food and non-alcoholic beverage marketing to children.

Sources

- Danone Food, Nutrition & Health Charter, released November 2009
- Danone Pledge On Marketing To Children, released December 2019
- Danone Policy for the Marketing of Breast-Milk Substitutes, revised October 2018

S.3.1.9.1 - Product and Service Safety Programme

100	48.00%	48.0
Raw Score	Weight	Weighted Score

The company has a very strong programme

For FY 2019 Danone reports that 86% of its production sites were FSSC 22000 certified.

Criteria

- Incident investigation and corrective action
- Product/service objectives or targets
- Regular employee training on product/service safety
- Regular external product/service safety audits
- Product/service safety risk assessment
- Managerial responsibility for product/service safety
- Regularly tested emergency response procedures to ensure product/service safety
- Policy commitment to ensure product/service safety
- Monitoring of product/service safety performance
- Public reporting on product/service safety issues

Sources

- Danone Exhaustive Extra-Financial Data 2019 (FY2019)
- Danone Quality and Food Safety Commitments, released November 2018

S.3.2.1 - QMS Certifications

80	16.00%	12.8
Raw Score	Weight	Weighted Score

Between 75% and 89% of the company's sites have received external certification

For FY 2019 Danone reports that 86% of its production sites were FSSC 22000 certified.

Sources

- Danone Exhaustive Extra-Financial Data 2019 (FY2019)

Appendix



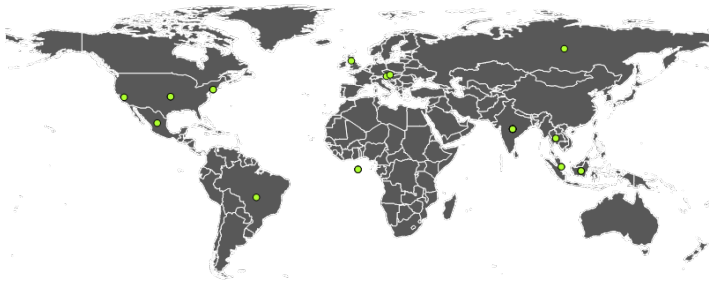
Management Details

Marketing Practices Events



Category 2 Event - Moderate

Incident History



Locations: Brazil, Mexico, Indonesia, India, Austria, Russia, Vienna, Austria, Thailand, Singapore, United Kingdom, United States, California, USA, New York, USA, New York, NY, USA

Tags: False or Deceptive Marketing

NGO report reveals deceptive marketing during COVID-19 pandemic
Citizen.co.za - 17 November 2020

Mexico ban on certain dairy products over breaches of standards
Reuters UK - 14 October 2020

Company response to criticism for advertising infant formula during
Company feedback - 13 October 2020

Update: Criticism for advertising infant formula in Indonesia
Yahoo! News UK and Ireland - 30 July 2020

Update: NGO accuses companies of promoting infant formula during
Open Democracy - 25 June 2020

Company response to allegations of breaching Indian infant products
Company feedback - 13 October 2020

Update: Health ministry calls for action regarding webinar sponsorship
Times of India (Electronic Edition) - 23 August 2020

Update: New complaint over violations of baby food advertising
ThePrint - 16 August 2020

Update: Indian Government to investigate complaints over baby food
ThePrint - 27 January 2020

Update: Company criticizes breastfeeding study
Company feedback - 15 October 2018

Update: Breastfeeding protection watchdog reveals unethical formula
Yahoo! India - 03 December 2016

Company response on Austrian court's negative ruling on Actimel packs
Company feedback - 13 October 2020

Update: Austrian court finds company guilty of misleading advertising
TendersInfo News - 24 January 2020

Company drops advertisement with controversial Russian actor
UNIAN - 10 June 2020

Company denies unlawful advertising in Thailand
Company feedback - 04 October 2019

Update: Report reveals targeted advertising of milk formula in Thailand
resourcecentre.savethechildren.net - 03 June 2019

Company modifies advertisement after complaints
Company feedback - 04 October 2019

Update: Indian advertising body upholds advertising complaint
Agencyfaqs! - 05 November 2018

Appendix



Management Details

Company response to Singapore marketing report

Company feedback - 04 October 2019

Update: Singapore competition regulator report into milk formula

South China Morning Post - 11 May 2017

Charity defends company sponsorship in the UK

Company feedback - 04 October 2019

Update: UK academics ask charity event to drop company sponsorship

The Nationalist - 29 May 2019

Company response to US advertising report

Company feedback - 04 October 2019

Update: Report reveals targeted advertising of Black and Latino youth

ABC News - 18 January 2019

California lawsuit over coconut milk labeling

Law360 - 16 September 2019

New York lawsuit over false labeling claims

Fairfield County Business Journal Proquest - 24 June 2019

Settlement in New York lawsuit over false advertising

Company feedback - 15 October 2018

Update: New York lawsuit over false advertising

Smart Company - 20 August 2015

Appendix



Management Details

Quality and Safety Events



Category 2 Event - Moderate

Incident History



Locations: New York, NY, USA, Nevada, USA, Argentina, United States, France, Algeria, Belarus, Blida, Algeria, Saint-Malo, France, Russia, United Kingdom, New Zealand

Tags: Product Quality and Safety, Services Quality and Safety

New York plaintiffs motion to coordinate 42 US lawsuits

Law360 - 10 March 2021

Update: Nevada litigation over unsafe heavy metals levels in baby food
8 News Now - 03 March 2021

Update: New York lawsuit over high levels of heavy metals in baby food
New York Post - 19 February 2021

Update: New York class action lawsuit over heavy metals in baby food
Law360 - 12 February 2021

Update: US congressional report finds heavy metals in baby food
Washington Post - 04 February 2021

Argentinian government to probe alleged production and delivery violations

BNN Bloomberg - 17 February 2021

Company response to alleged mineral oil contamination

Company feedback - 13 October 2020

Update: NGO asks 109 French prefects to recall contaminated infant formula
Foodwatch.org - 01 July 2020

Update: Watchdog group alleges baby formula contaminated with mineral oil
France Tv - 24 October 2019

Company response to alleged parasitic contamination of powdered milk

Company feedback - 13 October 2020

Update: Nine families file complaint against parasitic contamination of infant
Dernières Nouvelles d'Alsace - 05 March 2020

Update: Company recalls Gallia infant milk products in France
Medisite.fr - 28 February 2020

Update: Police complaint over parasite in powdered milk in France
Biobiochile.cl - 26 February 2020

Company response to irregularities found during inspections at Blida plant

Company feedback - 13 October 2020

Update: Algerian trade department closes Blida unit over expired products
El Moudjahid - 03 March 2020

Russian regulator lifts ban on dairy imports from Belarusian plant

Russia & CIS Business and Financial Newswire - 02 April 2020

Update: Russian regulator bans dairy imports from Belarusian plant
Interfax - 27 March 2019

Appendix



Management Details

Company fails to appeal inspection findings

Company feedback - 04 October 2019

Update: Company criticizes Russian regulator findings

Company feedback - 15 October 2018

Update: Russian regulator finds antibiotics in milk

Russia & CIS Business and Financial Newswire - 21 December 2017

UK subsidiary to investigate illnesses linked to infant formula

Brief Report.co.uk - 09 July 2018

Update: UK regulator probe reveals infant formula is safe

Company feedback - 15 October 2018

Russian court finds regulator allegations unfounded

Company feedback - 15 October 2018

Update: Russian watchdog finds breaches of milk regulations

Russia & CIS Business and Financial Newswire - 21 June 2018

New Zealand tribunal orders Fonterra to compensate Danone

Reuters UK - 01 December 2017

Update: Botulism scare recall

Bloomberg First Word - 03 August 2013

Appendix

Exposure Details



Carbon - Own Operations

EA.E.15 - Energy Use and GHG Emissions

0.01

Beta Signal

The company is involved in low-level controversies of this type, signaling higher exposure to this issue.

EA.F.1 - Operating Performance

- 0.02

Beta Signal

The company has a strong net income margin.

Average Net Income Margin (2016-2018): 9.08%
 Subindustry Median (2016-2018): 4.93%
 Source: Morningstar, October 2019. All Rights Reserved.

EA.F.2 - Solvency

0.03

Beta Signal

The company has a very weak debt-equity ratio.

Debt to Equity Ratio (2018-2016): 1.32
 Subindustry Median (2018-2016): 0.47
 Source: Morningstar, October 2019. All Rights Reserved.

EA.F.3 - Financial Flexibility

- 0.03

Beta Signal

The company has a very strong cash flow ratio.

Free Cash Flow Ratio (2018-2016): 8.24%
 Subindustry Median (2018-2016): 3.03%
 Source: Morningstar, October 2019. All Rights Reserved.

EA.F.4 - Asset Performance

0.00

Beta Signal

The company has an average return on assets.

Return on Assets (2018-2016): 5.11%
 Subindustry Median (2018-2016): 5.27%
 Source: Morningstar, October 2019. All Rights Reserved.

EA.P.1 - Carbon Emissions

- 0.05

Beta Signal

The company's carbon emissions intensity indicates slightly lower exposure to this issue

Appendix



Exposure Details

EA.S.1 - Qualitative Overlay

0.00
Beta Signal

The analyst did not apply a qualitative overlay.

EA.S.2 - Subindustry Correction Factor

0.00
Beta Signal

EA.S.3 - Exceptional Event Adjustment

0.00
Beta Signal

Appendix



Management Details

E.1.1 - Environmental Policy

75	4.75%	3.6
Raw Score	Weight	Weighted Score

The company has a strong policy

Criteria

- Commitment to monitor the company's environmental performance
- Commitment to implement an environmental management system
- Commitment to consult with stakeholders on environmental issues
- Commitment to use natural resources or energy more efficiently
- Commitment to report regularly on environmental issues
- Commitment to environmental protection
- Approved by senior management or the board of directors
- Commitment to reduce emissions, releases and waste
- Commitment to create environmental awareness

Sources

Danone Charter for the Environment, released 1996
 Danone Climate Policy, released 2016
 Danone Packaging Policy, released October 2018
 The company provided feedback on 13th October 2020.

E.1.2 - Environmental Management System

100	4.75%	4.8
Raw Score	Weight	Weighted Score

The company has a very strong EMS

For FY 2019 Danone reports that 86 of its production sites were ISO 14001 certified, representing 67% of production volume.

Criteria

- Internal environmental audits
- Training and awareness programmes for employees
- Objectives, targets and deadlines
- External environmental audits
- Identification of products, activities and services that have significant impacts on the environment
- Assigned roles and responsibilities
- Monitoring and measurement
- Compliance with environmental regulation
- Environmental programmes
- Environmental performance records
- Corrective actions to stimulate continual improvement
- Internal and external communications on environmental management issues
- Managerial or board level responsibility for environmental issues

Sources

Danone Exhaustive Extra-Financial Data 2019 (FY2019)

E.1.3 - EMS Certification

50	4.75%	2.4
Raw Score	Weight	Weighted Score

Between 50% and 75% of the company's activities have received external certification

For FY 2019 Danone reports that 86 of its production sites were ISO 14001 certified, representing 67% of production volume.

Sources

Danone Exhaustive Extra-Financial Data 2019 (FY2019)

E.1.6 - Scope of GHG Reporting

100	9.50%	9.5
Raw Score	Weight	Weighted Score

The company reports on scope 1 & 2 and discloses relevant information on Scope 3 GHG emissions

Danone SA Annual Report 2019

Appendix



Management Details

E.1.6.1 - GHG Risk Management

75	9.50%	7.1
Raw Score	Weight	Weighted Score

The company has a strong risk management programme

Criteria

- Integration of transition risks into regular risk assessments and strategy
- Commitment to manage the regulatory, reputational and/or market risks related to climate change
- Managerial or board level responsibility for addressing transition risks
- Detailed reporting on transition risks
- Recognition of the transition risks related to climate change

Sources

Danone Universal Registration Document 2019 (FY 2019)
 Indicator informed by CDP Climate Change Report 2018, provided by the company, accessed 9 October 2019
 The company provided feedback on 13th October 2020.
 The company provided feedback on 4 October 2019.

E.1.7.0 - GHG Reduction Programme

100	19.00%	19.0
Raw Score	Weight	Weighted Score

The company has a strong programme

Criteria

- GHG reduction targets and deadlines
- Managerial responsibility for GHG emissions
- Regular GHG audits or verification
- Initiatives to reduce GHG emissions
- GHG emissions monitoring and measurement
- Policy commitment to reduce GHG emissions

Sources

Danone Climate Policy, released 2016
 Danone Exhaustive Extra-Financial Data 2019 (FY2019)
 Danone Universal Registration Document 2019 (FY 2019)

E.1.7.1 - Green Logistics Programmes

0	9.50%	0.0
Raw Score	Weight	Weighted Score

It is not disclosed whether the company has a programme to improve the environmental performance of its logistics and its fleet management

E.1.8 - Renewable Energy Programmes

40	9.50%	3.8
Raw Score	Weight	Weighted Score

The company has a programme but its scope is limited to less than 50% of relevant company operations

As part of the RE100 initiative, Danone aims to shift to 100% renewable electricity by 2030, with an interim target of 50% by 2020. However, the target does not cover thermal energy consumption, which account for 61% of total energy consumption as of 2019.

Sources

Danone Universal Registration Document 2019 (FY 2019)

E.1.9 - Carbon Intensity

75	7.12%	5.3
Raw Score	Weight	Weighted Score

The company's carbon emissions intensity is below the industry median

Danone SA Annual Report 2019

	2018
Carbon Intensity (t/million USD)	68.6
Industry Median	58.8

E.1.10 - Carbon Intensity Trend

50	7.12%	3.6
Raw Score	Weight	Weighted Score

The company's carbon intensity trend has remained relatively stable (+/- 10% inclusive) over the last 3 years

Danone SA Annual Report 2019

	2018
Carbon Intensity Trend (%)	4.3

Appendix



Management Details

E.1.11 - Renewable Energy Use

Raw Score	Weight	Weighted Score
60	9.50%	5.7

Between 10% and 24.99% of the company's primary energy use comes from renewable energy sources

For FY 2019 Danone reports that the share of renewables in the total energy mix was 19,7%.

Sources

Danone Exhaustive Extra-Financial Data 2019 (FY2019)

Appendix



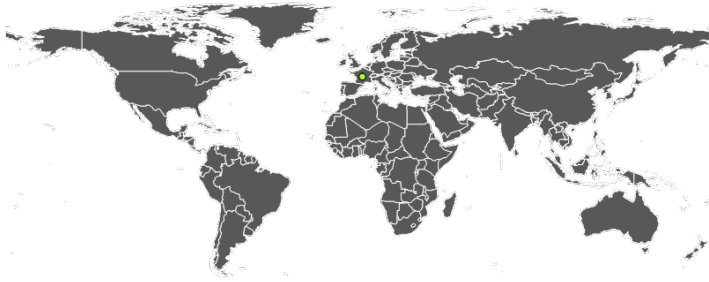
Management Details

Energy Use and GHG Emissions Events



Category 1 Event - Low

Incident History



Company response to report on greenhouse gas emissions
Company feedback - 13 October 2020

Update: Report on increased levels of greenhouse gas emissions in dairy
Food Navigator - 15 June 2020

Locations: France

Tags: Energy Use and Greenhouse Gas Emissions

Appendix

Exposure Details



Human Rights - Supply Chain

EA.E.42 - Labour Relations - SC

0.02
Beta Signal

The company is involved in moderate-level controversies of this type, signaling higher exposure to this issue.

EA.E.44 - Occupational Health and Safety - SC

0.00
Beta Signal

The company is not involved in any controversies of this type.

EA.E.49 - Employees - Human Rights - SC

0.00
Beta Signal

The company is not involved in any controversies of this type.

EA.E.50 - Society - Human Rights - SC

0.00
Beta Signal

The company is not involved in any controversies of this type.

EA.F.1 - Operating Performance

- 0.02
Beta Signal

The company has a strong net income margin.

Average Net Income Margin (2016-2018): 9.08%
Subindustry Median (2016-2018): 4.93%
Source: Morningstar, October 2019. All Rights Reserved.

EA.F.2 - Solvency

0.03
Beta Signal

The company has a very weak debt-equity ratio.

Debt to Equity Ratio (2018-2016): 1.32
Subindustry Median (2018-2016): 0.47
Source: Morningstar, October 2019. All Rights Reserved.

EA.F.3 - Financial Flexibility

- 0.03
Beta Signal

The company has a very strong cash flow ratio.

Free Cash Flow Ratio (2018-2016): 8.24%
Subindustry Median (2018-2016): 3.03%
Source: Morningstar, October 2019. All Rights Reserved.

EA.F.4 - Asset Performance

0.00
Beta Signal

The company has an average return on assets.

Return on Assets (2018-2016): 5.11%
Subindustry Median (2018-2016): 5.27%
Source: Morningstar, October 2019. All Rights Reserved.

Appendix



Exposure Details

EA.S.1 - Qualitative Overlay

0.00
Beta Signal

The analyst did not apply a qualitative overlay.

EA.S.2 - Subindustry Correction Factor

0.00
Beta Signal

EA.S.3 - Exceptional Event Adjustment

0.00
Beta Signal

Appendix



Management Details

S.2.1 - Scope of Social Supplier Standards

75	38.25%	28.7
Raw Score	Weight	Weighted Score

The company has strong social supply chain standards

Criteria

- Addresses maximum working hours
- Addresses minimum living wages
- Addresses health and safety
- Addresses forced labour
- Addresses acceptable living conditions
- Addresses corporal punishment/disciplinary practices
- Addresses freedom of association and the right to collective bargaining
- Addresses child labour
- Addresses non-discrimination

Sources

Danone Sustainability Principles for Business Partners, revised 2009

S.2.2.1 - Supply Chain Management

75	38.25%	28.7
Raw Score	Weight	Weighted Score

The company has a strong management system

Criteria

- Targets and deadlines related to supply chain management
- Is applicable to second-tier suppliers
- Board-level responsibility for supply chain management
- Regular external supplier audits
- Formal channels for supply chain workers to raise concerns
- Regular training programmes for suppliers on labour rights issues
- Engagement with NGOs, labour groups or industry peers on social supply chain issues
- Engagement with non-compliant suppliers to reach compliance
- Regular internal supplier audits
- Reporting on audit results
- Compliance with social standards included in legally binding agreements with suppliers
- Systematic consideration of suppliers' social performance during procurement
- Monitoring of supply chain non-compliance incidents or practices
- Managerial responsibility for supply chain management

Sources

Danone Statement on Forced Labour, released December 2018
 Danone Universal Registration Document 2019 (FY 2019)
 The company provided feedback on 13th October 2020.

S.4.2.1 - Human Rights Policy

70	13.50%	9.5
Raw Score	Weight	Weighted Score

The company has an adequate policy

Criteria

- Approved at the most senior level of the business enterprise
- Commitment to apply human rights due diligence or conduct risk assessments
- Stipulation of the company's human rights expectations of third parties
- Commitment to adopt grievance mechanisms
- Commitment to respect human rights following international standards
- Stipulation of the company's human rights expectations of personnel
- Commitment to monitor and report on human rights impacts
- Commitment to communicate the policy to personnel and external stakeholders
- Commitment to adopt programmes to address industry-specific human rights exposure
- Commitment to provide remedy to correct negative impacts

Sources

Danone Code of Conduct for Business Partners, released April 2016

Appendix



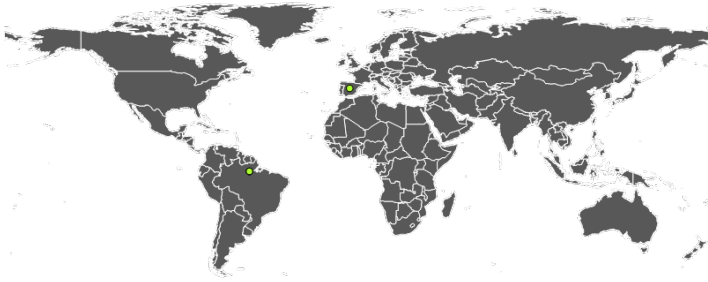
Management Details

Labour Relations - SC Events



Category 2 Event - Moderate

Incident History



Locations: Getafe, Madrid, Spain, State of Pará, Brazil

Tags: Labour Relations

Strike at logistics operator in Sapin
Cadena SER - 16 December 2020

Brazilian supplier involved in labour abuses at its plantation
RioOnWatch - 12 April 2019

Update: Company response to NGO report
Company feedback - 04 October 2019

Company response to researchers' claims
Company feedback - 04 October 2019

Update: Brazilian researchers find labour abuses at supplier's plantation
RioOnWatch - 12 April 2019

Appendix

Exposure Details



Business Ethics

EA.E.2 - Accounting and Taxation

0.00
Beta Signal

The company is not involved in any controversies of this type.

EA.E.3 - Animal Welfare

0.00
Beta Signal

The company is not involved in any controversies of this type.

EA.E.4 - Anti-Competitive Practices

0.02
Beta Signal

The company is involved in moderate-level controversies of this type, signaling higher exposure to this issue.

EA.E.6 - Bribery and Corruption

0.00
Beta Signal

The company is not involved in any controversies of this type.

EA.E.7 - Business Ethics

0.02
Beta Signal

The company is involved in moderate-level controversies of this type, signaling higher exposure to this issue.

EA.E.21 - Intellectual Property

0.02
Beta Signal

The company is involved in moderate-level controversies of this type, signaling higher exposure to this issue.

EA.E.23 - Lobbying and Public Policy

0.02
Beta Signal

The company is involved in moderate-level controversies of this type, signaling higher exposure to this issue.

EA.E.30 - Sanctions

0.00
Beta Signal

The company is not involved in any controversies of this type.

Appendix



Exposure Details

EA.F.1 - Operating Performance

- 0.02

Beta Signal

The company has a strong net income margin.

Average Net Income Margin (2016-2018): 9.08%
Subindustry Median (2016-2018): 4.93%
Source: Morningstar, October 2019. All Rights Reserved.

EA.F.2 - Solvency

0.03

Beta Signal

The company has a very weak debt-equity ratio.

Debt to Equity Ratio (2018-2016): 1.32
Subindustry Median (2018-2016): 0.47
Source: Morningstar, October 2019. All Rights Reserved.

EA.F.3 - Financial Flexibility

- 0.03

Beta Signal

The company has a very strong cash flow ratio.

Free Cash Flow Ratio (2018-2016): 8.24%
Subindustry Median (2018-2016): 3.03%
Source: Morningstar, October 2019. All Rights Reserved.

EA.F.4 - Asset Performance

0.00

Beta Signal

The company has an average return on assets.

Return on Assets (2018-2016): 5.11%
Subindustry Median (2018-2016): 5.27%
Source: Morningstar, October 2019. All Rights Reserved.

EA.S.1 - Qualitative Overlay

0.00

Beta Signal

The analyst did not apply a qualitative overlay.

EA.S.2 - Subindustry Correction Factor

0.00

Beta Signal

EA.S.3 - Exceptional Event Adjustment

0.00

Beta Signal

Appendix



Management Details

G.1.1 - Bribery & Corruption Policy

75	18.00%	13.5
Raw Score	Weight	Weighted Score

The company has a strong policy

Criteria

- Definition and prohibition of facilitation payments
- There is no evidence of a formal policy but the company has a general statement addressing the issue
- Definition of bribery or corruption
- Definition of conflicts of interest and commitment to minimize these
- Guidelines of what is considered acceptable behaviour
- Prohibition of bribery

Sources

Danone Integrity Policy, revised May 2017
 ESG Feedback Requested 28 August 2018
 ESG Feedback Re-requested 28 September 2018
 Feedback Requested 20 September 2019
 On Monday, September 28, 2020, Sustainalytics sent Danone SA the Sustainalytics ESG Feedback Report
 The company provided feedback on 13th October 2020.
 The company provided feedback on 22 October 2020.
 The company provided feedback on 4 January 2018
 The updated ESG report was sent by email to the company on 20 October 2017

G.1.1.1 - Bribery & Corruption Programmes

100	9.00%	9.0
Raw Score	Weight	Weighted Score

The company has a very strong programme

Criteria

- Regular bribery and corruption risk assessments
- Internal monitoring system to detect corruption
- Managerial responsibility for bribery and corruption
- Regular training on bribery and corruption
- Annual signoff of the policy on bribery and corruption by employees
- Operating guidelines addressing record keeping, approval procedures and appropriate behaviour
- Mechanisms for employees to consult on ethical issues

Sources

Danone Universal Registration Document 2019 (FY 2019)
 The company provided feedback on 22 October 2020.

G.1.2 - Whistleblower Programmes

75	15.00%	11.3
Raw Score	Weight	Weighted Score

The company has a strong programme

Criteria

- Possibility for anonymous reporting and reports are treated confidentially
- Available to suppliers, customers and other third parties
- An independent, reporting hotline available 24/7
- Non-retaliation policy
- Available in local languages
- Proactively communicated to employees
- Structures in place to process whistleblower reports
- Disclosure on the number of reports received, the types of misconduct and measures taken

Sources

Danone Code of Conduct, released January 2016
 Danone Ethics Line, www.danoneethicsline.com; accessed 16 September 2020
 Danone Universal Registration Document 2019 (FY 2019)

G.1.4.4 - Animal Welfare Policy

100	6.00%	6.0
Raw Score	Weight	Weighted Score

The company has a very strong policy

Criteria

- Commitment to ensure ethical standards for animal transportation
- Commitment to minimise the use of antibiotics
- Applicable to contractors
- Commitment to implement ethical standards for animal slaughtering
- Commitment to raise animals in a responsible manner
- Commitment not to use growth hormones

Sources

Danone Animal Welfare Position Paper, revised March 2018

Appendix



Management Details

G.1.4.4.1 - Animal Welfare Programme

100	6.00%	6.0
Raw Score	Weight	Weighted Score

The company has a very strong programme

Criteria

- Monitoring to ensure compliance with company's animal welfare standards
- Operating guidelines for animal transportation
- Operating guidelines to ensure good housing conditions
- Training and awareness programme for employees and/or suppliers
- Incident investigation and corrective actions
- Operating guidelines to ensure good health conditions
- Operating guidelines for animal slaughtering
- Targets or deadlines to improve animal welfare
- Managerial responsibility for animal welfare

Sources

Danone Animal Welfare Progress Report 2019 (FY2019)
 Danone Dairy Animal Welfare Programme, A Practical Guide for Farmers, released 2012

G.3.1 - Political Involvement Policy

75	3.00%	2.2
Raw Score	Weight	Weighted Score

The company has an adequate policy

The company's Policy on Advocacy states that Danone does not use corporate funds or assets to make political contributions. The company also states in its Code of Conduct that it does not make corporate political donations.

Criteria

- Prohibits political involvement of any kind on the company's behalf
- Partially prohibits political involvement
- Approved by senior management
- Commits the company to disclose political donations and/or lobbying expenditures

Sources

Danone Policy on Advocacy, revised July 2020

G.3.2 - Lobbying and Political Expenses

0	3.00%	0.0
Raw Score	Weight	Weighted Score

Based on available evidence, the company made more than USD 0.5 million in political contributions or political spending in the last three years

Between 2017 and 2019, Danone's lobbying expenditure within the EU amounted to approximately EUR 1,200,000 to EUR 1,499,997 according to the European Transparency Register.

2019: EUR 400,000 -499,999
 2018: EUR 400,000 -499,999
 2017: EUR 400,000 -499,999

Between 2017 and 2019, Danone's lobbying expenditure within France amounted to approximately EUR 600,000 to EUR 800,000 according to the Haute Autorité pour la Transparence de la Vie Publique.

2019: EUR 200,000 -300,000 2018: EUR 200,000 -300,000 2017: EUR 200,000 -300,000

Between 2017 and 2019, Danone's lobbying expenditure within the US amounted to approximately USD 1,550,000 according to the Center for Responsive Politics
 2019: USD 500,000

2018: USD 360,000
 2017: USD 690,000

Sources

Center for Responsive Politics, www.opensecrets.org; accessed 21 October 2020
 European Commission & European Parliament Transparency Register, ec.europa.eu; accessed 17 September 2020
 Haute Autorité pour la Transparence de la Vie Publique (HATVP), www.hatvp.fr; accessed 17 September 2020
 Lobby Facts, www.lobbyfacts.eu; accessed 16 September 2020
 The company provided feedback on 13th October 2020.

Appendix



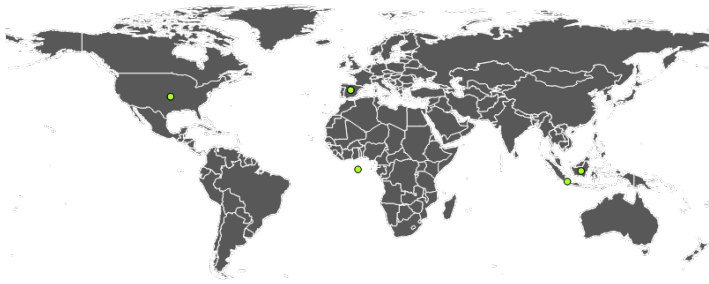
Management Details

Anti-Competitive Practices Events



Category 2 Event - Moderate

Incident History



Locations: Spain, Indonesia, United States, Jakarta, Indonesia

Tags: Anti-competitive Practices

Company feedback on dairy cartel allegations

Company feedback - 13 October 2020

Update: Spanish regulator fines company for alleged anti-competitive
CE Noticias Financieras English - 12 July 2019

Update: Antitrust regulator fines company over dairy cartel in Spain
Farmers Weekly Interactive - 04 March 2015

Indonesian court rules in favour of subsidiary

Company feedback - 04 October 2019

Update: Indonesian regulator imposes fine on subsidiary
Reuters UK - 20 December 2017

Update: Indonesian regulator launches investigation into unfair business
Jakarta Globe - 11 August 2017

Organic industry watchdog asks regulator to block merger of Danone & 4 Traders

10 August 2016

Update: DOJ approves WhiteWave acquisition
Company feedback - 15 October 2018

Appendix



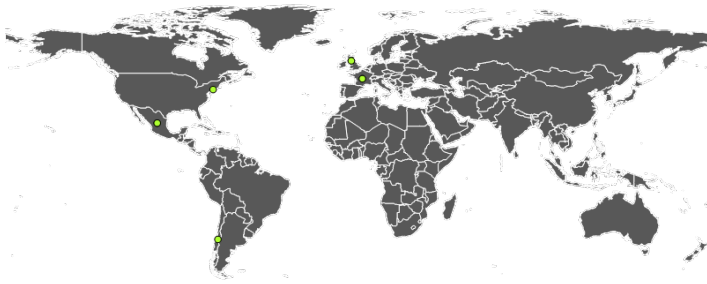
Management Details

Business Ethics Events



Category 2 Event - Moderate

Incident History



Locations: Mexico, United Kingdom, France, New York, NY, USA, Chile

Tags: Business Ethics -Other

Company response to alleged increase in price in Mexico

Company feedback - 13 October 2020

Update: Mexico's consumer watchdog warns companies over price gouging
CE Noticias Financieras English - 23 April 2020

Company feedback on criticism over influencing child obesity report

Company feedback - 13 October 2020

Update: Criticism over influence on UK child obesity report
The Guardian (London) - 07 December 2017

Companies allegedly promoted unhealthy products during pandemic

NewsUS.app - 09 September 2020

Company response to claims of failing to compensate suppliers

Company feedback - 15 October 2018

Company settles New York lawsuit with former executive

New York Times - 30 May 2018

Chile's Supreme Court issues negative ruling in contract dispute

Esmerk Chile News - 16 August 2017

Appendix



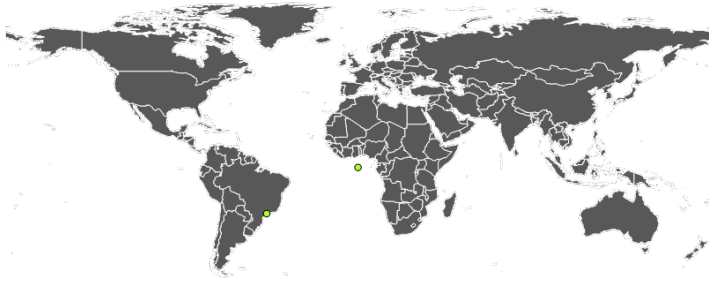
Management Details

Intellectual Property Events



Category 2 Event - Moderate

Incident History



Appeals court suspends decision to ban Greek yoghurt production
Company feedback - 04 October 2019

Update: Sao Paulo court orders suspension of Greek yoghurt production
M-Brain Brazil News - 23 April 2019

Locations: Sao Paolo, Brazil, São Paulo, State of São Paulo, Brazil

Tags: Intellectual Property

Appendix



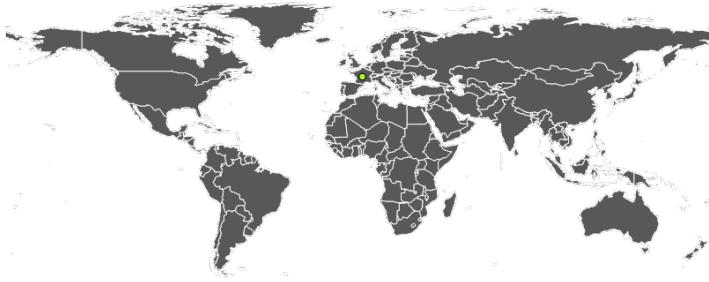
Management Details

Lobbying and Public Policy Events



Category 2 Event - Moderate

Incident History



Company response to allegations of lobbying against plastic policy
Company feedback - 13 October 2020

Update: NGO report reveals lobbying against plastic legislation
The Independent - 17 September 2020

Locations: France

Tags: Lobbying and Public Policy

Appendix

Exposure Details



Land Use and Biodiversity - Supply Chain

EA.E.43 - Land Use and Biodiversity - SC

0.02

Beta Signal

The company is involved in moderate-level controversies of this type, signaling higher exposure to this issue.

EA.F.1 - Operating Performance

- 0.02

Beta Signal

The company has a strong net income margin.

Average Net Income Margin (2016-2018): 9.08%
 Subindustry Median (2016-2018): 4.93%
 Source: Morningstar, October 2019. All Rights Reserved.

EA.F.2 - Solvency

0.03

Beta Signal

The company has a very weak debt-equity ratio.

Debt to Equity Ratio (2018-2016): 1.32
 Subindustry Median (2018-2016): 0.47
 Source: Morningstar, October 2019. All Rights Reserved.

EA.F.3 - Financial Flexibility

- 0.03

Beta Signal

The company has a very strong cash flow ratio.

Free Cash Flow Ratio (2018-2016): 8.24%
 Subindustry Median (2018-2016): 3.03%
 Source: Morningstar, October 2019. All Rights Reserved.

EA.F.4 - Asset Performance

0.00

Beta Signal

The company has an average return on assets.

Return on Assets (2018-2016): 5.11%
 Subindustry Median (2018-2016): 5.27%
 Source: Morningstar, October 2019. All Rights Reserved.

EA.S.1 - Qualitative Overlay

0.00

Beta Signal

The analyst did not apply a qualitative overlay.

Appendix



Exposure Details

EA.S.2 - Subindustry Correction Factor

0.00
Beta Signal

EA.S.3 - Exceptional Event Adjustment

0.00
Beta Signal

Appendix



Management Details

E.1.2.9 - Deforestation Policy

50	22.50%	11.3
Raw Score	Weight	Weighted Score

The company has an adequate policy

Criteria

- Commitment to apply deforestation due diligence to all company operations and direct and third-party suppliers
- Commitment to apply deforestation due diligence or conduct risk assessments
- Commitment to achieve zero gross deforestation
- Commitment to develop and implement traceability systems
- Commitment to adopt programmes to avoid deforestation
- Commitment to monitor the company's performance and report on corrective action plans
- There is a statement addressing the issue but it does not qualify as a policy as per Sustainalytics guidelines
- Approved by senior management
- Commitment to achieve zero net deforestation

Sources

- Danone Climate Policy, released 2016
- Danone Forest Footprint Policy, released October 2012
- Danone Forest Position for Paper and Board Packaging, released October 2012
- Danone Palm Oil Policy, revised 2018
- Danone Soy Policy, released May 2014

E.1.2.10 - Deforestation Programme

75	27.00%	20.2
Raw Score	Weight	Weighted Score

The company has a strong programme

Criteria

- Regular internal and/or external audits
- External certification covering over 50% of the company's own operations and direct and third-party suppliers
- Incident investigation mechanisms and implementation of corrective action
- Company-wide managerial responsibility to address deforestation practices in own operations and direct and third-party suppliers
- Targets and deadlines related to deforestation management
- Participation in relevant multi-stakeholder or industry initiatives
- Monitoring and measurement of anti-deforestation programmes for both own operations and direct and third-party supply chains
- Transparency and traceability programmes for both own operations and direct and third-party suppliers

Sources

- Danone Climate Policy, released 2016
- Danone Forest Updates on Key Categories -2018 Data
- Danone Palm Oil Supplier and Mills Update, released July 2020
- Danone Soy Policy, released May 2014
- Danone Universal Registration Document 2019 (FY 2019)
- The company provided feedback on 13th October 2020.

E.2.1 - Green Procurement Policy

100	4.50%	4.5
Raw Score	Weight	Weighted Score

The company's green procurement initiatives are strong

Criteria

- Policy or initiatives addressing office products
- Policy addressing process related requirements
- Engagement with suppliers to improve environmental performance
- Policy addressing product related requirements

Sources

- Danone Forest Footprint Policy, released October 2012
- Danone Palm Oil Policy, revised 2018
- Danone Soy Policy, released May 2014
- Danone Sustainability Principles for Business Partners, revised 2009

E.2.1.1 - Supplier Environmental Programmes

100	18.00%	18.0
Raw Score	Weight	Weighted Score

The company has a strong programme

Criteria

- External certification (ISO 14001, organic, etc) covering over 50% of the company's suppliers
- Compliance with environmental standards included in legally binding agreements with suppliers
- Monitoring of suppliers' environmental performance
- Systematic consideration of suppliers' environmental performance during procurement
- Targets and deadlines for the environmental improvement of suppliers
- Reporting on environmental issues in the supply chain
- Engagement with suppliers to address non-compliance or improve their environmental performance
- Engagement with NGOs or industry peers to address environmental issues in the supply chain
- Company-wide managerial responsibility for environmental management of suppliers

Sources

- Danone Universal Registration Document 2019 (FY 2019)
- Danone Water Policy, released 2020

Appendix



Management Details

E.2.1.3 - Sustainable Agriculture Programmes

Raw Score	Weight	Weighted Score
100	18.00%	18.0

The company has a strong and detailed programme to stimulate more sustainable agriculture

Danone reports that it works directly with farmers to develop action plans and implement new practices with regards to soil management and protection, fertilizer use and biodiversity protection. Since 2018, the company has also been assessing water risks for its fresh milk supply chain, and in 2019 the assessment has been extended to other agricultural commodities. Furthermore, by 2030 Danone aims at reducing total water use by 25% for those ingredients whose production occurs in highly or extremely highly water-stressed areas. Also, by 2030 it plans to optimize fertilizer application 75% of volumes of milk, fruit, almond and soy.

Sources

- Danone Universal Registration Document 2019 (FY 2019)
- Danone Water Policy, released 2020
- The company provided feedback on 13th October 2020.

Appendix



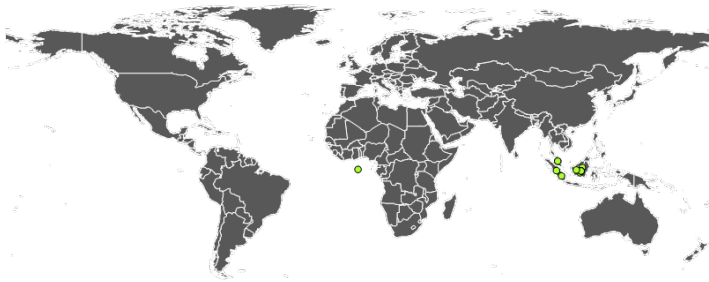
Management Details

Land Use and Biodiversity - SC Events



Category 2 Event - Moderate

Incident History



Locations: Borneo, Indonesia, Malaysia, South Sumatra, Indonesia, Central Kalimantan, Indonesia, Sumatra, Indonesia, West Kalimantan, Indonesia, West Kalimantan

Tags: Land Use and Biodiversity

NGO report on deforestation at Indonesian suppliers
Mongabay - 22 March 2021

Deforestation at supplier Indonusa in Indonesia
Chain Reaction Research - 09 February 2021

Supplier mill linked to deforestation in Sulaidy concessions
Chain Reaction Research - 09 February 2021

NGO report on supplier First Resources links with controversial entities
Forest Peoples Programme - 04 February 2021

Supplier Jhonlin Group involved in deforestation in Indonesia
Chain Reaction Research - 20 August 2020

Update: Company response to alleged links to deforestation
Company feedback - 22 October 2020

Update: NGO report reveals deforestation at Indonesian supplier Jhonlin
Chain Reaction Research - 21 February 2020

Indonesian supplier Tunas Baru Lampung accused of deforestation
Chain Reaction Research - 21 February 2020

Update: Company response to alleged links to deforestation
Company feedback - 13 October 2020

NGO report reveals deforestation at Indonesian supplier Mulia Sawit
Chain Reaction Research - 21 February 2020

Update: Company response to alleged links to deforestation
Company feedback - 13 October 2020

Supplier Indonusa involved in deforestation in Indonesia
Chain Reaction Research - 20 August 2020

Update: Company response to alleged links to deforestation
Company feedback - 13 October 2020

Update: NGO report reveals deforestation at supplier Indonusa Group
Chain Reaction Research - 21 February 2020

NGO report reveals deforestation at Indonesian supplier Musirawas Group
Chain Reaction Research - 21 February 2020

Update: Company response to alleged links to deforestation
Company feedback - 13 October 2020

Appendix



Management Details

NGO report reveals deforestation at Indonesian supplier Peputra Group

Chain Reaction Research - 21 February 2020

Update: Company response to alleged links to deforestation

Company feedback - 13 October 2020

Supplier Capitol Group involved in deforestation in Indonesia

Chain Reaction Research - 20 August 2020

Supplier IndoGunta involved in deforestation in Indonesia

Chain Reaction Research - 20 August 2020

Indonesian palm oil supplier linked to deforestation

Chain Reaction Research - 20 August 2020

NGO alleges illegal deforestation in Pahang, Malaysia

Chain Reaction Research - 09 April 2020

Company suspends controversial suppliers

Company feedback - 04 October 2019

Update: Deforestation in West Kalimantan supply chain

Greenpeace International - 19 September 2018

Appendix

Exposure Details



E&S Impact of Products and Services

EA.E.17 - Environmental Impact of Products

0.02
Beta Signal

The company is involved in moderate-level controversies of this type, signaling higher exposure to this issue.

EA.E.32 - Social Impact of Products

0.01
Beta Signal

The company is involved in low-level controversies of this type, signaling higher exposure to this issue.

EA.F.1 - Operating Performance

- 0.02
Beta Signal

The company has a strong net income margin.

Average Net Income Margin (2016-2018): 9.08%
Subindustry Median (2016-2018): 4.93%
Source: Morningstar, October 2019. All Rights Reserved.

EA.F.2 - Solvency

0.03
Beta Signal

The company has a very weak debt-equity ratio.

Debt to Equity Ratio (2018-2016): 1.32
Subindustry Median (2018-2016): 0.47
Source: Morningstar, October 2019. All Rights Reserved.

EA.F.3 - Financial Flexibility

- 0.03
Beta Signal

The company has a very strong cash flow ratio.

Free Cash Flow Ratio (2018-2016): 8.24%
Subindustry Median (2018-2016): 3.03%
Source: Morningstar, October 2019. All Rights Reserved.

EA.F.4 - Asset Performance

0.00
Beta Signal

The company has an average return on assets.

Return on Assets (2018-2016): 5.11%
Subindustry Median (2018-2016): 5.27%
Source: Morningstar, October 2019. All Rights Reserved.

EA.G.1 - Headquarters Location

- 0.02
Beta Signal

The location of the company's headquarters indicates slightly lower exposure to this issue.

France: Slightly lower exposure
Source: Sustainalytics Country Risk Rating, May 2019.

EA.G.3 - Sales Location

0.05
Beta Signal

The location of the company's sales indicates slightly higher exposure to this issue.

Rest of World: 84% (Slightly higher exposure)
France: 16% (Slightly higher exposure)
Source: Sustainalytics Country Risk Rating, May 2019.
Morningstar, October 2019. All Rights Reserved.

Appendix



Exposure Details

EA.S.1 - Qualitative Overlay

0.00
Beta Signal

The analyst did not apply a qualitative overlay.

EA.S.2 - Subindustry Correction Factor

0.00
Beta Signal

EA.S.3 - Exceptional Event Adjustment

0.00
Beta Signal

Appendix



Management Details

E.1.2.6.1 - Solid Waste Management

100	17.00%	17.0
Raw Score	Weight	Weighted Score

The company has a very strong programme

Criteria

- Initiatives to ensure proper disposal of hazardous waste
- Initiatives to reduce solid waste
- Solid waste monitoring and measurement
- Initiatives to recycle solid waste
- Objectives or targets related to solid waste management
- Initiatives to reuse solid waste
- Reporting on solid waste issues
- Policy commitment to manage waste responsibly or reduce solid waste

Sources

Danone Charter for the Environment, released 1996
 Danone Exhaustive Extra-Financial Data 2019 (FY2019)
 Danone Packaging Policy, released October 2018
 Danone Universal Registration Document 2019 (FY 2019)

E.2.1.5 - Food & Beverage Sustainability Initiatives

100	4.25%	4.2
Raw Score	Weight	Weighted Score

The company is a member of the most relevant sustainability related industry initiatives

Additionally, Danone is a member of the Sustainable Agriculture Initiative (SAI).

Criteria

- Organic Trade Association
- The Roundtable on Cacao
- The Roundtable on Responsible Palm Oil
- The Roundtable on Responsible Soy
- The Global Food Safety Initiative

Sources

Consumer Goods Forum, www.theconsumergoodsforum.com; accessed 16 September 2020
 Roundtable on Sustainable Palm Oil, www.rspo.org; accessed 16 September 2020
 Roundtable on Sustainable Soy, www.responsiblesoy.org; accessed 16 September 2020
 Sustainable Agriculture Initiative Platform, www.saiplatform.org; accessed 16 September 2020

E.3.1.1 - Sustainable Products & Services

100	8.50%	8.5
Raw Score	Weight	Weighted Score

More than 50% of the company's annual revenue is derived from sustainability-related products or services

For FY 2019 Danone reports that 82% of sold volumes were without added sugars and 25% with nutrient fortification. Overall, the share of volumes sold belonging to healthy categories, accounted for 90%.

E.3.1.8 - Organic Products

40	8.50%	3.4
Raw Score	Weight	Weighted Score

Some revenues are derived from organic products but no revenue details are disclosed

Danone reports on several organic products across the Specialized Nutrition segment as well as the Essential Dairy and Plant-Based Products one. These include, among others, the dairy products under the Horizon Organic brand and Volvic Organic drinks. However, revenue from such products is not disclosed.

Sources

Danone Corporate Website, www.danone.com; accessed 16 September 2020
 Danone Universal Registration Document 2019 (FY 2019)

Appendix



Management Details

E.3.1.9 - GMO Policy

100	8.50%	8.5
Raw Score	Weight	Weighted Score

The company does not use GMOs in its products

Within its Position on Biodiversity and GMO Use Danone states that within the European Union it uses only non-GMO ingredients. Within the USA, where it states that most agricultural ingredients and cow feed are GMO, it aims at clearly labelling GMO presence on its products as well as working with farmers towards the transition to conventional crops.

Sources

Danone Position on Biodiversity and GMO Use, released April 2016

S.2.2.4 - Fair Trade Products

40	4.25%	1.7
Raw Score	Weight	Weighted Score

An undisclosed percentage of revenues is derived from fair trade products

Danone reports that since March 2019, all of French subsidiary Les Prés Rient Bio's products manufactured at the Molay-Littry production site in Normandy carry the Fair for Life fair trade label. However, revenue derived from such products is not disclosed.

Sources

Danone Universal Registration Document 2019 (FY 2019)

Feedback received 15 October 2018

The company provided feedback on 4 October 2019.

S.3.1.9 - Product Health Statement

100	21.25%	21.3
Raw Score	Weight	Weighted Score

The company has a strong and detailed policy statement

Within its 2017 Nutrition Commitments, Danone pledges to encourage substitution towards healthier product alternatives and to engage in the co-development of educational programmes in partnership with other stakeholders. Furthermore, within its 2009 Food, Nutrition & Health Charter the company recognizes the issue of chronic diet-and lifestyle-related diseases while committing to avoid any message that could encourage over-consumption.

Sources

Danone Food, Nutrition & Health Charter, released November 2009

Danone Nutrition Commitments, revised April 2017

S.3.1.16 - Nutrition and Health Programme

100	12.75%	12.8
Raw Score	Weight	Weighted Score

The company has a very strong programme

Criteria

- Participation in relevant multi-stakeholder initiatives
- Managerial or board-level responsibility for health and nutrition-related issues
- Identification of products and ingredients that have potentially significant negative impacts on nutrition and health (following the WHO recommendations)
- Targets and deadlines on product reformulation
- Monitoring and reporting on product reformulation programmes
- Activities/programmes to introduce healthier products or product innovation
- Display nutritional information (on labels/online) to guide consumers going beyond legal requirements

Sources

Danone Exhaustive Extra-Financial Data 2019 (FY2019)

Danone Nutrition Achievements 2019 (FY2019)

Danone Nutritional Targets 2020, released December 2019

Danone Universal Registration Document 2019 (FY 2019)

Appendix



Management Details

Environmental Impact of Products Events



Category 2 Event - Moderate

Incident History



Locations: Spain, Bali, Indonesia, San Mateo, CA, USA, France, United Kingdom

Tags: Environmental impact of products

Report on the implementation of plastic waste legislation in Spain
Packaging Insights - 08 March 2021

NGO report on pollution of Bali rivers
Now! Bali - 03 February 2021

California lawsuit over impact of plastic packaging
Yahoo! UK and Ireland - 27 February 2020

Update: Company signs global plastics pledge
Reuters UK - 29 October 2018

Update: Company named one of top worldwide plastic polluters
EcoWatch - 09 October 2018

Response to Greenpeace UK survey on plastic pollution
Company feedback - 15 October 2018

Update: Greenpeace UK survey criticises plastic bottle pollution
Greenpeace UK - 14 March 2017

Appendix



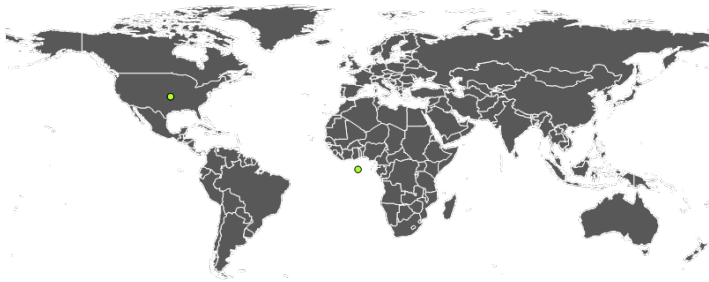
Management Details

Social Impact of Products Events



Category 1 Event - Low

Incident History



NGO reveals link to organization influencing US dietary guidelines
USRTK - 22 April 2020

Company responds to report findings regarding microplastics
Company feedback - 04 October 2019

Update: WHO launches review of microplastics risks after US report
The Guardian (London) - 15 March 2018

Locations: United States

Tags: Social impact of products

Appendix

Exposure Details



Occupational Health and Safety

EA.E.20 - Occupational Health and Safety

0.00

Beta Signal

The company is not involved in any controversies of this type.

EA.F.1 - Operating Performance

- 0.02

Beta Signal

The company has a strong net income margin.

Average Net Income Margin (2016-2018): 9.08%
 Subindustry Median (2016-2018): 4.93%
 Source: Morningstar, October 2019. All Rights Reserved.

EA.F.2 - Solvency

0.03

Beta Signal

The company has a very weak debt-equity ratio.

Debt to Equity Ratio (2018-2016): 1.32
 Subindustry Median (2018-2016): 0.47
 Source: Morningstar, October 2019. All Rights Reserved.

EA.F.3 - Financial Flexibility

- 0.03

Beta Signal

The company has a very strong cash flow ratio.

Free Cash Flow Ratio (2018-2016): 8.24%
 Subindustry Median (2018-2016): 3.03%
 Source: Morningstar, October 2019. All Rights Reserved.

EA.F.4 - Asset Performance

0.00

Beta Signal

The company has an average return on assets.

Return on Assets (2018-2016): 5.11%
 Subindustry Median (2018-2016): 5.27%
 Source: Morningstar, October 2019. All Rights Reserved.

EA.G.1 - Headquarters Location

- 0.02

Beta Signal

The location of the company's headquarters indicates slightly lower exposure to this issue.

France: Slightly lower exposure
 Source: Sustainalytics Country Risk Rating, May 2019.

Appendix

 **Exposure Details**

EA.G.2 - Assets Location

- 0.05
Beta Signal

The location of the company's assets indicates slightly lower exposure to this issue.

Rest of World: 77% (Slightly lower exposure)
France: 23% (Slightly lower exposure)
Source: Sustainalytics Country Risk Rating, May 2019." Morningstar, October 2019. All Rights Reserved.

EA.S.1 - Qualitative Overlay

0.00
Beta Signal

The analyst did not apply a qualitative overlay.

EA.S.2 - Subindustry Correction Factor

0.06
Beta Signal

EA.S.3 - Exceptional Event Adjustment

0.00
Beta Signal

Appendix



Management Details

S.1.6.2.1 - Health and Safety Management System

75	50.00%	37.5
Raw Score	Weight	Weighted Score

The company has a strong management system

Criteria

- Emergency preparedness procedures
- Targets to reduce health and safety incidents
- Internal or external health and safety audits conducted at least every three years
- Formal health and safety policy commitment
- Managerial responsibility for health and safety issues
- Operating guidelines or procedures that are relevant for the industry
- Performance monitoring and measurement
- Regular health and safety training programmes for employees
- Reporting on health and safety programmes and performance
- Procedures for hazard identification and risk assessment

Sources

Danone Exhaustive Extra-Financial Data 2019 (FY2019)
 Danone Universal Registration Document 2019 (FY 2019)
 The company provided feedback on 22 October 2020.

S.1.6.4 - Health & Safety Certifications

0	10.00%	0.0
Raw Score	Weight	Weighted Score

Based on available evidence, the company's facilities have not received external certification

S.1.6.5 - LTIR Trend

100	25.00%	25.0
Raw Score	Weight	Weighted Score

The company's lost-time incident rate has declined

Danone tracks injury Frequency Rate 1 (FR1), which is the number of workplace accidents with lost time of one or more days for every 1 million hours worked over a 12-month period. Danone reports that from 2016 to 2019 its FR1 rate was:
 2019: 1.4
 2018: 1.6
 2017: 1.7
 2016: 2.0

Sources

Danone Exhaustive Extra-Financial Data 2019 (FY2019)

S.1.6.6 - Employee Fatality Rate

75	15.00%	11.2
Raw Score	Weight	Weighted Score

The company's fatality rate is low

For the past three years Danone reports the following fatalities among own employees:
 2019: 1
 2018: 2
 2017: 2

Sources

Danone Exhaustive Extra-Financial Data 2019 (FY2019)

Appendix

Exposure Details



Resource Use - Supply Chain

EA.E.45 - Water Use - SC

0.00
Beta Signal

The company is not involved in any controversies of this type.

EA.F.1 - Operating Performance

- 0.02
Beta Signal

The company has a strong net income margin.

Average Net Income Margin (2016-2018): 9.08%
Subindustry Median (2016-2018): 4.93%
Source: Morningstar, October 2019. All Rights Reserved.

EA.F.2 - Solvency

0.03
Beta Signal

The company has a very weak debt-equity ratio.

Debt to Equity Ratio (2018-2016): 1.32
Subindustry Median (2018-2016): 0.47
Source: Morningstar, October 2019. All Rights Reserved.

EA.F.3 - Financial Flexibility

- 0.03
Beta Signal

The company has a very strong cash flow ratio.

Free Cash Flow Ratio (2018-2016): 8.24%
Subindustry Median (2018-2016): 3.03%
Source: Morningstar, October 2019. All Rights Reserved.

EA.F.4 - Asset Performance

0.00
Beta Signal

The company has an average return on assets.

Return on Assets (2018-2016): 5.11%
Subindustry Median (2018-2016): 5.27%
Source: Morningstar, October 2019. All Rights Reserved.

EA.S.1 - Qualitative Overlay

0.00
Beta Signal

The analyst did not apply a qualitative overlay.

Appendix



Exposure Details

EA.S.2 - Subindustry Correction Factor

0.00
Beta Signal

EA.S.3 - Exceptional Event Adjustment

0.00
Beta Signal

Appendix



Management Details

E.2.1 - Green Procurement Policy

100	30.00%	30.0
Raw Score	Weight	Weighted Score

The company's green procurement initiatives are strong

Criteria

- Policy or initiatives addressing office products
- Policy addressing process related requirements
- Engagement with suppliers to improve environmental performance
- Policy addressing product related requirements

Sources

Danone Forest Footprint Policy, released October 2012
 Danone Palm Oil Policy, revised 2018
 Danone Soy Policy, released May 2014
 Danone Sustainability Principles for Business Partners, revised 2009

E.2.1.1 - Supplier Environmental Programmes

100	40.00%	40.0
Raw Score	Weight	Weighted Score

The company has a strong programme

Criteria

- External certification (ISO 14001, organic, etc) covering over 50% of the company's suppliers
- Compliance with environmental standards included in legally binding agreements with suppliers
- Monitoring of suppliers' environmental performance
- Systematic consideration of suppliers' environmental performance during procurement
- Targets and deadlines for the environmental improvement of suppliers
- Reporting on environmental issues in the supply chain
- Engagement with suppliers to address non-compliance or improve their environmental performance
- Engagement with NGOs or industry peers to address environmental issues in the supply chain
- Company-wide managerial responsibility for environmental management of suppliers

Sources

Danone Universal Registration Document 2019 (FY 2019)
 Danone Water Policy, released 2020

E.2.1.3 - Sustainable Agriculture Programmes

100	30.00%	30.0
Raw Score	Weight	Weighted Score

The company has a strong and detailed programme to stimulate more sustainable agriculture

Danone reports that it works directly with farmers to develop action plans and implement new practices with regards to soil management and protection, fertilizer use and biodiversity protection. Since 2018, the company has also been assessing water risks for its fresh milk supply chain, and in 2019 the assessment has been extended to other agricultural commodities. Furthermore, by 2030 Danone aims at reducing total water use by 25% for those ingredients whose production occurs in highly or extremely highly water-stressed areas. Also, by 2030 it plans to optimize fertilizer application 75% of volumes of milk, fruit, almond and soy.

Sources

Danone Universal Registration Document 2019 (FY 2019)
 Danone Water Policy, released 2020
 The company provided feedback on 13th October 2020.

Danone SA

Packaged Foods France PAR:BN

GLOSSARY OF TERMS

Beta (Beta, β)






A factor that assesses the degree to which a company's exposure deviates from its **subindustry's** exposure on a **material ESG issue**. It is used to derive a company-specific issue exposure score for a material ESG issue. It ranges from 0 to 10, with 0 indicating no exposure, 1 indicating the subindustry average, and 10 indicating exposure that is ten times the subindustry average.

Corporate Governance Pillar

A pillar provides a signal about a company's management of a specific Corporate Governance issue.

ESG Risk Category

Companies' **ESG Risk Rating scores** are assigned to five ESG risk categories in the **ESG Risk Rating**:

-  **Negligible risk:** enterprise value is considered to have a negligible risk of material financial impacts driven by ESG factors
-  **Low risk:** enterprise value is considered to have a low risk of material financial impacts driven by ESG factors
-  **Medium risk:** enterprise value is considered to have a medium risk of material financial impacts driven by ESG factors
-  **High risk:** enterprise value is considered to have a high risk of material financial impacts driven by ESG factors
-  **Severe risk:** enterprise value is considered to have a severe risk of material financial impacts driven by ESG factors

Note that because ESG risks materialize at an unknown time in the future and depend on a variety of unpredictable conditions, no predictions on financial or share price impacts, or on the time horizon of such impacts, are intended or implied by these risk categories.

ESG Risk Rating Score (Unmanaged Risk Score)

The company's final score in the **ESG Risk Rating**; it applies the concept of **risk decomposition** to derive the level of **unmanaged risk** for a company.

Event Category

Sustainalytics categorizes events that have resulted in negative ESG impacts into five event categories: Category 1 (low impact); Category 2 (moderate impact); Category 3 (significant impact); Category 4 (high impact); and Category 5 (severe impact).

Event Indicator

An indicator that provides a signal about a potential failure of management through involvement in controversies.

Excess Exposure

The difference between the company's **exposure** and its **subindustry** exposure.

Exposure

A company or **subindustry's** sensitivity or vulnerability to ESG risks.

Idiosyncratic Issue

An issue that was not deemed material at the **subindustry** level during the **consultation process** but becomes a **material ESG issue** for a company based on the occurrence of a Category 4 or 5 event.

Manageable Risk

Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.

Managed Risk

Material ESG Risk that has been managed by a company through suitable policies, programmes and initiatives.

Management

A company's handling of ESG risks.

Management Gap

Refers to the difference between what a company has managed and what a company could possibly manage. It indicates how far the company's performance is from best practice.

Management Indicator

An indicator that provides a signal about a company's management of an ESG issue through policies, programmes or quantitative performance.

Material ESG Issue

A core building block of the **ESG Risk Rating**. An ESG issue is considered to be material within the rating if it is likely to have a significant effect on the enterprise value of a typical company within a given **subindustry**.

Subindustry

Subindustries are defined as part of Sustainalytics' own classification system.

Unmanageable Risk

Material ESG Risk inherent from the intrinsic nature of the products or services of a company and/or the nature of a company's business, which cannot be managed by the company if the company continues to offer the same type of products or services and remains in the same line of business.

Unmanaged Risk

Material ESG risk that has not been managed by a company, and includes two types of risk: **unmanageable risk**, as well as risks that could be managed by a company through suitable initiatives, but which may not yet be managed (**management gap**).

Danone SA

Packaged Foods France PAR:BN

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