Danone

ONE PLANET. ONE HEALTH

UNIVERSAL
REGISTRATION DOCUMENT
ANNUAL FINANCIAL REPORT
2020

DANONE GOALS BY 2030

DANONE
A FRENCH CORPORATION (SOCIÉTÉ ANONYME) WITH SHARE CAPITAL OF €171,657,400
REGISTERED OFFICE: 17, BOULEVARD HAUSSMANN, 75009 PARIS
PARIS TRADE AND CORPORATE REGISTER NUMBER: 552 032 534

2020

UNIVERSAL REGISTRATION DOCUMENT

ANNUAL FINANCIAL REPORT

This Universal Registration Document includes all the items of the Annual Financial Report.

This Universal Registration Document was filed with the French Financial Markets Authority (Autorité des Marchés Financiers or AMF) on March 18, 2021, as the competent authority under Regulation (EU) 2017/1129, without prior approval pursuant to Article 9 of the said regulation.
The Universal Registration Document may be used for the purposes of an offer to the public of securities or admission of securities to trading on a regulated market if completed by a securities note and, if applicable, a summary and any amendments to the Universal Registration Document.
The whole is approved by the AMF in accordance with Regulation (EU) 2017/1129.

This is a free translation into English for information purposes only.

Copies of this Universal Registration Document are available from Danone at: 17, boulevard Haussmann – 75009 Paris, on Danone's website: www.danone.com and on the website of the Autorité des Marchés Financiers: www.amf-france.org.
A PDF version for visually impaired readers is available at www.danone.com.

DANONE
ONE PLANET. ONE HEALTH

€23.6 bn -1.5% (a) SALES	14.0% -117 bps (b) RECURRING OPERATING MARGIN	€3.34 -13.2% (b) RECURRING EPS	€2.1 bn FREE CASH FLOW
2.8x NET DEBT / EBITDA	€1.94 DIVIDEND PER SHARE	AAA(c) FOR THE 2nd YEAR IN A ROW, ONE OF THE 10 COMPANIES WORLDWIDE AND THE ONLY FOOD COMPANY	~50% OF SALES COVERED BY B CORP™ CERTIFICATION

(a) Like-for-like.
(b) On a reported basis.
(c) Scores obtained as part of the CDP Climate Change, CDP Water security and CDP Forests questionnaires.

	ESSENTIAL DAIRY & PLANT-BASED	SPECIALIZED NUTRITION	WATERS
2020 Sales	€12.8 bn	€7.2 bn	€3.6 bn
2020 Recurring Operating Margin	10.2%	24.5%	7.0%

KEYS FINANCIAL FIGURES

In millions of euros except if stated otherwise	2019	2020	Reported Change	Like-for-like
Sales	**25,287**	**23,620**	**(6.6)%**	**(1.5)%**
Recurring operating income [(a)]	**3,846**	**3,317**	**(13.8)%**	**(10.9)%**
Recurring operating margin [(a)]	***15.2%***	***14.0%***	***-117 bps***	***-150 bps***
Non-recurring operating income and expenses	(609)	(519)	+89	
Operating income	3,237	2,798	(13.6)%	
Operating margin	*12.8%*	*11.8%*	*-96 bps*	
Recurring net income – Group share [(a)]	**2,516**	**2,189**	**(13.0)%**	
Non-recurring net income – Group share	(586)	(233)	+353	
Net income – Group share	1,929	1,956	+1.4%	
Recurring EPS [(a)] *(in €)*	**3.85**	**3.34**	**(13.2)%**	
EPS *(in €)*	2.95	2.99	+1.2%	
Free cash flow [(a)]	**2,510**	**2,052**	**(18.3)%**	
Cash flow from operating activities	3,444	2,967	(13.9)%	

(a) Financial indicator not defined in IFRS, see definition in section 3.6 *Financial indicators not defined in IFRS*.

1

INFORMATION ABOUT THE ISSUER AND INFORMATION ON THE UNIVERSAL REGISTRATION DOCUMENT

1.1 INFORMATION ABOUT THE ISSUER

INFORMATION CONCERNING THE ISSUER

Legal name and trade name	"Danone" (hereafter the "Company"), having been changed by the Shareholders' Meeting of April 23, 2009 from "Groupe Danone"
Company registration	552 032 534, Paris Trade and Companies Register
APE Industry code	7010Z (activity of registered offices)
Legal entity identifier	969500KMUQ2B6CBAF162 (LEI code)
Date of start of activity	January 1, 1908
Term of the Company	April 25, 2112, since its extension, in 2013, by the Extraordinary Shareholders' Meeting
Registered office	17, boulevard Haussmann, in Paris (75009), France. Tel: +33 (0)1 44 35 20 20
Website	www.danone.com Information that can be found on the Company's website is not an integral part of this document, except if incorporated by reference into said document
Information about branches (Article L.232-1 of the French commercial code)	Branch (secondary office) located at 152, boulevard Victor Hugo, Saint-Ouen (93487), France and at 17, rue des Deux Gares, Rueil-Malmaison (92500), France
Legal form and applicable law	The Company, a French corporation (*société anonyme*) with a Board of Directors, is subject to the provisions of Book II of the French commercial code.
Corporate purpose	In accordance with Article 2 of its by-laws, Danone's purpose, whether directly or indirectly, in France and in any country, shall be: industry and trade relating to all food products; the performance of any and all property, real estate, industrial, commercial, and financial transactions relating to this purpose. The by-laws are available on Danone's website www.danone.com (Section Investors/Governance/By-laws, rules of procedure of the Board of Directors and business conduct policies).
Other information	Danone has the status of Entreprise à Mission since July 3, 2020, date on which this status was recorded at the Paris Trade and Companies Register, following the approval of the Shareholders' Meeting held on June 26, 2020.

STATUTORY AUDITORS

Principal Statutory auditors

	Ernst & Young Audit Member of the *Compagnie Régionale des Commissaires aux comptes de Versailles et du Centre*	**PricewaterhouseCoopers Audit** Member of the *Compagnie Régionale des Commissaires aux comptes de Versailles et du Centre*
Address	Tour First, 1, place des Saisons, TSA 14444 92037 Paris-La Défense Cedex	63, rue de Villiers 92208 Neuilly-sur-Seine Cedex
Represented by	Gilles COHEN	François JAUMAIN
Start date of first term of office	April 28, 2016 [a]	May 21, 1992
Expiration date of term of office	Shareholders' Meeting deliberating on the financial statements for the fiscal year ending December 31, 2021	

(a) The first term of office with an entity member of Ernst & Young network began on April 22, 2010 with Ernst & Young et Autres.

Substitute Statutory auditors

	Auditex	**Jean-Christophe GEORGHIOU**
Address	Tour First, 1, place des Saisons, TSA 14444 92037 Paris-La Défense Cedex	63, rue de Villiers 92208 Neuilly-sur-Seine Cedex
Start date of first term of office	April 22, 2010	April 28, 2016
Expiration date of term of office	Shareholders' Meeting deliberating on the financial statements for the fiscal year ending December 31, 2021	

1.2 INFORMATION ABOUT THE UNIVERSAL REGISTRATION DOCUMENT

SELECTED FINANCIAL INFORMATION

Unless otherwise stated, all amounts in this Universal Registration Document are (i) expressed in Euro and (ii) presented in millions for convenience. Such amounts may have been rounded. Rounding differences may exist, including for percentages.

The financial information presented in section *Key figures* is extracted from section 3 *Danone's business highlights in 2020 and outlook for 2021* and from Danone's consolidated financial statements for fiscal year 2020 prepared in accordance with IFRS, which, together with the Notes to the consolidated financial statements for fiscal year 2020 are presented in section 4.1 *Consolidated financial statements and Notes to the consolidated financial statements*.

REFERENCES AND DEFINITIONS

Unless otherwise noted, all the references mentioned hereinafter refer to the following elements:

Company	All references to the "Company" refer to Danone as issuer.
Consolidated financial statements, Notes to the consolidated financial statements	Consolidated financial statements and Notes to the consolidated financial statements for the 2020 fiscal year
Danone	All references to "Danone" or the "Group" refer to the Company and its consolidated subsidiaries.
Danone's market shares and market positions	All references to Danone's market shares or market positions are derived from third-party market studies and databases provided in particular by Nielsen, IRI, Euromonitor and Canadean institutes.
EDP	All references to the "EDP" Reporting Entity refer to the Essential Dairy & Plant-Based Reporting Entity.
Emerging countries	All references to "emerging countries" refer to countries other than mature countries where Danone is present.
Entreprise à Mission	All references to "Entreprise à Mission" refer to the status provided for in French law which was adopted by the Company on June 26, 2020 (see section 2.2 *Strategic priorities*).
Essential Dairy & Plant-Based	All references to the "Essential Dairy & Plant-Based" Reporting Entity or "EDP" refer to production and distribution of fresh fermented dairy products and other dairy specialties, plant-based products and beverages, and coffee creamers.
Europe and Noram	Region that includes Europe except CIS (Commonwealth of Independent States), the United States and Canada
GPS (Group performance shares)	DANONE shares subject to performance conditions described in section 6.4 *Detailed information on long-term compensation plans*
GPU (Group performance units)	Multi-annual compensation described in section 6.4 *Detailed information on long-term compensation plans*
Group	All references to the "Group" or "Danone" refer to the Company and its consolidated subsidiaries.
Markets	All references to "markets" for products in particular, or to market shares, refer to markets for packaged products and exclude products that may be otherwise marketed or sold.
Market shares and market positions	Data pertaining to market shares and market positions are based on the value of sales.
Mature countries	All references to "mature countries" refer to Western Europe (particularly France and Southern Europe, including Spain, Italy and Portugal), North America, Japan, Australia and New Zealand.
Noram	Region that includes the United States and Canada
Universal Registration Document	Danone's Universal Registration Document
Reporting Entity	All references to a "Reporting Entity" or "Reporting Entities" refer to one or more of Danone's Essential Dairy & Plant-Based, Specialized Nutrition or Waters activities.
Rest of the World	Region that includes the Latin America, Asia Pacific, Africa, Middle East and CIS regions
Sales	Danone's consolidated sales
Specialized Nutrition	All references herein to the "Specialized Nutrition" Reporting Entity refer to production and distribution of specialized food, for babies and young children to complement breast-feeding, and for people afflicted with certain illnesses or frail elderly people.
Waters	All references herein to the "Waters" Reporting Entity refer to bottled water, water sold in large containers (jugs), and water sold in small containers.

INCORPORATION BY REFERENCE

Pursuant to article 19 of the 2017/1129 Regulation (EU) and to section 36 of IAS 1, *Presentation of Financial Statements*, requiring that at least one-year comparative information be presented, this Universal Registration Document incorporates by reference the following information:

		2018		2019
Incorporation by reference	**Registration Document**	**Pages**	**Registration Document**	**Pages**
Consolidated financial statements and the Statutory auditors' report for the fiscal year ended December 31		66 to 133		54 to 117
Annual financial statements and the Statutory auditors' report for the fiscal year ended December 31	filed with the AMF on March 13, 2019 (filing number D.19-0141)	134 to 154	filed with the AMF on March 19, 2020 (filing number D.20-0139)	118 to 136
Selected financial information, the Group's management report and all non-financial information for the fiscal year ended December 31		2 to 3, 46 to 60		3 and 36 to 49

1.3 PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT

PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT

Véronique PENCHIENATI-BOSETTA

Chief Executive Officer of Danone

STATEMENT BY THE PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT

This is a free translation into English of the Chief Executive Officer's statement issued in French, and is provided solely for the convenience of English-speaking readers.

Paris, March 18, 2021

"I hereby certify that to my knowledge all the information in this Universal Registration Document is accurate, and that no information liable to alter its scope has been omitted.

I certify that, to my knowledge, the financial statements in this document have been prepared in accordance with applicable accounting standards and provide a faithful representation of the assets, the financial situation, and the results of the Company and of all companies within its scope of consolidation, and that the management report referred to in the cross-reference table in the Appendix of the present Universal Registration Document provides a faithful representation of the business trends, results, and financial position of the Company and of all companies within its scope of consolidation, and a description of the principal risks and uncertainties that they face."

Chief Executive Officer,

Véronique PENCHIENATI-BOSETTA

2

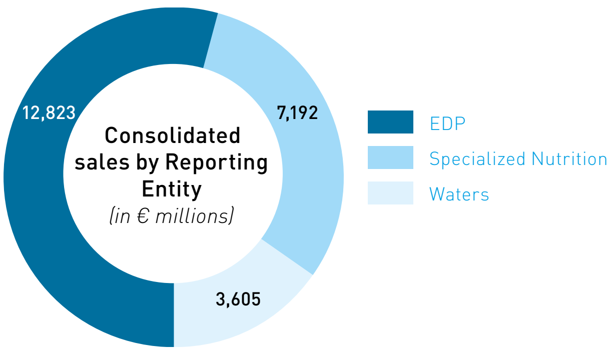
OVERVIEW OF ACTIVITIES, RISK FACTORS

2.1 PRESENTATION OF DANONE

ACTIVITIES

With its purpose to "bring health through food to as many people as possible", Danone, a global leader in the food and beverage sector, is structured around the following three Reporting Entities:

- EDP (54% of the Company's sales in 2020);
- Specialized Nutrition (31% of the Company's sales in 2020) which combines the early life nutrition and adult nutrition activities;
- Waters (15% of the Company's sales in 2020).



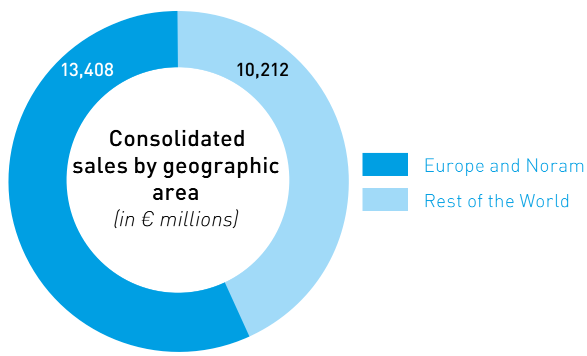
In terms of value, Danone holds the following leadership positions (in the relevant categories and markets):

- No. 1 worldwide for fresh dairy products;
- No. 1 worldwide for plant-based foods and beverages;
- No. 3 worldwide for packaged waters (position in 2019);
- No. 2 worldwide for early life nutrition;
- No. 1 in Europe for adult nutrition.

MAIN MARKETS

Danone's organization is structured around two geographical areas:

- Europe and Noram, which represented 57% of the Company's sales in 2020, with an activity covering all of Danone's businesses. The main countries in this region are the United States, France, the United Kingdom and Spain;
- Rest of the World, which represented 43% of the Company's sales in 2020:
  - in Latin America, the main contributors are Mexico, Argentina and Brazil, with all the Company's activities present in this region;
  - in the Asia/Pacific region, the leading countries are China and Indonesia thanks to their strong presence in the Waters and Specialized Nutrition Reporting Entities;
  - in Africa and the Middle East, the largest markets are Morocco and Turkey, with activity focused mainly on Essential Dairy & Plant-Based and Specialized Nutrition.



Top 10 countries in terms of sales

	Year ended December 31	
(in percentage)	**2019**	**2020**
United States	19%	21%
China	10%	9%
France	9%	9%
Russia	6%	6%
Indonesia	6%	6%
United Kingdom	5%	5%
Spain	4%	4%
Mexico	5%	4%
Germany	3%	3%
Poland	2%	2%

Changes in these rankings from one year to the next also reflect currency fluctuations, especially high volatility in emerging markets.

Top 10 customers

In 2020, Danone's top 10 customers worldwide (three of which are French) accounted for approximately 21% of its consolidated sales; the top five customers represented approximately 14% of its consolidated sales.

2.2 STRATEGIC PRIORITIES

Danone's purpose is to bring "health through food to as many people as possible". To fulfill its purpose, the Company operates in health-driven categories worldwide and enjoys leadership positions thanks to a portfolio made of both multi-local and local brands.

DANONE'S STRATEGIC FRAMEWORK

Danone's "One Planet. One Health" frame of action

Danone launched, in 2017, One Planet. One Health, a frame of action that reflects its strong belief that people's and the planet's health are interconnected. This frame of action builds on decades of responsible business stewardship and lies at the core of Danone's strategic priorities. Danone is committed to offering people healthier and more sustainably produced food and beverage choices, as well as to taking care of employees, communities, and the environment.

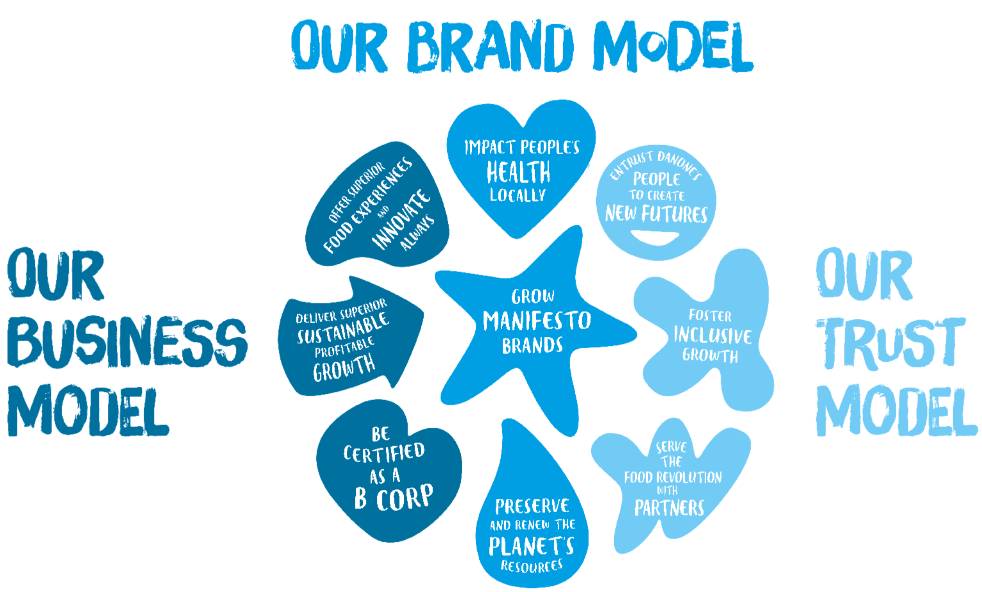
In the unprecedented circumstances brought by the Covid-19 crisis, the One Planet. One Health frame of action drove the way Danone engaged with its ecosystem of farmers and suppliers, customers and consumers, healthcare professionals and patients, but also business partners, governments and health authorities.

Inspired by the increasing number of people who care about where their food comes from, how it was grown, how it arrived to them, as well as about social and environmental practices of brands, the One Planet. One Health drives Danone's portfolio orientations and choices, centered around health-focused categories of products. Danone aims to play a key role in this food revolution, and encourages consumers to make better choices, by improving the nutritional quality of products, by proposing innovative formats and packaging, adapted to increasingly nomadic lifestyles, and by improving its distribution channels.

Finally, the One Planet. One Health frame of action drives Danone's approach to doing business, with a strong focus on local relevance and anchoring. In line with its purpose of "bringing health through food to as many people as possible", Danone offers products and services suited to each community's specificities by taking into account cultural, social, emotional and physiological aspects related to dietary practices in each part of the world. Danone's goal is to be an agent of positive change towards a healthy world, through food.

Danone 2030 Goals

Building on its One Planet. One Health frame of action, Danone has defined nine 2030 Goals, which were presented at its 2018 Shareholders' Meeting, aligned with the United Nations 2030 Sustainable Development Goals. Danone's 2030 Goals embed the business, brand and trust models of the Company to drive long-term sustainable value creation. These nine goals constitute the strategic framework of the Company.



Entreprise à Mission

In June 2020, Danone became the first listed company to adopt the "Entreprise à Mission" status created by the French "Pacte" law in 2019. An Entreprise à Mission company is defined as a company whose objectives in the social, societal and environmental fields are aligned with this purpose and set out in its by-laws.

The adoption of the Entreprise à Mission status is a logical and natural step for Danone; the pursuit of long-term, sustainable and resource-conscious value creation with and for all its stakeholders has been anchored in the Company's values for many years. This status entails (i) the inclusion of a purpose (*raison d'être*) in the Company by-laws, (ii) the inclusion of social and environmental objectives, that the Company sets as its mission to pursue as part of its activities, in its by-laws, (iii) the creation of a Mission Committee responsible for monitoring the performance of this mission, and (iv) the appointment of an independent third party to verify the execution of this mission.

By adopting the Entreprise à Mission status, Danone took a new step in the pursuit of a model of sustainable value creation for all its stakeholders: employees, partners, shareholders, and many more.

Governance

The adoption of a legally enforceable purpose for Danone allowed the Company to strengthen its governance.

The progress towards the social, societal and environmental goals set for the mission is indeed verified by an independent third party and overseen by a newly created Mission Committee, which regroups nine eminent and qualified global experts, mainly from non-governmental and international organizations, appointed by the Board of Directors. The Mission Committee reviews and challenges the Company's roadmap and progress particularly on subjects such as health & nutrition, water, agriculture, biodiversity, packaging, social innovation, people and social matters.

Its first annual report will be made available to shareholders on Danone's website, on the page for the 2021 Shareholders' Meeting.

Purpose in the by-laws

The purpose (*raison d'être*) of the Company is to "bring health through food to as many people as possible". This purpose is embedded in the One Planet. One Health framework of action of Danone, which reflects its strong belief that people's health and the planet's preservation are interconnected and should be at the core of a food company's strategy. This framework of action builds on decades of responsible business stewardship to serve a dual economic and social project.

Social and environmental objectives in the by-laws

In connection with its purpose, the Company defined strategic goals aligned with the 2030 United Nations Sustainable Development Goals, embedding the business, brand and trust models of the Company to drive long-term sustainable value creation.

Among these strategic goals, the social and environmental objectives that the Company sets as its mission to pursue as part of its activities, pursuant to 2° of Article L.210-10 of French Commercial Code, integrated into its model of profitable and sustainable growth, are as follows:

- impact people's health locally, with a portfolio of healthier products, with brands encouraging better nutritional choices and by promoting better dietary habits;
- preserve and renew the planet's resources, by supporting regenerative agriculture, protecting the water cycle and strengthening the circular economy of packaging, across its entire ecosystem in order to contribute to the fight against climate change;
- entrust Danone's people to create new futures, building on a unique social innovation heritage, give each employee the opportunity to impact the decisions of the Company, both locally and globally;
- foster inclusive growth, by ensuring equal opportunities within the Company, supporting the most vulnerable partners in its ecosystem and developing everyday products accessible to as many people as possible.

ADAPTING TO A NEW WORLD

Climate-proofing Danone's business model

Acknowledging the shifting point civil society, consumers and governments reached with regards to climate, Danone announced in February 2020 a €2bn investment plan aimed at "future-proofing" and upgrading the competitiveness of its business model.

Articulated around 3 pillars – regenerative agriculture, sustainable packaging and connected end-to-end operations, this plan aims at enabling Danone to generate resilient and climate-proof growth for the long-term.

Mitigation plans in light of the Covid-19 crisis

Starting from March 2020, the Covid-19 outbreak profoundly changed the way business was conducted. In light of the pandemic, and in order to maintain business continuity, Danone had to adapt its business operations, from portfolio of SKUs to factory management, decision-making process and ways of working. The Company also implemented strong measures to protect its employees and support its ecosystem.

These measures, and the pandemic itself did not question Danone's One Planet. One Health frame of action, its strategy or purpose of "bringing health through food to as many people as possible". In fact, they made it more relevant, meaningful and opportune than ever.

Adapting to a new world with Covid-19

Moving from mitigation to action, Danone announced in October and November 2020 a series of decisions to adapt to the new world with Covid-19. Building on the conviction that some trends prompted or accelerated by the Covid-19 crisis – local empowerment and decision-making, supply chain competitiveness and agility, trusted brands operating at scale, consumer-centric growth opportunities and structural channel shifts – will meaningfully transform the way companies can generate sustainable and profitable growth, Danone decided to shift from:

- global categories to a country-first organization structured around 6 zones and cross-category country units;
- a pyramidal organization to a delayered one, leaner, more efficient and with zero overlaps;
- siloed to integrated and connected value chains leveraging the newly created End-to-End Design-to-Delivery function.

The design and implementation of this new organization will be discussed with Danone's social partners, in line with its tradition of social dialogue and engagement. The precise timing of its implementation is still subject to validation, but initial discussions lead to believe that it could be effective over the course of 2021, after the relevant information consultation processes.

2

Updated financial targets

On November 23, 2020, Danone confirmed its mid-term ambition delivering superior sustainable profitable growth and updated therefore its financial targets. Building on its unique health-focused product offering and portfolio of brands, the Company ambitions to reach, by 2022, a recurring operating margin above 15%.

In the mid-term, its ambition is to deliver like-for-like sales growth in the 3 to 5% range and mid to high teens levels of recurring operating margin.

2.3 DESCRIPTION AND STRATEGY OF THE REPORTING ENTITIES

Starting from March 2020, all Danone entities had to adapt their ways of working in order to protect the health of Danone employees and ensure product availability. While this led to a number of short-term adjustments, on portfolio, operations and channels, Danone's strategy remained unchanged, evolving around the One Planet. One Health frame of action.

In 2020, Danone pursued the implementation of its strategy in a specific way for each Reporting Entity.

ESSENTIAL DAIRY & PLANT-BASED (EDP)

With over 100 brands distributed in more than 120 countries, Danone is the worldwide leader for dairy and plant-based products. Since its first yogurt was made and sold in a pharmacy in Barcelona over 100 years ago, Danone has constantly endeavored to meet the needs of consumers by offering them healthy local products.

Today more than ever, consumers look for great-tasting, natural and sustainably produced foods that support their health and immunity and that can be consumed at different moments throughout the day. These new expectations are fueling new consumption trends, such as flexitarianism (a diet that emphasizes more balanced consumption of animal and plant-based proteins), and a growing interest in immunity, fermented products, probiotics, and high-protein products.

The EDP Reporting Entity is positioned to cater to these trends, thanks to its broad, unique and balanced product portfolio of multi-local brands such as *Activia*, *Danone*, *Actimel* or *Alpro*, and strong local brands. This portfolio consists of:

- **essential dairy products**, which include three main segments:
  - **yogurts (classic and drinkable)** including (i) trusted yogurt brands with strong heritage and local relevance such as *Danone*, *Danonino*, or *Prostokvashino* in Russia, as well as more recent brands like *Light & Free* that support consumers' new lifestyles; (ii) functional brands sought by health-conscious consumers such as *Actimel*, as well as iconic global brands like *Activia*, which continues to develop products that support gut health; (iii) indulgence treats with *Danette* and *Oikos* in Europe, or *Danissimo* in Russia, for consumers who are seeking enjoyment in healthier ways and more convenient formats; and (iv) high-protein products that offer athletes and sports enthusiasts nutritional foods in a format that fits with their activities through brands like *YoPRO*;
  - **coffee creamers** which includes coffee creamers (fresh or Ultra High Temperature processed), products sold under the *International Delight*, *Dunkin' Donuts* (under license) and *Bailey's* (under license) brands, as well as coffee beverages under the *SToK* brand that enable consumers to replicate the coffeehouse experience at home or on the road;
  - **milk** (fresh or Ultra High Temperature processed - UHT), sold mainly in Russia, Brazil, Morocco, and in the United States where the *Horizon Organic* brand is a leader in the organic milk market.
- **plant-based products** that offer consumers looking to diversify their sources of protein or that are lactose intolerant many nutritional and great-tasting options covering a broad spectrum of ingredients, ranging from almond, soy and oat to coconut, cashew and rice. While plant-based beverages and plant-based alternatives to yogurts represent the core product range, Danone is also strengthening its position in new fast-growing categories such as ice creams, frozen desserts, coffee drinks and nutritional powdered protein products. These products are sold in America, notably under the leading *Silk* and *So Delicious* brands and in Europe under the *Alpro* brand, as well as through iconic dairy product brands that offer new plant-based alternatives such as *Activia*, *Actimel* or *Danette*.

The EDP Reporting Entity's core strategy is to encourage consumers of all ages to choose naturally healthier food products over the long term that allow them to positively impact their health and immune systems. This strategy leverages EDP's local anchoring, extensive portfolio of unique multi-local and local brands and it executed through six growth levers:

- **leverage use of probiotics and new ingredients** that have widely known benefits and are increasingly popular with health-conscious consumers;
- **accelerate plant-based sales** by expanding core brands while exploring new ingredients, categories and geographies;
- **develop indulgence products**, including healthier offers, and with new convenient formats;
- **innovate with impact**, leveraging Danone's unique expertise, brands and route to market capabilities;
- **ensure product availability** in every relevant channel and moment of consumption to optimally address consumers' needs with the best products and formats;
- **win over the millennial generation** by rejuvenating and launching brands that resonate with them.

SPECIALIZED NUTRITION

The Specialized Nutrition Reporting Entity develops and sells products for individuals with specific nutritional needs across the full life span – from preterm birth until old age. The strength of its model lies in its extensive scientific and research expertise, a collaborative approach to innovation, and an in-depth understanding of specific nutritional needs, which enable the development of products and services that have a positive impact on people's health.

It offers a product portfolio that supports consumers' health across their life span:

- **the first 1,000 days of a baby's life** – from the start of pregnancy to two years of age – are crucial for the development of their health. As breast milk is best suited to a baby's specific needs, Danone encourages breastfeeding and offers products, services and information and educational programs to women who are pregnant or breastfeeding. For mothers who are unable or unwilling to breastfeed, Danone's infant milk formulas offer a healthy alternative built on 40 years of scientific research on the properties of breast milk. Infant formulas, which represent the bulk of the Specialized Nutrition Reporting Entity's portfolio, are sold under international brands (such as *Aptamil* and *Nutrilon*) and local brands (such as *Gallia* in France, *Cow&Gate* in the United Kingdom and *Bebelac* in Indonesia);
- **complementary food for babies** includes strong local brands such as *Blédina* and *Olvarit* in Europe and *Happy Family Organics* in North America;
- **the pediatric specialties** portfolio includes nutrition products that are specially designed to meet the specific needs of children diagnosed with certain medical conditions. The Specialized Nutrition Reporting Entity offers a wide range of products that prevent and manage allergies such as hypoallergenic products for children at risk of allergies (*Aptamil ProSyneo*) and products for children who are moderately to severely allergic to cow's milk (*Aptamil Pepti Syneo*, *Neocate Syneo*);
- **the adult nutrition** portfolio includes products such as *Fortimel* and *NutriDrink*, oral nutritional supplements for patients suffering from malnutrition caused by illnesses such as cancer or CVA, as well as tube feeding (*Nutrison*) for patients who can no longer feed themselves normally. Medical nutrition allows better clinical results and is available in formats tailored to the specific nutritional needs of patients.

Medical nutrition products – most of which are reimbursed by healthcare systems – are recommended or prescribed by healthcare professionals (doctors, medical personnel in hospitals, nursing homes and pharmacies).

The Specialized Nutrition Reporting Entity's strategy is based on the following principles:

- **build on an in-depth understanding of nutritional trends and scientific research:** meet consumers' growing demand for more natural, plant-based and organic products while incorporating the latest scientific research and innovations in the field of specialized nutrition;
- **respond to evolving healthcare needs as a result of demographic trends, prevalence of chronic disease and the Covid-19 pandemic:** the growth potential of the adult nutrition market is significant and is driven by strong structural trends such as the general aging of the population and the development of chronic diseases that require both prevention and treatment solutions, as well as by an increased demand for immunity boosting and personalized nutrition solutions to maintain overall better health;
- **develop research partnerships to tackle health issues at the local level:** understanding local eating habits is crucial to enabling Danone to best meet the nutritional needs of the various markets and respond to new health-related developments, such as the increased prevalence of food allergies and stunted growth among children. The Specialized Nutrition Reporting Entity introduces innovations in the market by working with many scientists, healthcare professionals, patient associations and consumer groups to develop products and services that have a positive impact on people's health;
- **channel innovation according to shifting consumer attitudes**: for example, with an acceleration of e-commerce as a result of the Covid-19 pandemic, the Specialized Nutrition Reporting Entity is optimizing its distribution strategy by strengthening its digital expertise and forming close partnerships to further develop its e-commerce presence and delivery of home care services;
- **address consumer health throughout life:** the Specialized Nutrition Reporting Entity also continues to expand into areas adjacent to its core business areas, leveraging its capabilities to support health across the consumer's lifespan with science-based nutritional solutions.

WATERS

The Waters Reporting Entity offers a unique portfolio of mineral waters from natural sources, which are appreciated and consumed by millions of people worldwide, and flavored waters – also called aquadrinks – enriched or infused with natural fruit extracts, fruit juice and vitamins. The products are sold under international brands such as *evian* and *Volvic* and under many very strong local brands such as *Aqua* in Indonesia, *Mizone* in China, *Bonafont* in Mexico, *Salus* in Uruguay, *Hayat* and *Sirma* in Turkey, *Fontvella* and *Lanjarón* in Spain, *Zywiec Zdroj* in Poland and *Aqua d'Or* in Denmark. Its mission is to offer healthier hydration and safe drinking water throughout the world, in a way that preserves natural resources and improves lives, today and for future generations. The Waters Reporting Entity's strategy is based on the following principles, captured in its WeActForWater framework collective launched in March 2020:

- **promote healthier hydration habits:** encourage people to hydrate better and offer them healthier beverages (sugar-free, reduced sugar or more natural alternatives). The nutritional benefits of hydration are mainly promoted (i) through partnerships with public health authorities and scientists and (ii) through direct interactions with people who buy products, especially the youngest generations, to encourage healthier hydration habits from a very early age. In particular, the Company runs the Hydration for Health annual scientific platform: in 2020, nearly 500 scientists and public health authority representatives from around the world met in this framework to share and promote scientific advances, the impacts on health and the challenges related to hydration;
- **getting products to people in the most sustainable ways by working continuously on the packaging and distribution:** in response to growing concerns over the environmental impact of packaging and in keeping with the goal of protecting the planet, the Waters Reporting Entity announced new ambitious commitments. These include (i) halving its use of virgin PET and moving to 100% rPET across Europe by 2025, (ii) reducing the carbon footprint of its activity, and (iii) ensuring the collective of its water brands achieve the B Corp™ certification by 2022 (currently 46% B Corp™). The Reporting Entity and its brands are acting together to deliver on the commitments. For example, in 2020, it was announced that *evian* and *Volvic* were the first brands at Danone to be globally certified carbon neutral, *Volvic* was certified B Corp™ in March, and other brands across Europe and Latin America switched ranges to 100% recycled materials during the year. The Reporting Entity is developing more large formats and exploring 'beyond plastic' options;
- **invest in protecting and restoring water sources,** particularly in water-stressed areas, with the help of an internal network of trained and certified hydrogeologists and by promoting local initiatives to protect biodiversity. These initiatives lead to improvements in ecosystems and carbon sequestration and more sustainable water resources. They apply to the 80 springs around which Danone operates, *i.e.* the equivalent of 5 million hectares;
- **promote access to drinking water** by investing in innovative activities, technologies and infrastructures to facilitate affordable access to drinking water in poor areas of Asia, Africa and Latin America, with the help of the Danone Communities fund, an expert in this field for over 10 years.

2

2.4 OTHER ELEMENTS RELATED TO DANONE'S ACTIVITY AND ORGANIZATION

DISTRIBUTION

Although they vary to reflect local specificities, Danone's distribution models reflect three main approaches:

- distribution aimed at major retail chains;
- distribution to traditional market outlets;
- distribution to e-commerce, on-the-go and convenience stores.

Moreover, a significant portion of the products in the specialized nutrition markets are distributed through more specialized distribution channels such as hospitals, clinics and pharmacies.

Danone is constantly streamlining its logistics flows in order to improve service quality while reducing costs. This policy is based on an ongoing assessment of its organization, notably through outsourcing of distribution in collaboration with specialized companies.

Major retail chains

Danone establishes global partnerships with its main distributors in order to help develop the sales of its products. These partnerships are based on jointly developed business plans that cover all aspects of the global collaboration and highlight the key growth pillars such as logistics collaboration, channel specific sales development, categories development, global sustainability projects such as food waste, recycling programs or food safety management. Matters involving pricing or promotional policies, which are up to each subsidiary, are not included in these agreements.

In particular, Danone has taken several initiatives to work closely with large retailers in order to optimize the flow of goods and the inventory levels of its customers with the Efficient Consumer Response (ECR). approach. In addition to inventory management, automatic inventory replenishments and just-in-time delivery, ECR aims at working with distributors to better manage consumer demand and expectations at the sales points. To that end, the Company has implemented shared inventory management systems with its leading distributors that are used to coordinate inventory levels among stores, as well as at the distributors' and Danone's warehouses.

Danone also works with its customers to develop specific marketing activities such as joint promotions that answer consumers' needs in each channel.

Traditional market outlets

Globally, and in the emerging countries particularly, a large portion of Danone's sales is generated through traditional market outlets thanks to small-scale sales points networks. An in-house sales force and/or exclusivity agreements with wholesalers represent a competitive advantage for the Company in countries where traditional commerce and independent supermarkets continue to account for a significant share of food and beverage sales.

Moreover, in Latin America and Asia, a significant portion of the Waters Reporting Entity's products is directly distributed to consumers (Home & office delivery or HOD).

Finally, in emerging countries, Danone is developing new local retail models through large networks of independent sellers.

E-commerce, on-the-go and convenience stores

Danone is stepping up its capabilities to serve e-businesses and satisfy growing consumer demand through this relatively new and specific business model. There are three different types of e-commerce:

- brick-and-mortar companies (major retailers that have created an e-commerce activity);
- pure players (companies selling exclusively through e-commerce);
- direct to consumer (a proprietary Danone website that enables sales directly to consumers without intermediaries).

In parallel, Danone focuses on the use of new growing distribution models, on-the-go and convenience stores, with an adapted offering (including single serves) to meet increasing consumer desire for immediacy.

Danone is growing in all these channels and gaining expertise.

Specialized distribution channels (hospitals, clinics and pharmacies)

In the specialized nutrition markets, a significant portion of products are marketed in hospitals, clinics and pharmacies, through specialized distributors or following a tendering process. Danone also maintains an ongoing relationship with healthcare professionals through its medical representatives, who meet with general practitioners and specialists (pediatricians, nutritionists, etc.) as well as pharmacists.

COMPETITION

The packaged food and beverage sector is highly competitive due to the large number of national and international competitors. Danone is confident that its strategy for profitable growth is strongly supported by its products' quality, taste, affordability and innovative aspect, and by the powerful brand image conveyed on health, nutrition or societal and environmental responsibility.

Considering that success in this food and beverage industry is achieved through strong local market positions, Danone strives to be the market leader of each segment in every country where it operates, always in compliance with laws and regulations relating to competition. This strategy allows for a long-lasting, balanced and constructive relationship with major distribution networks, by marketing key products yielding growth and profitability for both parties.

Reporting entity	Category	Competitive environment
EDP	Fresh dairy products (including Yogurts and Premium Dairy)	Large multinational food and beverage companies (Nestlé, General Mills, Lactalis, Muller, Coca Cola), many predominantly local companies specializing in certain product lines or markets (Chobani, Wimm-Bill-Dann, Friesland Campina, Lala, Meiji, Arla, Fage, Organic Valley), and private labels.
	Plant-based products and beverages	A few large international companies (Campbell, Hain Celestial, Nestlé, Unilever), predominantly local companies specializing in certain product lines or markets (Blue Diamond, Califia Farms, Triballat, Wessanen, Oatly, Valsoia, Chobani, Ne Moloko) and private labels.
	Coffee Creamers	A few large food and beverage multinationals (Nestlé), predominantly local companies specializing in certain product lines or markets (Hood) and private labels.
Specialized Nutrition	Early life nutrition	Large early life nutrition companies (Abbott, Reckitt/Mead Johnson, Nestlé) and predominantly local companies and/or companies specializing in certain product lines or markets (Lactalis, Biostime, a2 Milk, Yili, Feihe).
	Adult nutrition	Large nutrition companies (Nestlé, Abbott) and predominantly local companies specializing in certain product lines or markets (Fresenius).
Waters	Waters	Historical beverage market leaders internationally (Coca-Cola, Pepsi, Nestlé) and predominantly local companies (Mayora in Indonesia, Kang Shi Fu in China, Cristaline in France, Epura in Mexico).

RESEARCH AND INNOVATION

Research and Innovation underpins Danone's strategy by enabling it to develop innovative products that contribute to its results and to the food revolution. It is also central to developing its One Planet. One Health frame of action as its mission is to prepare for the future with a focus on major scientific and technological challenges such as microbiota and biotics, plant-based matrices and new sources of protein, naturalness and organic, packaging and beyond plastic, perceived sweetness and taste, the development of allergies, nutrition and hydration and healthy aging. To achieve this, Research and Innovation relies on:

- approximately 1,800 people spread across two international research centers (in Paris-Saclay, France and Utrecht, Netherlands), six specialized centers (Packaging in France, Precision Nutrition D-Lab in Singapore, Fresh Dairy Technology in Spain and in Russia, Plant-based in Belgium and the USA, Specialized Nutrition in Shanghai) and local teams at 55 subsidiaries;
- cooperation initiatives and partnerships with the academic and scientific world, especially with top universities and research centers worldwide.

In addition, the Research and Innovation teams develop consumer centricity to offer more innovative solutions in terms of consumer experience, nutritional quality and respect for the environment, and to better meet their needs as well as market expectations. To that end, they notably work with consumers to co-build products and use agile methods (Design Thinking, Fast Prototyping, Lean Startup, etc.) that enable them to adapt and act quickly.

Further details about Research and Innovation's strategy and activities are available at danone.com.

PRODUCTION SITES AND EQUIPMENT

Danone has production facilities around the world in its principal markets. Danone's general policy is to own its production facilities. Danone has many, widely dispersed production facilities, except for the Specialized Nutrition Reporting Entity, whose sites are more concentrated. As of December 31, 2020, Danone had 180 production sites. Lastly, Danone rents some facilities, notably offices and warehouses.

The production sites are inspected regularly to assess possibilities for improving quality, environmental protection, safety and productivity.

RAW MATERIALS PURCHASING

Danone's principal raw material needs consist primarily of:

- materials needed to produce food and beverage products, mainly milk, sugar and fruit. In terms of value, milk is the main raw material purchased, primarily in the form of liquid milk, for which the operating subsidiaries typically enter into agreements with local producers or cooperatives. Its price is set locally, over contractual periods that vary from one country to another. The other main food raw materials are fruit-based preparations;
- product packaging materials, in particular plastics and cardboard ("packaging"). Packaging purchases are managed through regional or global purchasing programs to optimize skills and volume effects. Prices are influenced by supply and demand at the global and regional levels, economic cycles, production capacities and oil prices;
- energy supplies, which account for only a limited portion of its purchases.

Danone's strategy increasingly focuses on the upstream portion of its activities and in particular its supply of raw materials, not only to manage its costs but also to make it a source of value creation and differentiation relative to the competition.

Since the price trends of major raw materials may affect the structure of its results, Danone takes the following measures to manage cost volatility:

- continuous productivity gains: Danone strives in particular to optimize its use of raw materials (reductions in production waste, lighter packaging and more effective use of milk sub-components in its products) and take advantage of pooled purchasing, for example through centralized management of purchases other than milk for the EDP and Specialized Nutrition Reporting entities;
- purchasing policy (Market Risk Management) that defines the rules for securing the physical supply and price setting with suppliers and/or on financial markets when they exist. The monitoring of exposures and the implementation of this policy are carried out for each raw materials category by the central purchasing team.

REGULATORY ENVIRONMENT

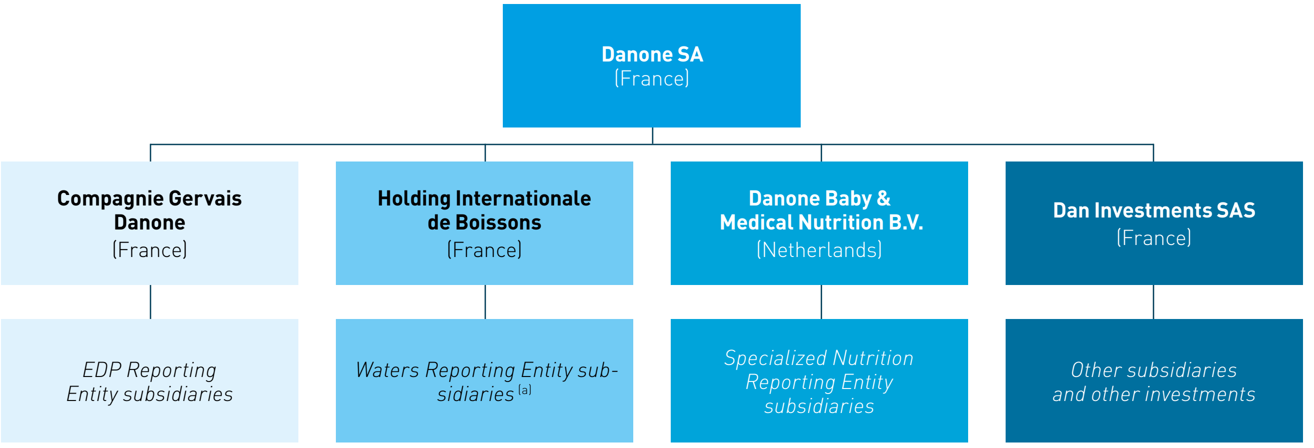
Danone carries out its activities in a complex, fast-changing and increasingly stringent regulatory environment.

Danone's products are subject to various local, national and regional laws and regulations in such varied fields as product safety, health and nutrition claims, production, labelling, packaging, storage, transport, distribution, price-setting, marketing, product advertising and use. In the many countries where the Company operates, it is also subject to a wide range of environmental laws and regulations regarding the use of plastics, food waste, energy, waste management, water treatment, greenhouse gas emissions and, more generally, environmental protection.

Moreover, some countries regulate Danone's activities by issuing permits and inspecting its plants and production sites, by requiring registration before it can sell or refund certain products, by applying standards for some food products and by classifying food products and/or regulating commercial practices related to the sale and price-setting of food products. Many of the food ingredients used by Danone in its activities are subject to the governmental agricultural policies and intervention. The focus on issues related to human rights in the sector's supply chains has led to the drafting of regulations in many countries. These regulations and policies are subject to regular governmental and administrative controls.

2.5 SIMPLIFIED ORGANIZATIONAL CHART AS OF DECEMBER 31, 2020

The following simplified organizational chart presents the structure of Danone's overall legal organization. Some subsidiaries may nevertheless have a different parent company.



(a) The company Evian Resort, included in the Waters Reporting Entity, operates the Évian Casino and is therefore subject to the control of the French Ministry of Interior and to the regulation applicable to the casino games activity.

PARENT COMPANY DANONE SA

Danone SA is the parent company of the Danone group. It has mainly a role of (i) holding directly or indirectly companies of the group, and (ii) coordination of the main functions and activities, with an average number of 990 employees in 2020.

SUBSIDIARIES

The list of Danone's subsidiaries can be consulted on Danone's website www.danone.com.

MAIN LISTED COMPANIES

As of December 31, 2020

	Reporting Entity	Listing market
Centrale Danone [a]	EDP	Casablanca (Morocco)
China Mengniu Dairy [b]	EDP	Hong Kong (China)
Yashili [b]	Specialized Nutrition	Hong Kong (China)

(a) Fully consolidated company.
(b) Associate.

2.6 RISK FACTORS

IDENTIFICATION AND CONTROL POLICY OF STRATEGIC RISKS

Like any company, Danone faces external and internal risks and uncertainties in the implementation of its strategy and in the conduct of its business. The main specific risks Danone believes it is exposed to as of the date of this Universal Registration Document are described in the following section. Other risks that could adversely affect the Company in the future may exist; they may be general risks or risks that Danone is unaware of or considers non material as of the date of this Universal Registration Document.

Danone maintains an active risk identification and management policy aimed at protecting and developing its assets and reputation, the achievement of its targets and objectives, and protecting the interests of its consumers, shareholders, employees, customers, suppliers, the environment and its other stakeholders without guaranteeing the total absence of risks.

Part of the Company Finance Department, the Strategic Planning Department is responsible for identifying and monitoring Danone's strategic risks, and for coordinating the different processes for managing Danone's risks. It relies in particular on the finance directors of the Reporting Entities (see section 2.7 *Control environment*).

To that end, it takes the form of a risk mapping hierarchy based on their likelihood of occurrence and their estimated impact on the Company, as described hereafter.

Methodology

This risk mapping is prepared and updated bi-annually by the Company Finance Department. This process is part of annual strategic planning and results in the development of the new mapping with its related preventive actions. The following methodology is used:

- identification of the risks considered as material by Reporting Entity with support from the main corporate transversal functions and integration of systemic risks not perceptible at the subsidiary level;
- consolidation of the major risks of the Reporting Entities at Company level and integration of systemic risks not perceptible at the Reporting Entity level;
- ranking of risks based on their likelihood of occurrence and estimated financial impact, at the level of a Reporting Entity or of the Company;
- determination of preventive or corrective actions, which may be cross-functional or specific to the Reporting Entities.

Risk monitoring

For each Reporting Entity, the most significant risks are reviewed twice a year at special meetings attended by the General Manager and Chief Financial Officer of the Reporting Entity and the Head of Strategic Planning.

A review of the most significant risks is also presented twice a year by the Head of Strategic Planning to the Chief Executive Officer and Chief Financial Officer. A mapping of Danone's major risks and risk mitigation plans are reviewed and assessed. This work serves as the basis for the presentations made to the Executive Committee and Audit Committee.

MAIN RISK FACTORS

The summary table of main risks specific to Danone hereafter presents the classification of the risks in 3 categories: (1) Strategic risks, (2) External Environment risks and (3) Operational risks.

Danone's main risks have been assessed on the basis of the probability of their occurrence and the expected magnitude of their negative impact, after taking into account risk management measures effect, to give an assessment of the materiality of each risk. The most material risks are mentioned first in each category and the materiality of each risk is disclosed by using a three-level rating scale (strong, medium, low) as follows.

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Strategic risks	strong	Over reliance on principal markets
	strong	Packaging
	strong	Fast changes in consumer preferences
	medium	Retail shift
	low	External growth & integration
External environment risks	strong	Unpredictability of duration and effects of the Covid-19 pandemic
	medium	Regulatory changes
	medium	Raw materials price volatility & availability
	medium	Impact of climate change on value chain
	medium	Currency volatility
Operational risks	medium	Cybersecurity
	medium	Food safety & product quality issues
	low	Shortage of talent

The description of main risks specific to Danone, with their negative impacts and measures implemented to manage them are set out hereafter.

DESCRIPTION OF MAIN RISK FACTORS

Strategic risks

DESCRIPTION	MANAGEMENT MEASURES
strong **Over reliance on principal markets**	
In 2020, Danone's top-5 markets (USA, China, France, Russia and Indonesia) accounted for 50% of its consolidated sales. Any poor performance (by one or more of Danone's businesses within one or several of these 5 countries), due to economic slowdown, political instability, health crisis, increasing taxes, more stringent regulations, or for any other reasons, would be likely to have a negative impact on Danone's activities and results of the whole Company, thus jeopardizing the achievement of its strategic mandates and financial objectives. This is particularly relevant for China, Danone's second largest country in terms of contribution to the Company's sales (around 10%) and the largest in terms of contribution to its profits. Danone's business in China is concentrated around two segments: Waters and Specialized Nutrition. Within the latter segment, infant formula products sold to Chinese consumers are currently manufactured in factories located outside China, and partly sold through cross-border channels (such as *daigou* traders, and purchases done by individuals when travelling to Europe, Oceania, or in Honk Kong). Changes in public policies leading to bordure closures with mainland China, international travel limitations, more stringent regulation of cross-border trade could limit Danone's ability to pursue or develop its business activities and/or expose Danone to incur additional constraints, costs or investments. This could lead to significant adverse effects on the sales, margin and financial position of Danone in China and globally. As an example, infant formula sales in China through cross-border channels declined severely in 2020 and notably in the second half of the year, decreasing 60% in the third quarter and 45% in the fourth quarter, in the Covid-19 context.	Danone has developed a reporting system to monitor its activity and the potential impact of economic conditions in countries where it is present. Danone has elaborated a strategy building (i) strong positions in the markets in which it operates with special attention to the principal markets, and (ii) significant synergies across regions to mitigate local risks such as global innovation or global procurement of important raw materials. Danone regularly reviews its portfolio with an objective to balance its strategic opportunities and risks across categories and geographies. Danone's actions to continuously build a sustainable platform of growth for Specialized Nutrition activities in China and lower exposure to cross-border risks include investments to strengthen the local anchoring of the business in China and notably accelerated investment in a local management, commercial, marketing, distribution and manufacturing. This was illustrated in 2020 by a €100 million investment covering the opening of an R&D facility in Shanghai, the acquisition of a local manufacturing facility for infant milk formula, and the broadening of local medical offering.

DESCRIPTION	MANAGEMENT MEASURES
strong **Packaging**	
Packaging is fundamental to Danone's ability to provide people around the world with safe, nutritious, high-quality food and drinks. Danone's total packaging represented 1.5 million tons in 2020, of which plastic represented 0.7 million tons. Today's mainstream packaging system is unsustainable and there is a global focus on plastics because large amounts of plastic are flowing into the natural environment, particularly the oceans. As a result, regulatory and consumer pressures around plastics are moving at an unprecedented pace. To the extent that Danone would not (i) reduce sufficiently its use of plastics, (ii) find appropriate replacement materials at a commercially reasonable price, and/or (iii) ensure sufficient recycling post-consumer use, therefore not being successful delivering its circularity ambition agenda, or should new regulations on plastic packaging result in higher costs for plastic, the Company could be exposed to (i) loss of volume sales in its main categories (especially in beverages which is at the forefront of the anti-plastic pressure) and (ii) significant cost increase to transition from linear to circular packaging, which could negatively impact its sales, margin, and results and its reputation.	Danone's strategic priority is to make its packaging 100% circular and pursue a transition towards a circular economy of packaging. This means (i) eliminating the packaging Danone does not need, (ii) innovating so that all the packaging it does need is designed to be safely reused, recycled or composted and (iii) ensuring that the material it produces or uses stays in the economy and never becomes waste or pollution. By 2025, Danone targets to design all its packaging so that it is 100% recyclable, reusable or compostable (vs 81% in 2020) and to increase recycled content to more than 50% for all packaging (vs 36% in 2020), specifically for plastics (below 10% in 2020). This ambition was supplemented in 2020 by a series of additional commitments, notably the phasing out of polystyrene used mainly for dairy and plant-based products and the use of 100% recycled PET across Europe in 2025 and 50% worldwide for Waters Reporting Entity brands. Danone is steadily increasing the use of recycled material in its plastic packaging and has met 2020 target to reach 25% recycled PET for the Waters Reporting Entity where local standards and regulations allow for it. For more information on Danone's packaging, its packaging policy and targets, see section 5.3 *Preserve and renew planet's resources*, section *Circularity of packaging*.

DESCRIPTION	MANAGEMENT MEASURES

strong **Fast changes in consumer preferences**

The fast evolution of consumers' preferences and habits requires constant innovation and adaptation of Danone's product range and overall supply chain. The diversification of tastes, eating and drinking habits as well as the increasing health, social and environmental awareness of consumers drive their purchases.

Among the key trends in food and beverages, the most notable are:

- nutritional quality of the product, including presence or absence of certain ingredients (for example sugar, protein, additives);
- packaging circularity (see packaging risk above);
- sustainable sourcing of ingredients with known social or environmental impact;
- origin of products and transparency on companies behind the brand (strong trend on local).

The Covid-19 pandemic crisis has overall accelerated many of these consumer trends, heightening the importance of health (health benefits e.g. immunity as well as naturality vs ultra-processed), local, transparency, and people in the food chain.

Authorities and retailers are also paying increasing attention - to health, social and environmental concerns of consumers, principally on (i) health benefits, (ii) local provenance, (iii) labeling of the nutritional quality and/or environmental footprint of products and packaging, as well as (iv) food waste.

If Danone is unable (i) to anticipate rapidly enough changes in consumer expectations in terms of tastes, eating and drinking habits and environmental impacts, (ii) to identify such consumer trends, (iii) to translate such trends into appropriate product offerings and/or (iv) to keep pace with consumer preferences, the demand for the Company's products and its sales could fall, the Company could incur losses and its activities, results and reputation could be negatively impacted.

Danone's unique frame of action One Planet. One Health and long-term strategy Danone 2030 Goals have been defined to adequately respond to the challenges and opportunities of the ongoing food revolution.

Moreover, Danone has developed a large product portfolio focused on healthy categories. Its Research and Innovation capabilities allow the Company to offer a wide variety of products to respond to different diets, consumption needs and situations. As an illustration, through the acquisition of WhiteWave in 2017, the Company diversified its product portfolio into plant-based protein and organic products in response to growing consumer trends such as flexitarianism. In 2020, plant-based products represented over €2.2 billion of sales, representing around 10% of total Company sales and slightly below 20% of total EDP sales.

In addition, Danone strives to foster ongoing dialogue with its consumers by adapting to new consumer expectations and behaviors, sharing more transparently in particular through digital communication channels on its societal and environmental commitments (such as circularity of packaging & regenerative agriculture).

Through its Manifesto Brand Model and its ambition towards the B Corp™ certification, Danone aims also to develop purpose-driven brands, and commits to the highest social and environmental standards.

Finally, Danone has announced in November 2020 the study of a new organization, called Local First, that aims at increasing local agility to best capture the fast-changing consumer preferences and to address new growth spaces.

For more information on product content and footprint, water stewardship, plastic packaging and sustainable sourcing, see section 5.3 *Preserve and renew the planet's resources* and section 5.5 *Promoting sustainable, inclusive growth with suppliers*.

DESCRIPTION	MANAGEMENT MEASURES

medium **Retail shift**

Several structural forces are coming together to shape today's rapidly changing retail environment:

- consumer demand for immediacy;
- consumer demand for healthier eating;
- consumer growing needs for specific products & services.

As a result, retail is undergoing a growing segmentation of channels. The fastest growing ones (such as hard discount, c-stores, e-business and Cash & Carry) are capturing the totality of the market's growth while the big formats (such as hypermarkets) continue to decline. The Covid-19 pandemic has accelerated these trends as shoppers are searching for safer options and can be limited in their movements. For example, in 2020, in some of Danone's top-countries, e-commerce growth for food and beverages has been double digits, especially in France +21%, in the United States +44% and in China +55% (*Source: Edge*).

The Covid-19 pandemic is also bringing high uncertainty on the out-of-home and proximity channels, with further risks of regulatory and voluntary closures of the latter channels, and limitations of cross-border commerce as Danone experienced in 2020. The Waters business was strongly impacted in 2020, with decrease of 17% in like-for-like sales in 2020.

Danone's customers (retailers) are in the first line of exposure to the pandemic's effects and risks, and are in particular re-focusing on shorter ranges of SKUs for many reasons namely (i) agility of supply chain in volatile demand times, (ii) cost-effectiveness and (iii) simplification of operations in order to compensate margin losses during the pandemic. They are also acknowledging the trend towards smaller store formats and therefore adapting their products offer.

In this context, if Danone is unable to anticipate the market shifts and adapt its sales strategy, go to market, digital and e-commerce capabilities, supply chain model and execution, it could lead to:

- slower growth from market share loss and under-performing innovation;
- pressure on operating margin;

therefore, negatively impacting its financial situation.

Danone's actions to adapt to the retail shift include:

- adapting sales playbook to growing channels (route to market/execution);
- dedicating teams and plans to reinforce its presence in e-business;
- finding selective partnerships in the right geographies and channels;
- re-visiting the supply model to shift from economies of scale to economies of scope;
- use co-packing when and where relevant.

Also, part of Danone's accelerated investment plan of around €2 billion announced in February 2020 is dedicated to build agile & digital end-to-end value chain, strengthen execution and better serve consumers' needs anytime, anywhere (see section 2.2 *Strategic priorities*).

In addition, Danone has started in 2020 to review its global and cross-category portfolio in order to better answer its customers and consumers needs and to enhance its profitable growth.

DESCRIPTION	MANAGEMENT MEASURES
low **External growth & integration**	
Danone's strategy consists in holding strong positions in each of the markets in which it operates, involving the pursuit of growth opportunities through joint-ventures or acquisitions in attractive markets where the Company is absent or under-scaled. The Company's results depend, to some extent, on its ability to successfully integrate such business acquired or partnerships. As a reference, goodwill represents around 40% of Danone's total assets as of December 31, 2020. Acquisitions may have an adverse effect on Danone's activities, asset values (notably goodwill) and results if the Company does not succeed in rapidly and efficiently integrating the acquired companies and achieving the expected benefits of the acquisitions, in particular if the Company does not succeed in: • identifying the specific associated risks during each acquisition; • delivering the acquisition business case, *i.e.* developing the business and achieving the synergies expected from the acquisition.	For each acquisition, Danone's dedicated teams prepare an integration program and provide the resources necessary for its implementation. For example, the 2017 acquisition of the WhiteWave group's companies has been the subject of an integration plan, and their assets have been integrated in Danone's internal control system.

External environment risks

DESCRIPTION	MANAGEMENT MEASURES

strong Unpredictability of duration and effects of the Covid-19 pandemic

Description

The Covid-19 pandemic has already had a significant impact on Danone's business in 2020 as national lockdowns led to significant changes in channels' dynamics, including closure of out-of-home channels, proximity stores, borders, and travel limitations, resulting in less revenues notably from high-value small-size formats in Waters, from dairy products sold in proximity stores and away-from-home outlets or from infant formula products sold in China through cross-border channels. It also led to reduced efficiency of operations and supply chain resulting from management of swings in demand, distancing requirements, lower productivity, rising transportation costs and logistic constraints. In 2020, Danone's sales in out-of-home channel (representing around 10% of the 2019 sales globally) declined by 30% on a like-for-like basis and incremental costs directly related to Covid-19 (including sanitary costs, extra-logistic costs and specific bonus for employees working frontline during the first pandemic lockdowns) represented €150 million.

The Covid-19 pandemic has an impact on many of Danone's risks, namely:

- over-reliance on principal markets (especially China);
- fast changes in consumer preferences;
- retail shift;
- cybersecurity.

It has already been seen that the relaxation of government restrictions could lead to a renewed increase in country infection rates, resulting in countries being locked down again or in targeted local lockdowns of affected regions. Restrictions can and do change daily with immediate effect. It is therefore very likely that targeted local 'stop and go' lockdowns will continue in 2021 until a vaccine is widely rolled-out and made available to mass.

In this uncertain environment, both clients and consumers remain cautious. The continued spread of the virus and a significant rise in infection rates and their economic consequences could mean:

- delay in further opening-up of foodservice channels where Waters and EDP activities are exposed;
- slower return of mobility levels to pre-Covid levels, resulting in less revenue from sales done in impulse channels;
- continued border closures and travel restrictions, impacting sales of Waters in large touristic sites and of infant formula in China;
- structural shift in consumers food habits and lifestyles to which the Company would need to adapt its portfolio;
- impact on consumers' income and purchasing power leading to trading down buying behaviors;

and therefore, a decline in sales and profitability of Danone.

Management measures

Danone's actions to adapt to this exceptional situation include:

- close and regular monitoring of situation by country to anticipate potential restrictions;
- greater empowerment of local teams allowing them to take agile decisions to ensure business continuity and product availability: portfolio adaptation (refocused range) and supply chain management (supplier duplication, alternative transportation) to notably focus available production capacities on the most relevant formats and channels;
- pro-active management of workforce and ways of working to ensure employees' health and security, but also to adapt to sharp swings in demand;
- monitoring of employees' morale and energy level through a strengthening of the Dan'Cares program and regular surveys leading to agile decision-making, for example on remote working conditions.

DESCRIPTION	MANAGEMENT MEASURES

medium Regulatory changes

As a player in the food and beverage industry active in many countries, Danone operates its business in a complex, changing and increasingly stringent regulatory environment.

Laws and regulations applicable to Danone activities include laws and regulations governing notably food & beverage products, the protection of the environment, intellectual property, taxation, integrity, data privacy, antitrust and labor.

For more information on the regulatory environment of the Company, see section 2.4 *Other elements related to Danone's activity and organization*.

For example:

- in many countries, local consumer law restricts marketing practices of products for babies and kids;
- in China, regulations require infant milk formula recipes to be registered by a public authority (SAMR) before they can be sold on the market. In 2018, these regulations were strengthened to require an audit by SAMR of production sites before the registration of any infant milk formula products and such on-site audits to overseas factories have no timeline set in the regulations, which extends the duration and brings more uncertainties in the registration process for new products and innovations;
- in many countries, local laws regulate the conditions of water extraction/bottling rights, which may include the granting of administrative authorizations;
- Danone's production sites are subject to strict environmental regulations and standards on energy use, water use and waste management.

Changes in applicable laws and regulations, more stringent evolution, or toughening of their application could (i) limit Danone's ability to pursue or develop its business activities, thus requiring Danone to adapt or reduce its activities, assets or strategy (including its geographical presence), and/or (ii) expose Danone to incur additional constraints, costs or investments. This could lead to significant adverse effects on the sales, margin and financial position of Danone.

Danone has developed a General Secretary organization, including public affairs, legal, regulatory affairs and compliance, at the regional and central levels. The Company and its subsidiaries, assisted by their legal departments and/or external legal advisors, take steps to ensure that they comply with applicable laws and regulations and identify any new applicable regulations.

In addition, Danone has developed and implemented internal policies and procedures relating to compliance (see section 2.7 *Control environment*). In order to ensure that such measures are commonly practiced at Danone, the Company has integrated compliance into its quality approach and internal control system.

DESCRIPTION	MANAGEMENT MEASURES
medium Raw materials price volatility & availability	
Overall, material costs (raw materials, packaging, finished products) represent around 80% of Danone's cost of goods sold, *i.e.* around €10 billion on annual basis. Milk and packaging are the largest contributors to material costs, around one-third and one-fourth respectively, with plastics representing around 50% of packaging costs. Danone's raw materials can be broadly divided in two categories: milk products (60%) and other food and ingredients needed to produce food and beverage products including soybean & nuts, fruits & vegetables, sugar & sweeteners, oils & fats, etc. Some of the key drivers of supply and demand imbalances are: • weather conditions and natural disasters; • government control and regulatory changes; • geopolitical events; • shifts in consumer preferences: e.g. increase in milk protein demand in China can lead to price increase of milk powder supply. Variations in supply and demand at global or regional levels expose Danone to potential: • price increase for key raw materials that may not be passed on, either in full or in part, in the sales price of Danone's products; • reduced availability of key raw materials which could adversely affect Danone's ability to meet consumer demand for its products; which could negatively impact the sales, margin and results of Danone. Danone's supply policy and exposure to principal raw materials risks, including milk, are described in Note 6.7 of the Notes to the consolidated financial statements.	To limit volatility, Danone defines for each commodity and entity a hedging strategy depending on the impact on its profit and loss, its position in the market and the need for financial visibility. In the context of high raw materials price volatility and in order to limit its impact on Danone's activity and results, the Company manages this cost inflation through actions described in section 2.4 *Other elements related to Danone's activity and organization.*

DESCRIPTION	MANAGEMENT MEASURES

medium Impact of climate change on value chain

The climate risk is present in several of Danone's risks described above: two strategic risks (Packaging and Fast changes in consumer preferences), and two external environment risks (Regulatory changes and Raw material price volatility & availability). In addition, on the operational side, as Danone's businesses are directly related to nature and agriculture, its value chain can be impacted by climate change and its consequences on soil, biodiversity and ecosystems and on the consequences of shifts or disruptions in availability, quality and prices of raw materials and ingredients used.

Climate change also affects water availability which can impact Danone's operations as well as subsidiaries' relationships with local stakeholders.

The transition towards regenerative agricultural practices and ingredients availability as well as the climate efficiency of operations are key to adapt Danone's business model to this environmental change building resilience, efficiency and consumer preference.

Overall, Danone considers this risk as low in the short term but high in the long term.

Danone is monitoring its full scope carbon footprint as a foundation for its 3-pillars strategy based on: (i) reduction of carbon emissions, (ii) fostering soil carbon sequestration and (iii) compensation of the remaining emissions through carbon positive actions.

Danone is a Science-Based Target 1.5° company and is committed to achieving carbon neutrality across its entire value chain by 2050. Danone has also taken commitments to eliminate deforestation from its value chain.

Danone's strategy translates into an accelerated investment plan of around €2 billion on brands, climate and agriculture, packaging and digitalization announced in February 2020 (see section 2.2 *Strategic priorities*).

For more information on water stewardship and sustainable agriculture, particularly regenerative (including organic) agriculture, as well as on Danone's commitments towards carbon neutrality and elimination of deforestation, see section 5.3 *Preserve and renew the planet's resources*.

medium Currency volatility

Most of Danone's subsidiaries operate locally and therefore in the currency of their country. However, the location of certain production units or central, regional or transactional services may result in inter-company billings in foreign currencies. In addition, some of Danone's raw materials are billed or indexed in foreign currencies. Lastly, Danone also develops export activities.

Fluctuations in foreign exchange rates against the functional currency of some subsidiaries may impact their sales and operating margin. A significant or prolonged drop in their currency, lower availability of hedges for the currency or an increase in their cost can also negatively impact the competitiveness, profitability and results of some subsidiaries.

As of December 31, 2020, the main currencies exposed to transactional currency risk were the British pound, the Chinese yuan, the Australian dollar, the Hong Kong dollar, the U.S. dollar and the Russian Ruble.

Information regarding operational currency risk is presented in Note 13.3 of the Notes to the consolidated financial statements.

Danone's policy consists of (i) minimizing and managing the impact of exposure to transactional risk on its results, (ii) monitoring and managing it centrally, (iii) whenever the regulatory and monetary frameworks so allow, executing financial transactions locally or centrally, and (iv) using derivative instruments only for the purpose of economic hedging.

Danone hedges its highly probable commercial transactions so that, as of December 31, its residual exposure of the following fiscal year is significantly reduced.

Operational risks

DESCRIPTION	MANAGEMENT MEASURES
medium **Cybersecurity**	
Danone's success depends on continuous, uninterrupted availability of its information technology systems, notably to process transactions and to manage stocks, purchases and deliveries of its products. In a fast-evolving environment, Danone needs to evolve towards a data enabled organization in order to reach customers more rapidly with products and services adapted to their needs. In this context of digitalization, the frequency and sophistication of cyberattacks & other data breaches are increasing and may result in an increase in Danone's exposure to risks such as: • hacking of physical facilities (plants, security systems, electric doors, etc.); • leakage of the Company's confidential data; • cyber fraud & ransomware attacks. The Covid-19 pandemic has required all organizations, including Danone, to adapt and embrace social distancing and remote working. It has given rise in the number of cybersecurity incidents including high-profile public malware and ransomware attacks, as attackers use Covid-19 as bait to mislead customers and consumers. This increases the risk and adds challenging operational issues to the task of responding to the pandemic. Any breach of IT security resulting in low/reduced data integrity, system failure, loss of data, proprietary or otherwise, may result in high costs and/or multiple impacts for Danone and its subsidiaries, including disruption of production and sales, inaccurate financial reporting, theft of strategic data, regulatory fines, and reputational damages with stakeholders, ultimately impacting Danone's financial results.	Danone has integrated in its global strategy, action plans to tackle possible identified weaknesses and improve its security systems and processes regarding "identify, protect, detect, respond and recover" elements around cyberattacks. Danone is embedding the U.S. Commerce Department's National Institute of Standards and Technology's (NIST) industry framework to structure these efforts. Moreover, Danone is actively working on 5 areas of cyber risk mitigation: • user awareness: building more awareness through communication & training; • industrial sites: protecting the Company against industrial site attacks; • local infra and shadow IT: major infrastructures or Cloud services are hosted by global specialists; • digital applications: streamlining & standardizing digital applications; • safe workplace solutions for its employees.

DESCRIPTION	MANAGEMENT MEASURES

medium **Food safety & product quality issues**

Because of its activities, Danone is exposed to the risk (genuine or merely perceived or alleged) of products contaminated and unsafe for consumers, potentially leading to a sanitary crisis.

This food safety risk may arise through the actual or alleged existence of hazards in raw materials, packaging or final products (chemical and microbiological contaminants, foreign bodies or allergens), that could potentially occur all along the value chain, from suppliers to consumers. As an example, following the introduction of an upgraded formula in July 2018, *Aptamil* sales in the UK were affected by an adverse publicity on social and mainstream media regarding product quality, leading to market share loss locally.

Because food science, regulations and analytical methods are evolving very quickly and because media cover can exacerbate some topics, the number of topics that may trigger food safety controversies and may be directly associated to Danone's brands is rising.

The materialization of the risks described above may lead to a decrease in the Company's sales, significant recall costs, but also individual or collective claims, fines and/or judicial decisions, which may negatively impact the its reputation, consumers' confidence and demand for Danone products.

In order to keep the consumers safe and always protect its reputation, Danone implements a food safety management system rooted in latest science and technologies and which enable robust anticipation, assessment and management of risks. This allows to:

- have an advanced understanding of the food safety developments by monitoring the science & regulatory ecosystems, to define and apply at factory level the highest food safety standards relying on the latest science and integrating the new risks; and
- work across private sectors with the scientific community and official authorities to contribute to develop scientific knowledge on the new potential issues and establish common standards and methodologies for measurement and management when applicable.

This approach involves multi-disciplinary functions at different levels of the organization and leverages internal and external competencies and connections worldwide.

For more information on Danone's food safety policy, see section *Ensuring food safety* of section 5.2 *Offering safe, healthy products*.

low **Shortage of talent**

In 2020, Danone employed more than 100,000 employees in over 55 countries with an overall turnover of 14%. The availability, quality and engagement of Danone's people, as well as their adaptation to fast-moving environments, play an essential role in Danone's success.

Danone's ability to attract and retain employees with the necessary skills or talents is critical for success. This is especially true in certain of Danone's principal markets and in emerging countries or in specific capabilities (for example linked to data/digital). In addition, in the light of Danone's Local First reorganization study announced in November 2020, there could be a risk of reduced attractiveness of Danone to talents and potential shortages in some new roles that could be created as part of the reorganization.

If the Company is unable to retain or attract talents, it could affect its results.

Danone relies on its human resources strategy to attract and retain talents, which revolves around four main axes: (i) employee training and development, (ii) inclusive diversity, (iii) social dialogue and (iv) health & safety of employees.

To engage its employees and develop a co-ownership mindset, Danone deployed "One Person, One Voice, One Share", an innovative governance and employee engagement model to empower employees to co-own the Company's agenda. In addition, collective and individual measures will be deployed to accompany the change management, including on critical roles that could face talent shortages.

For more information on inclusive talent development, employee compensation, talent retention and generation, see section 5.4 *Building the future with Danone employees*.

2.7 CONTROL ENVIRONMENT

RISK MANAGEMENT

Danone has organized its risk identification and risk management system around complementary processes:

- identification and management of strategic risks, as well as the coordination of the risk map and the monitoring of global risks, under the responsibility of the Strategic Planning Department (see section 2.6 *Risk factors*);
- identification and management of operational risks related to the Sales, Purchasing, Operations, Human Resources, Finance, Information Systems and General Secretary functions, under the responsibility and monitoring of the Internal Control Department (see section *Internal control* hereafter);
- identification and management of risks related to the preparation and processing of financial and accounting information (see section *Financial and accounting information* hereafter);
- identification and management of risks related to (i) corruption, (ii) anti-competitive practices, and (iii) non-compliance with personal data protection laws and international laws on trade sanctions, under the responsibility of the Compliance Department through the preparation and coordination of a Compliance Program (see section 5.1 *An integrated approach of sustainable business model*);
- other processes such as:
  - the development of procedures regarding competitive intelligence, training, prevention and protection, etc. as well as the initiative taken in this area by specialized departments such as the Nature & Water Cycle Department and the Quality and Safety Department for food;
  - the Security Department's contribution to the identification of threats against Danone's employees and assets;
  - identification of potential crisis by the Crisis Management Department and preparation by the affected entities based on the maps created at each Reporting Entity;
  - short decision-making channels and input from the operating units in strategic discussions, which facilitates risk reporting.

INTERNAL CONTROL

Internal control objectives

Internal control is put in place by Danone's General Management, managers and operational teams with the primary aim of ensuring:

- the proper functioning of Danone's internal processes, particularly those related to safeguarding assets and the anti-corruption system introduced by the Sapin II law;
- compliance with applicable laws and regulations;
- reliability of financial information.

In 2020, Danone adapted its internal control system, placing special emphasis on potential risks related to the Covid-19 health crisis, together with the functions responsible for the operating processes and internal control. The teams were therefore made more aware of these risks and testing procedures were developed based on an updated protocol. No significant signs of deterioration in internal control were observed across Danone.

Key internal control stakeholders

General Management

General Management is responsible for Danone's internal control system with support from the Finance Department, while the Audit Committee is responsible for monitoring the effectiveness of Danone's control and risk management systems (see section 6.1 *Governance bodies*).

Internal Control Department

Part of the Corporate Finance, Control and Services Department (see section *Financial and accounting information* hereafter), the Internal Control Department's main functions include:

- updating the internal control approach, including the DANgo framework, as well as the use of data analytics;
- defining priorities related to internal control and presenting the results within Danone;
- supporting and overseeing the international network of internal controllers through coordination, communication and training initiatives.

Network of local internal controllers

Internal control at Danone is carried out by a large network of local internal controllers who generally report to the finance directors of the Clusters Business Services. Their main functions are as follows:

- performing and documenting work related to testing control points for the assessment of internal control based on instructions issued by the Internal Control Department;
- presenting the internal control results to the Management Committees and monitoring action plans;
- making an active contribution to all transformation projects so that they include the aspect of internal control and risk management;
- and more generally, coordinating the system *vis-à-vis* all the stakeholders.

Internal control system

Framework: DANgo

The internal control framework used by Danone is DANgo (Danone Governing and Operating Processes), which it developed in 2003 and completely updated in 2018. It covers the following operating processes: Sales, Purchasing, Operations, Human Resources, Finance, Information Systems and General Secretary and includes a Control Environment section.

All these processes are broken down into 41 risk areas covered by 96 internal control points (Danone Internal Control Evaluations). For each risk area, the framework specifies the potential impacts for Danone: reputational harm, errors in the financial statements, financial losses, disruptions in operating activities and frauds.

Scope

Danone's internal control framework applies to all the fully consolidated subsidiaries.

Assessment scope

Internal control at all the subsidiaries level, is assessed based on a differentiated approach and the depth of this assessment depends on each subsidiary's size and risk level.

Assessment methodology

The assessment of internal control is not the result of self-assessment questionnaires but relies on the testing of control points by the local internal controllers. Since the control framework is centered around risk control, it is the degree of exposure to these risks that is assessed by the local internal controllers for each of the control points within the assessment scope. The procedures for testing and assessing the degrees of exposure to risks are set out in guidelines and specific instructions issued by the Internal Control Department. In addition, this assessment by the subsidiaries is regularly subject to internal audits (see hereafter).

Reporting of assessments

Each subsidiary's internal control assessments are reported to the Corporate Internal Control Department in July and December of each year through a tool used by all the subsidiaries. In addition, they always include action plans for each control point when necessary (see section *Review of assessments* hereafter).

Assessment of internal control by the Internal Audit Department

The Internal Audit Department conducts audits according to a risk-based approach to ensure the quality of the DANgo assessment carried out by the subsidiaries. In light of the reinforcement of the Internal Audit teams and heightened compliance requirements, these audits periodically identify differences in the subsidiaries' assessments compared with the central assessments. Communication has been strengthened with the management of the Reporting Entities and key functions concerning these differences. In 2020, the Internal Audit Department conducted 33 internal audits at subsidiaries or cross-company functions, based on the plan previously approved by the Audit Committee. Thanks to the development of a new tool that extracts, analyzes and formats data from Danone's integrated management system, the Internal Audit teams conducted 26 audits remotely during the Covid-19 pandemic.

Following each audit, an action plan is prepared by the management of the subsidiary to correct weaknesses identified in the audit report. The implementation of action plans is monitored by the operational and functional managers, under the supervision of the Internal Audit Department. In 2020, 18 follow-up audits on implementation of action plans were conducted within 12 months of the initial audit when possible.

Moreover, the Treasury and Financing, Tax, Information Systems, Nature & Water Cycle, Legal/Compliance, Food Safety, Quality, Industrial, Safety, Organization, Human Resources and Crisis Management departments arrange audits and periodic control reviews at the subsidiaries level, in addition to the general internal audits.

Monitoring of Internal Control

Monitoring of indicators

The main indicators monitored by the Internal Control Department are high-risk control points.

Annual objectives

Danone sets annual internal control priorities (the subsidiaries and operational risks that will take priority). These priorities are approved by General Management and the Audit Committee.

Review of assessments

This review is carried out at all levels of Danone's organization. The internal control results are first presented to each subsidiary's management committee for a review of areas of vulnerability, a discussion of their criticality and prioritization and monitoring of action plans.

The internal control results are also presented to each of the senior executives of the operating processes covered by DANgo and to the senior executives of the Finance function. Lastly, the Audit Committee and General Management are informed at least twice a year of the status of the subsidiaries' assessment processes, the results thereof and the actions being taken to improve the effectiveness of the system.

Communication and Coordination

Dedicated platforms

An electronic version of the DANgo framework, with a link to Danone's policies and guidelines, is available to all Danone employees. In addition to DANgo, an intranet site for Danone's internal controllers and a Danone social network include all the methodology documents related to internal control (instructions, test scripts, methodology guides) and facilitate the sharing of internal control best practices.

Coordination of the community of local internal controllers

The Internal Control Department oversees, trains and coordinates the network of internal controllers.

It organizes the coordination of the community of internal controllers by region to ensure better dissemination of key messages and broader sharing of best practices. It also organizes an annual workshop attended by the heads of internal control of each Clusters Business Services (see section *Financial and accounting information* hereafter), *i.e.* more than 30 participants. In addition, it organizes special training sessions on topics of current interest such as, in 2020, compliance issues.

FINANCIAL AND ACCOUNTING INFORMATION

Organization of the Finance function

The Finance function is organized around:

- central functional departments:
  - Corporate Finance, Control and Services to which the following departments report: (i) Treasury and Financing; (ii) Tax; (iii) Insurance; (iv) Consolidation, Reporting & Standards; (v) Internal Control; and (vi) Internal Audit;
  - Performance Planning and Management to which the (i) Controlling and (ii) Methods and Business Intelligence departments report;
  - Strategy;
  - Mergers & Acquisitions;
  - Financial Communication.
- transactional functions (accounting, treasury, etc.) and certain expertise functions organized by country or group of countries (Cluster Business Services), which are themselves grouped by continent or subcontinent (Zone Business Services);
- operational finance departments for the Reporting Entities and key operating activities responsible for managing and steering the business; each Reporting Entity has an operational finance department, which is itself organized by region (Region Business Units) that include one unit per country or group of countries (Category Business Unit).

In addition, the Finance function organizes Danone's financial and accounting information production process around the following pillars:

- maintenance and coordination of single sets of guidelines regarding finance and internal control, accessible to all Finance function employees through (i) the central tool that contains the Finance function's main organizational principles and processes and Danone's accounting principles and procedures, which are consistent with its internal control principles, and (ii) the DANgo framework (see section *Internal control* above);
- definition of the roles and skills required at the various levels of the financial organization;
- development and delivery of internal training programs, meetings to share information and best practices attended regularly by the main financial managers (particularly from Cluster Business Services and central functions) and organization of regular training sessions on specific accounting topics;
- dissemination of information: each quarter, the entire finance function can log onto a website where the Chief Financial Officer comments on the activity for the quarter, the year-to-date financial results and the main challenges for the Company.

Production of financial and accounting information

Financial planning process

Financial information is generated by a rigorous and comprehensive financial planning process that includes:

- financial indicators used to monitor performance, the selection and relevance of which are reviewed on a regular basis;
- a three-year strategic plan specifying annual key financial targets;
- 12-month rolling forecasts performed quarterly on all financial indicators as well as monthly updates for certain indicators;
- monthly reports;
- monthly performance review meetings attended by the finance teams and the general managers of the Reporting Entities;
- quarterly meetings to monitor execution of the strategy with the participation of the finance teams and general managers of the Reporting Entities.

The overall financial planning process is administered by the Controlling Department, and the Reporting Entities' finance departments are responsible for monitoring performance, capital expenditure and operating cash-flow. Members of the corporate departments visit the operating units on a regular basis (performance monitoring, procedure reviews, pre-closing meetings, ad hoc audits, progress on improving internal controls, follow-up on action plans and training in accounting standards).

Financial and accounting information production processes

Financial and accounting information is produced according to the control practices and procedures of the DANgo framework, which includes many points that address the quality of the financial and accounting information.

Each operating unit prepares a detailed monthly financial report and a semi-annual exhaustive consolidation package for the consolidated financial statements, and the Category Business Units and Cluster Business Services are jointly responsible for the production and content of their financial statements and internal control. Written confirmation of compliance with Danone's procedures and with the standards applicable to financial information is sent twice a year to the central teams of the general manager and finance director of each subsidiary and those of the finance director of the Cluster Business Service covering it: representation letter regarding the closing of the interim and annual financial statements, including all subjects involving risk management, internal control and corporate law.

The Consolidation, Reporting & Standards Department is responsible for the actual consolidation of the reports and consolidation packages, the elimination and consolidation entries, and the following key control stages:

- validation, throughout the year, of the main accounting options adopted by the subsidiaries and corporate functions and simulation of complex transactions in the consolidation software;
- in-depth review of certain subsidiaries' monthly reports at the end of May and November (known as the hard-close procedures) based on the specific risks and transactions identified for preparing the interim and annual consolidated financial statements, respectively;
- (i) preparatory meetings with the financial staff of the main subsidiaries and the Cluster Business Services covering them based on the specific transactions and risks identified; and (ii) presentations to the Audit Committee (specific transactions during the period, the main accounting options concerning the closing and the potential significant changes introduced by developments of the International Financial Reporting Standards) (see section 6.1 *Governance bodies*);
- during closings: analysis and validation of the most significant line items of the consolidated financial statements (intangible assets, taxes, equity, provisions, liabilities, etc.).

The control activities are therefore conducted at all of the Company's hierarchical and functional levels and include a variety of actions such as approving and authorizing, verifying and reconciling, assessing operational performances, ensuring the protection of assets and monitoring the segregation of duties. The audits conducted independently by the Internal Audit Department provide appropriate validation. In particular, the internal audits conducted at the Category Business Units and Cluster Business Services are aimed primarily at verifying the quality of the accounting and financial information.

Lastly, detailed audits are conducted on the key control procedures in the preparation of financial information (particularly published disclosures) at the subsidiaries and at Danone's headquarters and on their effective application.

These activities, which are intended to control the accounting and financial information provided by the consolidated subsidiaries, as well as the internal control procedures used to prepare the consolidated financial statements, are adequate to provide reliable accounting and financial information.

Management of risks related to the preparation and processing of financial and accounting information

When these risks are identified, Danone monitors and manages them as follows:

- the Reporting Entities' Finance Departments ensure that the action plans established subsequent to internal and/or external audits and work on key controls have been carried out correctly, and improvement of the process related to preparing and processing financial information is one of the responsibilities of each Reporting Entity's finance director and each function manager;
- the risks identified in the results obtained from the annual assessment of internal control (DANgo) and internal audits are subject to specific monitoring;
- in addition, the main identified risks are monitored during the strategic planning and performance monitoring processes, during the regular meetings mainly attended by the finance functions (and during the meetings of the Risks Executive Committee and the Executive Committee);
- the internal control system is adapted on the basis of the risks identified.

Financial and accounting information production systems

SAP/Themis integrated information system

The management and optimization of information flows for the financial functions as well as the purchasing, industrial, quality, supply chain and sales functions, both within the subsidiaries and between them, is performed primarily through the SAP/Themis integrated information system. This application is steadily being rolled out at the subsidiaries. As of December 31, 2020, the activities supported by Themis accounted for 85% of Danone consolidated sales. The roll-out of Themis will continue in 2021, particularly with the completion of the integration of the WhiteWave group companies.

Consolidation and reporting software

Monthly financial reports and, more generally, the financial information used to manage and control the activities of the operating units are produced by a unified information system (SAP/Business Objects Financial Consolidation). This system is also used to produce the interim and annual consolidated financial statements. The procedures related to the security, use and development of new features of this consolidation system are documented.

2.8 INSURANCE AND RISK COVERAGE

Concerning risks other than financial market risks Danone has a global insurance coverage policy that is based on stringent underwriting assessments and uses insurance products from worldwide markets, depending on availability and local regulations. This risk coverage is therefore consistent for all companies over which Danone has operational control.

Insurance programs for property damage, business interruption and commercial general liability risk are negotiated at Company level for all subsidiaries, with leading international insurers. The "all risks except" policies are based on the broadest guarantees available on the market, coupled with deductibles of varying amounts, which are relatively low compared to those extended to groups of comparable size to reflect the autonomous management of the subsidiaries. The guarantee limits are set on the basis of worst-case scenarios and on insurance market availability. These programs were renewed on January 1, 2019 for a term of three years; the total cost of these programs remained stable at €33 million in 2020.

Insurance programs for "traditional" risks, which require local management, such as coverage of vehicle fleets, guarantees for the transportation of merchandise, work-related accidents (in countries in which these accidents are covered by private insurance), and insurance specific to some countries, are negotiated and managed in accordance with local practices and regulations, within the framework of precise directives provided and controlled by the Group. Total premiums came to approximately €18 million in 2020.

Lastly, insurance programs for potentially significant special risks, which require centralized management, such as the liability of the Company's corporate officers, fraudulent acts, and assorted risks (product recalls, credit risk, environmental risk, etc.) are negotiated according to market availability, on the basis of scenarios estimating the probable impact of any claims. An insurance for risks related to cybersecurity has been subscribed as of January 1, 2020. The total cost of this category of coverage amounted to approximately €4 million in 2020.

In addition, in order to optimize its insurance costs and properly control its risks, Danone has a self-insurance policy through its captive reinsurance subsidiary Danone Ré (a fully consolidated entity). The self-insurance policy applies to specific risks where the costs can be accurately estimated, as Danone is aware of their frequency and financial impact. This concerns essentially (i) coverage of property damage, business interruption and commercial general liability for a large majority of Danone's companies (these self-insurance programs are limited to frequent claims with a maximum of €5 million per claim) as well as transportation in some cases; and (ii) for the French subsidiaries, payments for death, long-term disability, and education. Moreover, stop-loss insurance protects Danone Ré against any increased frequency of claims. These self-insurance programs are managed by professional insurers under Danone's supervision and the provisions are determined by independent actuaries.

3

BUSINESS HIGHLIGHTS IN 2020 AND OUTLOOK FOR 2021

Danone's consolidated financial statements and the Notes to the consolidated financial statements are presented in section 4.1 Consolidated financial statements and Notes to the consolidated financial statements. Risk identification and control policy, as well as strategic, external environmental and operational risks are described in section 2.6 Risk factors.

Amounts are expressed in millions of euros and rounded to the nearest million. Generally speaking, the values presented are rounded to the nearest unit. Consequently, the sum of the rounded amounts may differ, albeit to an insignificant extent, from the reported total. In addition, ratios and variances are calculated based on the underlying amounts and not on the rounded amounts.

Danone reports on financial indicators not defined by IFRS, internally (among indicators used by the chief operating decision makers) and externally. These indicators are defined in section 3.6 Financial indicators not defined in IFRS:

- *like-for-like changes on sales, recurring operating income, recurring operating margin;*
- *recurring operating income;*
- *recurring operating margin;*
- *recurring tax rate;*
- *recurring net income;*
- *recurring EPS;*
- *free cash flow;*
- *net financial debt.*

Danone also uses references that are defined in section 1.2 Information about the Registration Document related to References and definitions.

3.1 BUSINESS HIGHLIGHTS IN 2020

HIGHLIGHTS OF 2020 (HIGHLIGHTS WERE DETAILED IN THE MAIN PRESS RELEASES ISSUED BY DANONE DURING 2020)

- on March 5, 2020, Danone's water brands launched "WeActForWater" to pioneer a new way to do business;
- on March 11, 2020, Danone launched a successful €800 million bond issue. It enables Danone to extend the maturity of its debt and to optimize its cost, taking advantage of current market window favoring quality bond issues;
- on April 3, 2020, given the exceptional circumstances created by the Covid-19 outbreak that led French government to take strict lockdown measures, the Board of Directors of Danone has decided to postpone the Annual General Meeting initially convened for Tuesday April 28, 2020 to a later date. The payment date of the dividend for the 2019 financial year has therefore also been postponed;
- on April 21, 2020 Danone withdrew its guidance on recurring EPS growth, like-for-like sales growth and recurring operating margin for 2020. The lack of consensus around how the pandemic was going to develop, its mid-term macroeconomic consequences, and its impact on people's behaviors and income, had added further complexity to the prediction of the business;
- on May 5, 2020, Danone announced that Shane GRANT will join Danone as Executive Vice President and CEO Danone North America, with effect from May 11, 2020, to lead the EDP business in that market;
- on June 3, 2020, Danone launched a new €800 million bond issue. Following a previous €800 million successful issuance on March 11, it enables Danone to further take advantage of market windows to enhance its funding flexibility, extend the maturity of its debt and optimize its cost;
- on June 26, 2020, following its 2020 Annual General Meeting, Danone became the first listed company to adopt the "Entreprise à Mission" model, with the support of more than 99% of its shareholders. The Shareholders' Meeting has approved all other resolutions submitted to a vote, including the dividend for the 2019 fiscal year set at €2.10 per share in line with original Board's recommendation;
- on July 16, 2020, Danone announced a series of investments to strengthen the local market capabilities, support and commitment of its Specialized Nutrition business in China. Totaling around 100 million euros (RMB 790 million), these investments include the opening of an open-science research center based in Shanghai, the acquisition of local infant milk formula capabilities, and the expansion of capacity to further develop offerings in FSMP (Food for Special Medical Purposes). Danone also announced that its early life nutrition business unit in the country has achieved B Corp™ certification, meaning that Danone becomes the biggest B Corp™ company in Asia;
- on September 3, 2020, Francisco CAMACHO, Executive Vice President, Essential Dairy and Plant-Based International, and a member of Danone's Executive Committee, left Danone to explore new horizons;
- on October 6, 2020, in accordance with its continued focus on capital allocation discipline and balance sheet strength, Danone launched the sale via an accelerated bookbuilding process of its remaining 6.61% stake in Yakult. The transaction resulted in a total gross consideration of JPY58 billion, representing c. €470 million;
- on October 19, 2020, Danone announced to target for the full-year 14% recurring operating margin and the delivery of €1.8bn free cash flow thanks to efficiency, cost control and tight cash management actions that have been put in place;
- on November 23, 2020, Danone hosted an Investor update focused on providing additional details on how shifting to a local-first organization would unlock future growth and drive margin expansion in a post-Covid world. While reconfirming its mid-term ambition of achieving 3% to 5% profitable like-for-like revenue growth, Danone updated its mid-term recurring operating margin target to mid-to-high teen levels, with the first milestone to be above 15% in 2022, taking into account a new €1bn cost savings plan (including €300 million from reduced cost of goods sold and €700 million related to efficiencies on general and administrative costs). Total one-off costs related to the new organization initiatives are expected to be around €1.4 billion for the 2021-2023 period;

- on December 14, 2020, Danone announced several decisions related to its Board's composition and organization to reinforce the governance of the Company, including:
  - create a new Board's Committee, the Strategy and Transformation Committee, starting under the chairmanship of Benoît POTIER;
  - appoint Cécile CABANIS as Vice-Chair of the Board.

OTHER ACTIVITIES IN 2020

Acquisitions, disposal of shares in companies in fully consolidated companies

The Group acquired control of several companies, notably in the specialized nutrition activity in China and in the waters activity in the UK. None of these interests is material.

Main changes in investments in associates

				Ownership as of December 31	
(in percentage)	**Reporting entity**	**Country**	**Transaction date** [(a)]	**2019**	**2020**
Main companies accounted for using the equity method for the first time during 2020					
–	–	–		–	–
Main associates with changes in ownership percentage					
–	–	–		–	–
Main companies no longer accounted for using the equity method as of December 31					
Yakult	EDP	Japan	October	6.6%	–

(a) Month in the 2020 fiscal year.

2020 sustainability footprint

Environmental footprint

See section 5.3 *Preserve and renew the planet's resources*.

Inclusive diversity and B Corp™ performance

See sections 5.1 *An integrated approach of sustainable business model* and 5.4 *Building the future with Danone employees*.

Acquisition of Follow Your Heart

Danone announced, on February 19, 2021, it has entered into an agreement to acquire 100% of the shares of Follow Your Heart, a pioneering leader in plant-based foods. Founded to meet the growing demand for plant-based products, Follow Your Heart holds leading positions in the plant-based cheese and mayonnaise categories, in addition to several other delicious plant-based products. As part of the Danone family, Follow Your Heart will be able to accelerate growth nationally and internationally alongside some of Danone's best-known plant-based brands, including *Alpro*, *Silk* and *So Delicious*. This partnership will enable Danone to enhance and expand its plant-based offering, including cheese, while contributing to its goal of increasing plant-based sales worldwide from more than €2 billion in 2020 to €5 billion by 2025.

Governance and financial statements

See sections 6.1 *Governance Bodies*, 6.2 *Positions and responsibilities of the Directors*, and 3.4 *Condensed consolidated balance sheet*.

Research and Innovation

Essential Dairy and Plant-Based Products

The Essential Dairy & Plant-Based Reporting Entity's Research and Innovation teams continued to innovate in 2020 by enhancing and expanding the product ranges:

- products suited to at-home consumption patterns, for example with the launch of the *Danone à Partager* range in France;
- plant-based products, for example by developing hazelnut and coconut milk-based products under the *Danette* brand and alternative coffee creamers, ice creams and yogurts under the *So Delicious* and *Silk* brands;
- products without sweeteners or with little or no added sugar under the *Activia* and *Actimel* brands in Europe and Russia, and with the launch of the *Light & Free* brand in Canada;
- products containing locally sourced fruit, particularly for the *Danone* range in France, Mexico and Spain;
- products for children, for example with the development of alternative non-dairy beverages and yogurts under the *Silk* brand and the launch of a probiotic range under the *Danimals* brand in the United States;
- products with health benefits, for example with the launch of a new collagen and antioxidant range under the *Light & Fit* brand in the United States;
- formats tailored to new consumption patterns with the launch of large containers in the United States.

Danone also continued to conduct research on fermented products and health. In particular, the Research and Innovation teams carried out a meta-analysis that was recently published and showed that eating two portions of a dairy product containing specific Danone strains (*L. casei*) and ferments of yogurt could reduce the risk of common infectious diseases (such as respiratory or gastrointestinal infections) in the general population.

Waters

In 2020, the Waters Reporting Entity's Research and Innovation team focused their efforts on:

- studying the impacts of the Covid-19 pandemic on consumers' expectations and how to translate them into the product experience;
- overhauling the beverage ranges with more than 70 reworked formulas under the *Mizone*, *Badoit*, *Volvic* and *Bonafont* brands to offer less sugary, more natural versions, which resulted in particular in the launch of sparkling beverages with little or no sugar in Poland, Germany and Denmark and expansion of the organic ranges in France, Germany and Switzerland;
- highlighting the specific characteristics of natural mineral waters through a promotional campaign in France and Indonesia to demonstrate the link between the origin, composition and taste of water;
- further reinventing packaging to expand the use of large formats, 100% recycled PET bottles and/or plastic alternatives (new aluminum cans in Mexico, France and Denmark). For instance, Danone redesigned 44 bottles to reduce the amount of plastic used by 4,500 tons and continued to develop label-free bottles, particularly under the *evian* brand. Danone also launched its first reusable bottle in Indonesia.

In addition, Danone is continuing its scientific research on hydration and the benefits of water consumption on health.

Specialized Nutrition

In 2020, the Specialized Nutrition Reporting Entity's Research and Innovation teams continued to develop products, science and services for infants, children and their parents and for people of all ages who have been diagnosed with various medical conditions. They launched new solutions in the (i) *Aptamil Essensis* range containing organic A2 beta caseins and oligosaccharides, and achieving a closer composition to breast milk, (ii) the first nutritional product under the *Happy Family* brand for teething in children, (iii) specialized pediatric nutrition with the *Milnutri Picky Eater* brand for fussy eaters, and (iv) the *Peptisorb HEHP* brand (enteral nutrition) for adult patients along with the local *Karicare Organic* brands in Australia and New Zealand.

They also adapted to changing needs and dealt with unexpected situations caused by the Covid-19 pandemic with agility, all while implementing the "One Planet, One Health" frame of action. They developed guidance on the best way to feed Covid-19 patients on ventilators and held webinars on nutrition and immunity, particularly for those in intensive care and discharged from the hospital. More generally, the teams participated in the Meta-Covid project, led by the Leiden University (Netherlands), the aim of which was to define personalized treatments to control the severity of symptoms in Covid-19 patients. In addition, to handle situations where hospitals were no longer accessible to participants in clinical trials, the teams designed a completely virtual study. Lastly, the teams called on technology experts to adapt the organization so that the supply points could contend with changes in demand, and therefore in the supply of the necessary ingredients and staff at the production sites. They also made key advances in the area of plant-based nutrition, post-biotics, packaging, sustainable development and spraying techniques.

Major contracts

Over the last two fiscal years, Danone has not entered into any major contracts entailing a significant obligation or commitment for the Company and its subsidiaries, other than those entered into in the normal course of business.

3.2 CONSOLIDATED NET INCOME REVIEW

KEY FIGURES

Year ended December 31

(in € millions except if stated otherwise)	2019	2020	Reported changes	Like-for-like changes [a]
Sales	**25,287**	**23,620**	**(6.6)%**	**(1.5)%**
Recurring operating income [a]	**3,846**	**3,317**	**(13.8)%**	**(10.9)%**
Recurring operating margin [a]	**15.2%**	**14.0%**	**-117 bps**	**-150 bps**
Non-recurring operating income and expenses	(609)	(519)	89	
Operating income	3,237	2,798	(13.6)%	
Operating margin	12.8%	11.8%	-96 bps	
Recurring net income – Group share [a]	**2,516**	**2,189**	**(13.0)%**	
Non-recurring net income – Group share	(586)	(233)	353	
Net income – Group share	1,929	1,956	1.4%	
Recurring EPS *(in €)* [a]	**3.85**	**3.34**	**(13.2)%**	
EPS *(in €)*	2.95	2.99	1.2%	
Free cash flow [a]	**2,510**	**2,052**	**(18.3)%**	
Cash flow from operating activities	3,444	2,967	(13.9)%	

(a) See definition in section 3.6 *Financial indicators not defined in IFRS*.

SALES

Consolidated sales

In 2020, consolidated sales stood at €23.6 billion, down -1.5% on a like-for-like basis, with stable volumes compared to last year (-0.1%) and a -1.5% decrease in value reflecting negative category and country mix, especially in Waters and Specialized Nutrition.

On a reported basis, sales were down -6.6%, mainly driven by the negative impact of exchange rates (-5.0%) that resulted from currencies devaluation against the Euro in the United States, Latin America, Indonesia and Russia. Reported sales were also impacted by a negative scope effect (-0.4%), resulting from the deconsolidation from April 1st, 2019 of Earthbound Farm, and by a +0.3% organic contribution of Argentina to growth.

Sales by Reporting Entity

Year ended December 31

(in € millions except percentage)	2019	2020	Sales growth [a]	Volume growth [a]
EDP	13,163	12,823	+3.4%	+3.0%
Specialized Nutrition	7,556	7,192	-0.9%	-0.8%
Waters	4,568	3,605	-16.8%	-7.7%
Total	**25,287**	**23,620**	**-1.5%**	**-0.1%**

(a) Like-for-like.

EDP

Sales

Essential Dairy & Plant-based posted net sales growth of +3.4% in 2020 on a like-for-like basis, reflecting a +3.0% increase in volume and +0.3% in value. EDP performance was sustained by both Essential Dairy, up low-single digit, and Plant-based that grew at +15% and reached €2.2 billion of sales in 2020, up from €1.9 billion in 2019. This performance results from the sustained sales growth of plant-based products in the United-States, Europe and beyond. Danone continues to aim at reaching around €5 billion of revenues from plant-based products by 2025.

Main Markets

EDP performance was led by Europe and North America, that registered solid growth in 2020. In Europe, Essential Dairy was back to growth, with a broad-based contribution from all key brands, and Plant-based registered high-teens growth, with all geographies contributing. In North America growth was supported by Premium Dairy and Plant-based continued momentum. Top-3 brands in the region – *International Delight, Silk,* and *Horizon* – delivered double-digit growth in 2020. In the Rest of the World, CIS was back to growth, with a contribution from traditional and modern dairy brands. Latin America and Africa sales were impacted by Covid-related restrictions affecting sales in traditional proximity stores, the biggest channel in those regions.

Specialized Nutrition

Sales

Specialized Nutrition sales declined by -0.9% in 2020 on a like-for-like basis with a decrease of -0.8% in volume and -0.1% in value. infant nutrition performance was driven by Covid-related headwinds, notably in China, while adult nutrition registered strong growth.

Main Markets

In China, infant formula sales from cross-border channels continued to contract sharply in 2020 given the ongoing Hong Kong border closure and travel limitations with mainland China. However, in the Chinese domestic market, consumer demand for Danone's brands stayed strong, driven by the excellent performance of *Aptamil* that gained market shares and ranked leading brand of 11:11. Sales in the Chinese domestic market registered positive growth in 2020. In Europe, infant milk and first diet performance were penalized by continued soft category dynamics, while adult nutrition delivered solid growth despite hospital and prescription activity under pressure. Other regions posted strong growth, sustained by market share gains in South East Asia and Latin America.

Waters

Sales

Waters sales declined by -16.8% in 2020 on a like-for-like basis, with a decrease of -7.7% in volume and -9.1% in value. The performance of Waters was severely impacted by Covid-related restrictions to mobility that disrupted out-of-home and impulse channels, and ultimately translated in negative volume, product and format mix.

Main Markets

Europe performance was penalized by several waves of lockdowns and restrictions to mobility, notably in France, Germany and the UK, while market shares were stable. In the Rest of the World, Latin America and Indonesia declined at double-digit rate, due to severe social distancing measures. In China, *Mizone* performance sequentially improved throughout the year to reach positive growth in the fourth quarter, an encouraging performance given mobility indices in China are still below pre-Covid levels.

Sales by geographical area

Year ended December 31

(in € millions except percentage)	2019	2020	Sales growth [a]	Volume growth [a]	Share of sales delivered by the region in 2019	Share of sales delivered by the region in 2020
Europe & Noram	13,710	13,408	-0.3%	+1.6%	54%	57%
Rest of the World	11,577	10,212	-3.1%	-1.6%	46%	43%
Total	**25,287**	**23,620**	**-1.5%**	**-0.1%**	**100%**	**100%**

(a) Like-for-like.

Europe & Noram

The Europe & Noram region posted sales of €13,408 million in 2020, down -0.3% vs 2019 on a like-for-like basis, including an increase in volume of +1.6%.

Rest of the World

The Rest of the World region posted sales of €10,212 million in 2020, down -3.1% vs 2019 on a like-for-like basis, including a decline in volume of -1.6%.

RECURRING OPERATING INCOME AND RECURRING OPERATING MARGIN

Consolidated recurring operating income and recurring operating margin

Danone's recurring operating income reached €3.3 billion in 2020. Recurring operating margin stood at 14.0%, down -117 bps on a reported basis and -150 bps on a like-for-like basis.

This includes a negative -62 bps effect from €150 million incremental costs directly related to Covid-19 incurred during the year to keep employees safe and ensure business continuity. It also includes around -100bps of negative mix, mostly driven by negative category mix, with lower sales from Specialized Nutrition, Danone's most profitable business, and negative country mix, reflecting the slowdown of China.

To mitigate these headwinds, Danone stepped-up its efforts on efficiency and cost discipline, especially in the second half of the year, allowing the company to deliver over 280 bps of productivity in 2020 and unlock close to €850 million of savings. In 2020, the Protein program delivered more than €300 million of incremental savings, bringing its total savings to €1.3 billion since 2017.

Reported margin also reflects a positive effect from change in scope (+7bps) and currencies (+38bps), and a negative effect of -11bps reflecting Argentina's impact on margin.

Cost of goods sold totaled €12,267 million in 2020 (€12,878 million in 2019), or 51.9% of consolidated sales (50.9% in 2019). Global input costs inflation was slightly below 5% for the company in 2020, notably accelerating in the second semester.

Selling expense totaled €5,366 million in 2020 (€5,773 million in 2019), or 22.7% of consolidated sales, broadly in line with 2019 (22.8%).

General and administrative expense totaled €2,285 million in 2020, or 9.7% of consolidated sales (9.4% in 2019). Research and Development costs totaled €323 million in 2020, slightly below 2019 (€351 million) (see section 3.1 *Business highlights in 2020*). Other income and expense stood at €61 million in 2020 (€53 million in 2019).

Recurring operating income and recurring operating margin by Reporting Entity

Year ended December 31

(in € millions except percentage and bps)	Recurring operating income		Recurring operating margin		Reported changes	Like-for-like changes
	2019	**2020**	**2019**	**2020**		
EDP	1,345	1,303	10.2%	10.2%	-6 bps	-36 bps
Specialized Nutrition	1,908	1,763	25.3%	24.5%	-74 bps	-126 bps
Waters	593	251	13.0%	7.0%	-601 bps	-574 bps
Total	**3,846**	**3,317**	**15.2%**	**14.0%**	**-117 bps**	**-150 bps**

EDP recurring operating margin remained broadly stable (-6 bps), slightly above 10%, despite Covid-related costs.

Specialized Nutrition recurring operating margin decreased by -74bps to 24.5%, notably reflecting the negative country mix from Infant Nutrition in China, as well as Covid-related costs incurred this year. However, product mix had a positive contribution in 2020, reflecting the resilience of our portfolio and strength of our innovation.

Waters recurring operating margin decreased -601bps to 7.0%, hit by reduced operating leverage, negative channel and format mix, and additional costs directly linked to Covid-19.

Recurring operating income and recurring operating margin by geographical area

Year ended December 31

(in € millions except percentage and bps)	Recurring operating income		Recurring operating margin		Reported changes	Like-for-like changes
	2019	**2020**	**2019**	**2020**		
Europe & Noram	1,999	1,823	14.6%	13.6%	-98 bps	-117 bps
Rest of the World	1,847	1,494	16.0%	14.6%	-132 bps	-189 bps
Total	**3,846**	**3,317**	**15.2%**	**14.0%**	**-117 bps**	**-150 bps**

The recurring operating margin of the Europe & Noram region was 13.6% in 2020, down -98bps vs 2019.

The recurring operating margin of the Rest of the World was 14.6% in 2020, down -132bps vs 2019.

NET FINANCIAL INCOME (EXPENSE)

Market risks exposure and management policy

See Note 13 of the Notes to the consolidated financial statements.

Net financial income (expense)

	Year ended December 31	
(in € millions)	**2019**	**2020**
Interest income on cash, cash equivalents and short-term investments	181	151
Interest expense on financial debt	(400)	(358)
Cost of net financial debt	**(220)**	**(207)**
Other financial income	37	53
Other financial expense	(188)	(156)
Other financial income or expense	**(151)**	**(103)**
Net financial income (expense)	**(370)**	**(310)**

Net financial costs were down by -€60 million to -€310 million, notably given the successful bond issues realized in the first semester at attractive rates and favorable currency effects.

EFFECTIVE TAX RATE

Recurring income tax rate remained at 27.5%, in line with the prior year.

RECURRING NET INCOME – GROUP SHARE AND RECURRING EPS

Recurring net income reached €2,264 million in 2020 (€2,618 million in 2019).

Net income from associates

Recurring net income from associates decreased from €98 million to €85 million in 2020, reflecting the deteriorated performance of Mengniu and Yashili in China, especially in the first semester.

Net income from non-controlling interests

Recurring minority interests were down by €28 million, reflecting a deterioration of performance across entities held by minority shareholders.

Recurring net income – Group share

Recurring net income – Group share was €2,189 million in 2020, down -13% vs last year.

Recurring EPS was €3.34 per share, down -13% vs last year. Reported EPS increased by +1.2% to €2.99 per share.

Bridge from Net income – Group share to Recurring net income – Group share

Year ended December 31

(in € millions except if stated otherwise)			2019			2020
	Recurring	**Non-recurring**	**Total**	**Recurring**	**Non-recurring**	**Total**
Recurring operating income	**3,846**		**3,846**	**3,317**		**3,317**
Other operating income and expense		(609)	(609)		(519)	(519)
Operating income	**3,846**	**(609)**	**3,237**	**3,317**	**(519)**	**2,798**
Cost of net debt	(220)		(220)	(207)		(207)
Other financial income and expense	(150)		(151)	(103)		(103)
Income before taxes	**3,477**	**(609)**	**2,867**	**3,007**	**(519)**	**2,488**
Income tax	(956)	163	(793)	(828)	66	(762)
Effective tax rate	27.5%		27.7%	27.5%		30.6%
Net income from fully consolidated companies	**2,521**	**(446)**	**2,075**	**2,179**	**(453)**	**1,726**
Net income from associates	98	(144)	(46)	85	219	304
Net income	**2,618**	**(590)**	**2,028**	**2,264**	**(234)**	**2,030**
• **Group share**	**2,516**	**(586)**	**1,929**	**2,189**	**(233)**	**1,956**
• Non-controlling interests	103	(4)	99	75	(1)	74
EPS *(in €)*	**3.85**		**2.95**	**3.34**		**2.99**

Bridge from EPS to Recurring EPS

Year ended December 31

		2019		2020
	Recurring	**Total**	**Recurring**	**Total**
Net income – Group share *(in € millions)*	2,516	1,929	2,189	1,956
Coupon relating to hybrid financing net of tax *(in € millions)*	(14)	(14)	(15)	(15)
Number of shares				
• Before dilution	648,250,543	648,250,543	649,331,592	649,331,592
• After dilution	649,106,039	649,106,039	649,968,844	649,968,844
EPS *(in €)*				
• Before dilution	3.86	2.95	3.35	2.99
• After dilution	3.85	2.95	3.34	2.99

ADDITIONAL INFORMATION ON CONSOLIDATED INCOME STATEMENT

Bridge from reported to like-for-like figures

(in € millions except percentage)	2019	Impact of changes in scope of consolidation	Impact of changes in exchange rates and others, including IAS 29	Argentina organic contribution	Like-for-like growth	2020
Sales	25,287	(0.4)%	(5.0)%	+0.3%	(1.5)%	23,620
Recurring operating margin	15.2%	+7bps	+38bps	(11)bps	(150)bps	14.0%

IAS 29 applied to Argentina: impact on reported data

Danone has been applying IAS 29 in Argentina from July 1st, 2018. Adoption of IAS 29 in this hyperinflationary country requires its non-monetary assets and liabilities and its income statement to be restated to reflect the changes in the general pricing power of its functional currency, leading to a gain or loss on the net monetary position included in the net income. Moreover, its financial statements are converted into euro using the closing exchange rate of the relevant period.

(in € millions except percentage)	2020
Sales	(36)
Sales growth	(0.2)%
Recurring Operating Income	(23)
Recurring Net Income – Group share	(27)

Breakdown by quarter of full-year 2020 sales after application of IAS 29

Full-year 2020 sales correspond to the addition of:

- Q4 2020 reported sales;
- Q1, Q2 and Q3 2020 sales resulting from the application of IAS 29 until December 31 to sales of Argentinian entities (application of the inflation rate until December 31, 2019 and translation into euros using December 31, 2020 closing rate) and provided in the table below for information (unaudited data).

(in € millions)	Q1 2020 [a]	Q2 2020 [b]	Q3 2020 [c]	Q4 2020	2020
EDP	3,354	3,232	3,106	3,131	12,823
Specialized Nutrition	1,946	1,789	1,703	1,753	7,192
Waters	924	924	1,014	743	3,605
Total	**6,223**	**5,946**	**5,823**	**5,628**	**23,620**

(a) Results from the application of IAS 29 until December 31, 2020 to Q1 sales of Argentinian entities.
(b) Results from the application of IAS 29 until December 31, 2020 to Q2 sales of Argentinian entities.
(c) Results from the application of IAS 29 until December 31, 2020 to Q3 sales of Argentinian entities.

DIVIDEND PAID IN RESPECT OF 2020 FISCAL YEAR

At the Annual General Meeting on April 29, 2021, Danone's Board of Directors will propose a dividend of €1.94 per share, in cash, in respect of the 2020 fiscal year. In line with the Company's continued measured and balanced dividend policy, the dividend is down 8% from last year. This reflects on the one hand the impact of the deteriorated environment on 2020 results and demonstrates on the other Danone's confidence in rapidly reconnecting with profitable growth, as reflected by the increased pay-out ratio to 58%. Assuming this proposal is approved, the ex-dividend date will be on May 10, 2021 and the dividends will be payable on May 12, 2021.

3.3 FREE CASH FLOW

At the date of this Universal Registration Document, Danone estimates that the cash flows generated by its operating activities, its cash flow and the funds available through confirmed credit lines managed at the level of the Company will be sufficient to cover the necessary expenses and investments, the debt service (including the financing of the exercise of any put options granted to holders of non-controlling interests) and the payment of dividends.

Free cash flow reached €2,052 million in 2020, down from €2,510 million in 2019, implying a cash conversion rate of 8.7%. The decrease from last year has been driven by a deterioration of working capital due to negative channel mix as Danone's exposure to traditional channels in emerging markets is highly cash generative. Capex stood at €962 million in 2020, broadly stable compared to last year (€951 million in 2019).

FREE CASH FLOW

Transition from operating cash flow to free cash flow

	Year ended December 31	
(€ millions)	**2019**	**2020**
Cash flow from operating activities	**3,444**	**2,967**
Capital expenditure	(951)	(962)
Disposal of tangible assets & transaction fees related to business combinations [a]	17	47
Free cash flow	**2,510**	**2,052**

(a) Represents acquisition costs related to business combinations paid during the period.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended December 31	
(in € millions)	**2019**	**2020**
Net income	**2,028**	**2,030**
Share of profit of associates net of dividends received	99	(272)
Depreciation, amortization and impairment of tangible and intangible assets	1,386	1,452
Net change in provisions and non-current liabilities	111	32
Change in deferred taxes	40	(37)
(Gains) losses on disposal of property, plant and equipment and financial investments	14	(54)
Expense related to Group performance shares	30	16
Cost of net financial debt	220	209
Net interest paid	(212)	(197)
Net change in interest income (expense)	8	12
Other components with no cash impact	39	20
Cash flows provided by operating activities, before changes in net working capital	**3,755**	**3,199**
(Increase) decrease in inventories	(178)	(86)
(Increase) decrease in trade receivables	(268)	59
Increase (decrease) in trade payables	266	(204)
Change in other receivables and payables	(131)	–
Change in working capital requirements	(311)	(232)
Cash flows provided by (used in) operating activities	**3,444**	**2,967**
Capital expenditure [a]	(951)	(962)
Proceeds from the disposal of property, plant and equipment [a]	16	43
Net cash outflows on purchases of subsidiaries and financial investments [b]	(112)	(183)
Net cash inflows on disposal of subsidiaries and financial investments [b]	58	547
(Increase) decrease in long-term loans and other long-term financial assets	(19)	(54)
Cash flows provided by (used in) investment activities	**(1,008)**	**(610)**
Increase in share capital and additional paid-in capital	55	30
Purchase of treasury shares (net of disposals)	–	–
Interest on undated subordinated notes	(22)	(22)
Dividends paid to Danone shareholders [c]	(1,256)	(1,363)
Buyout of non-controlling interests	(153)	(99)
Dividends paid to non-controlling interests	(60)	(55)
Contribution from non-controlling interests to capital increases	4	6
Transactions with non-controlling interests	(209)	(147)
Net cash flows on hedging derivatives [d]	(7)	(1)
Bonds issued during the period	–	1,600
Bonds repaid during the period	(1,899)	(2,050)
Net cash flows from other current and non-current financial debt	354	(306)
Net cash flows from short-term investments	584	(102)
Cash flows provided by (used in) financing activities	**(2,400)**	**(2,360)**
Effect of exchange rate and other changes [e]	(231)	(48)
Increase (decrease) in cash and cash equivalents	**(195)**	**(51)**
Cash and cash equivalents as of January 1	**839**	**644**
Cash and cash equivalents as of December 31	**644**	**593**
Additional information		
Income tax payments during the year	(774)	(753)

(a) Relates to property, plant and equipment and intangible assets used in operating activities.

(b) Acquisition/disposal of companies' shares. In the case of fully consolidated companies, this comprises cash and cash equivalents as of the acquisition/disposal date.

(c) Portion paid in cash.

(d) Derivative instruments used to manage net debt.

(e) Effect of reclassification with no impact on net debt.

3.4 BALANCE SHEET AND FINANCIAL SECURITY REVIEW

CONDENSED CONSOLIDATED BALANCE SHEET

	As of December 31	
(in € millions)	**2019**	**2020**
Non-current assets	35,244	32,139
Current assets	10,118	10,638
Total assets	**45,362**	**42,776**
Equity – Group share	**17,241**	**16,205**
Non-controlling interests	137	93
Non-current liabilities	16,731	16,141
Current liabilities	11,253	10,338
Total equity and liabilities	**45,362**	**42,776**
Net debt	12,819	11,941
Net financial debt	12,337	11,579

FINANCING STRUCTURE AND FINANCIAL SECURITY

Liquidity risk exposure and management policy

See Note 11 of the Notes to the consolidated financial statements. In particular, Danone manages its liquidity risk and its financing at Company level.

Financing situation and liquidity risk

Main financing transactions in 2020

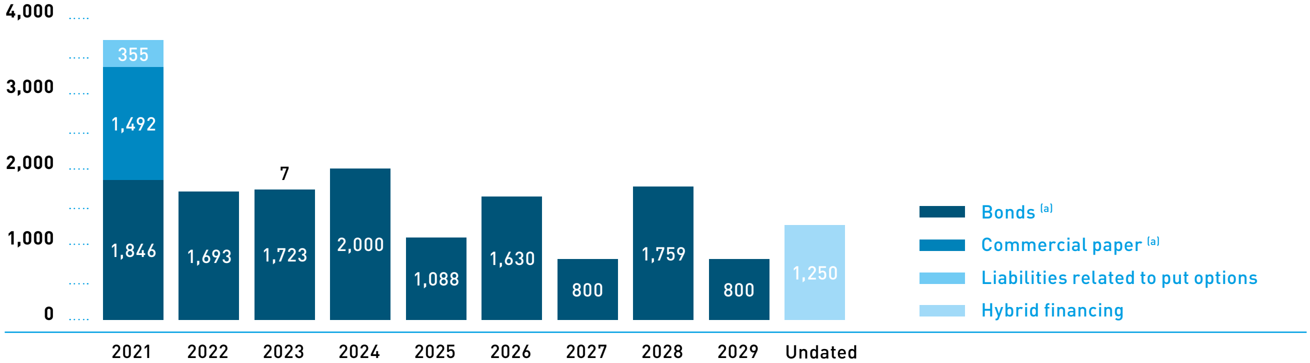
	Year ended December 31		
	2020		
(in millions of currency)	**Currency**	**Nominal**	**Maturity**
New financing			
Eurobonds	EUR	800	2027
Eurobonds	EUR	800	2029
Repayments			
Eurobonds	EUR	550	2020
Eurobonds	EUR	500	2020
Eurobonds	EUR	1,000	2020

Main financial debt repayment schedule

This relates to financing managed at the Company level.

Projected cash outflows related to the contractual repayment of the principal amount based on the assumption of non-renewal

Year ended December 31 *(in € millions)*

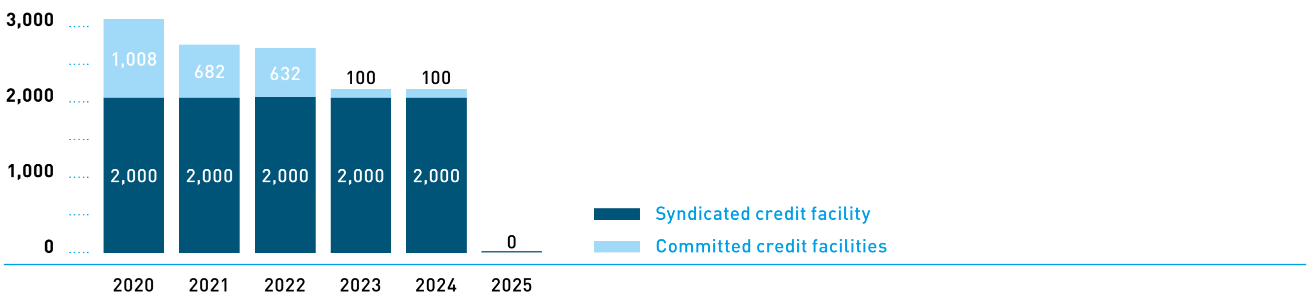


(a) Includes the value of derivatives hedging bonds and commercial paper.

Sources of financing available at any time

The sources of financing available at any time established by the Group are composed mainly of available committed credit facilities and a syndicated credit facility carried by the Company.

As of December 31 *(in € millions)*



Company rating

As of December 31

	2019		2020	
	Moody's	**Standard and Poor's**	**Moody's**	**Standard and Poor's**
Short-term rating [a]				
Rating	–	A-2	–	A-2
Long-term rating [b]				
Rating	Baa1	BBB+	Baa1	BBB+
Outlook	Stable	Stable	Stable	Stable

(a) Rating given to the Company's commercial paper program.
(b) Rating given to the Company's debt issues with a maturity of more than one year.

LIABILITIES RELATED TO PUT OPTIONS GRANTED TO NON-CONTROLLING INTERESTS

General principles

Danone granted put options to third parties with non-controlling interests in certain consolidated subsidiaries, these options give the holders the right to sell part or all of their investment in these subsidiaries. These financial liabilities do not bear interest.

Changes during the period

(in € millions)	**2019**	**2020**
As of January 1	508	482
New options and options recognized previously in accordance with IFRS 9	19	7
Options exercised [a]	(125)	(90)
Changes in the present value of outstanding options	79	(37)
As of December 31 [b]	**482**	**363**

(a) Carrying amount at the closing date of the previous period for options exercised and for which payment has been made.
(b) In most cases, the strike price is an earnings multiple.

3

NET DEBT AND NET FINANCIAL DEBT

Net debt

	As of December 31	
(in € millions)	**2019**	**2020**
Non-current financial debt [a]	12,906	12,343
Current financial debt [a]	4,474	4,157
Short-term investments	(3,631)	(3,680)
Cash and cash equivalents	(644)	(593)
Derivatives – assets – Non-current [b]	(271)	(259)
Derivatives – assets – Current [b]	(16)	(27)
Net debt	**12,819**	**11,941**

(a) Consists of €966 million of lease debt following the application of IFRS16 *Leases*.
(b) Used solely to manage net debt.

Bridge from net debt to net financial debt

	Year ended December 31	
(in € millions)	**2019**	**2020**
Net debt	**12,819**	**11,941**
Liabilities related to put options granted to non-controlling interests — Non-current	(13)	(7)
Liabilities related to put options granted to non-controlling interests — Current	(469)	(355)
Financial debt excluded from net debt	**(482)**	**(362)**
Net financial debt	**12,337**	**11,579**

Net debt/EBITDA and Return on invested capital (ROIC)

Danone tracks these ratios on a yearly basis.

Net debt/EBITDA

The net debt/EBITDA ratio corresponds to the ratio of net debt to operating income restated for depreciation, amortization and impairment of tangible and intangible assets. The ratio for 2020 fiscal year was 2.8x:

(in € millions except ratio)	2019	2020
Net debt as of December 31	**12,819**	**11,941**
Operating income	3,237	2,798
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	1,386	1,452
EBITDA of the year	**4,623**	**4,250**
Net debt/EBITDA of the year	**2.8x**	**2.8x**

ROIC

ROIC is the ratio of net operating income in the current year to average capital invested in the current and prior years.

Invested capital = goodwill and other tangible and intangible assets + investments in non-consolidated companies and other financial investments + assets held for sale net of liabilities + working capital requirements − provisions and other net liabilities.

The ROIC stood at 8.5% in 2020:

(in € millions except percentage)	January 1, 2019 [a]	2019	2020
Recurring operating income		3,846	3,317
Recurring income tax rate		27.5%	27.5%
Tax on recurring operating income		(1,058)	(914)
Recurring income from associates		98	85
Operating income		**2,887**	**2,489**
Intangible assets	24,445	24,803	23,037
Property, plant and equipment	6,842	6,844	6,572
Goodwill and other tangible and intangible assets	**31,288**	**31,647**	**29,609**
Investments in associates	2,104	2,055	915
Other financial investments	278	482	569
Short-term loans	13	6	40
Investments in non-consolidated companies and other financial investments	**2,394**	**2,542**	**1,524**
Assets held for sale net of liabilities	**–**	**43**	**851**
Deferred taxes net of deferred tax assets	(777)	(766)	(689)
Provisions for retirement and other long-term benefits	(868)	(1,091)	(1,220)
Other non-current provisions and liabilities	(1,079)	(1,178)	(1,104)
Provisions and other net liabilities	**(2,724)**	**(3,034)**	**(3,013)**
Working capital	**(1,162)**	**(1,000)**	**(733)**
Invested capital of the year	29,796	30,197	28,239
Average invested capital		**29,997**	**29,218**
ROIC		**9.6%**	**8.5%**

(a) After the application of IFRIC 23 and IFRS 16.

SHAREHOLDER'S EQUITY

Change in shareholder's equity – Group share

	Year ended December 31	
(in € millions)	**2019**	**2020**
As of January 1	**16,251**	**17,241**
Net income	1,929	1,956
Other comprehensive income	(165)	(39)
Dividends paid [a]	(1,256)	(1,363)
Translation adjustments	391	(1,925)
Other	91	334
As of December 31	**17,241**	**16,205**

(a) Impact on the Group share of equity, impact of the dividends paid on the consolidated equity amounting to €(1,417) million in 2020 (€(1,315) million in 2019).

OFF-BALANCE SHEET COMMITMENTS

Commitments given as of December 31, 2020 relating to operating activities

		Amount of financial flows for the period				
(in € millions)	**Total**	**2021**	**2022**	**2023**	**2024**	**2025 and after**
Commitments to purchase goods and services [a]	(3,690)	(2,410)	(764)	(279)	(89)	(150)
Capital expenditure commitments	(336)	(316)	(20)	–	–	–
Guarantees and pledges given	(21)	(21)	–	–	–	–
Other	(75)	(39)	(17)	(10)	(4)	(5)
Total	**(4,122)**	**(2,786)**	**(801)**	**(288)**	**(93)**	**(154)**

(a) Commitments relating mainly to purchases of milk, dairy ingredients and other food raw materials.

3.5 OUTLOOK 2021

MATERIAL CHANGE IN FINANCIAL OR TRADING POSITION

There has been no significant change in the financial or trading position of the Company and its subsidiaries as a whole since December 31, 2020.

OUTLOOK FOR 2021

Danone expects a tough Q1 driven by the tough base of comparison of Q1 last year and continued channel-related headwinds. The Company anticipates to be back to growth in Q2, and to return to profitable growth in H2.

Full-year recurring operating margin is expected to be broadly in line with 2020.

NEW GOVERNANCE AT DANONE

See section 6 *Corporate governance*.

3.6 FINANCIAL INDICATORS NOT DEFINED IN IFRS

Like-for-like changes in sales, recurring operating income and recurring operating margin reflect Danone's organic performance and essentially exclude the impact of:

- changes in consolidation scope, with indicators related to a given fiscal year calculated on the basis of previous-year scope and, since January 1st, 2019, previous-year and current-year scope excluding Argentinian entities;
- changes in applicable accounting principles;
- changes in exchange rates with both previous-year and current-year indicators calculated using the same exchange rates (the exchange rate used is a projected annual rate determined by Danone for the current year and applied to both previous and current years).

Recurring operating income is defined as Danone's operating income excluding Other operating income and expenses. Other operating income and expenses comprise items that, because of their significant or unusual nature, cannot be viewed as inherent to Danone's recurring activity and have limited predictive value, thus distorting the assessment of its recurring operating performance and its evolution. These mainly include:

- capital gains and losses on disposals of fully consolidated companies;
- impairment charges on intangible assets with indefinite useful lives;
- costs related to strategic restructuring or transformation plans;
- costs related to major external growth transactions;
- costs related to major crisis and major litigations;
- in connection with of IFRS 3 (Revised) and IAS 27 (Revised) relating to business combinations, (i) acquisition costs related to business combinations, (ii) revaluation profit or loss accounted for following a loss of control, and (iii) changes in earn-outs relating to business combinations and subsequent to acquisition date.

Recurring operating margin is defined as Recurring operating income over Sales ratio.

Other non-recurring financial income and expense corresponds to financial income and expense items that, in view of their significant or unusual nature, cannot be considered as inherent to Danone's recurring financial management. These mainly include changes in value of non-consolidated interests.

Non-recurring income tax corresponds to income tax on non-recurring items as well as tax income and expense items that, in view of their significant or unusual nature, cannot be considered as inherent to Danone's recurring performance.

Recurring effective tax rate measures the effective tax rate of Danone's recurring performance and is computed as the ratio income tax related to recurring items over recurring net income before tax.

Non-recurring results from associates include items that, because of their significant or unusual nature, cannot be viewed as inherent to the recurring activity of those companies and thus distort the assessment of their recurring performance and its evolution. These mainly include (i) capital gains and losses on disposal and impairment of Investments in associates, and (ii) non-recurring items, as defined by Danone, included in the net income from associates.

Recurring net income (or Recurring net income – Group Share) corresponds to the Group share of the consolidated Recurring net income. The Recurring net income excludes items that, because of their significant or unusual nature, cannot be viewed as inherent to Danone's recurring activity and have limited predictive value, thus distorting the assessment of its recurring performance and its evolution. Such non-recurring income and expenses correspond to Other operating income and expenses, Other non-recurring financial income and expenses, Non-recurring income tax, and Non-recurring income from associates. Such income and expenses, excluded from Net income, represent Non-recurring net income.

Recurring EPS (or Recurring net income – Group Share, per share after dilution) is defined as the ratio of Recurring net income adjusted for hybrid financing over Diluted number of shares. In compliance with IFRS, income used to calculate EPS is adjusted for the coupon related to the hybrid financing accrued for the period and presented net of tax.

Free cash-flow represents cash flows provided or used by operating activities less capital expenditure net of disposals and, in connection with IFRS 3 (Revised) relating to business combinations, excluding (i) acquisition costs related to business combinations, and (ii) earn-outs related to business combinations and paid subsequently to acquisition date.

Net financial debt represents the net debt portion bearing interest. It corresponds to current and non-current financial debt (i) excluding Liabilities related to put options granted to non-controlling interests and (ii) net of Cash and cash equivalents, Short term investments and Derivatives – assets managing net debt.

3.7 DOCUMENTS AVAILABLE TO THE PUBLIC

The by-laws, the minutes of Shareholders' Meetings, reports of the Statutory auditors, and other corporate documents may be consulted at the Company's registered office. Moreover, historical financial information and certain information regarding the organization and businesses of the Company and its subsidiaries are available on Danone's website www.danone.com (section Regulated information).

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4

FINANCIAL STATEMENTS

4

4.1 CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement and earnings per share

		Year ended December 31	
(in € millions, except earnings per share in €)	Notes	**2019**	**2020**
Sales	6.1, 6.2	**25,287**	**23,620**
Cost of goods sold		(12,878)	(12,267)
Selling expense		(5,773)	(5,366)
General and administrative expense		(2,385)	(2,285)
Research and Development expense		(351)	(323)
Other income (expense)	6.3	(53)	(61)
Recurring operating income		**3,846**	**3,317**
Other operating income (expense)	7.1	(609)	(519)
Operating income		**3,237**	**2,798**
Interest income on cash equivalents and short-term investments		181	151
Interest expense		(400)	(358)
Cost of net debt	11.7	(220)	(207)
Other financial income	12.3	37	53
Other financial expense	1.3, 12.3	(188)	(156)
Income before tax		**2,867**	**2,488**
Income tax expense	9.1	(793)	(762)
Net income from fully consolidated companies		**2,075**	**1,726**
Share of profit of associates	5.5, 5.6	(46)	304
Net income		**2,028**	**2,030**
Net income – Group share		**1,929**	**1,956**
Net income – Non-controlling interests		99	74
Net income – Group share, per share	14.4	**2.95**	**2.99**
Net income – Group share, per share after dilution	14.4	**2.95**	**2.99**

Consolidated statement of comprehensive income

	Year ended December 31	
(in € millions)	**2019**	**2020**
Net income – Group share	1,929	1,956
Translation adjustments	389	(1,809)
Cash flow hedge derivatives		
Gross unrealized gains and losses	–	17
Tax effects	(3)	(3)
Other comprehensive income, net of tax	**–**	**–**
Items that may be subsequently recycled to profit or loss	**386**	**(1,795)**
Investments in other non-consolidated companies		
Gross unrealized gains and losses	(6)	35
Tax effects	(1)	2
Actuarial gains and losses on retirement commitments		
Gross gains and losses	(203)	(114)
Tax effects	49	25
Items not subsequently recyclable to profit or loss	**(161)**	**(52)**
Total comprehensive income – Group share	**2,154**	**108**
Total comprehensive income – Non-controlling interests	82	36
Total comprehensive income	**2,236**	**144**

Consolidated balance sheet

			As of December 31
(in € millions)	Notes	**2019**	**2020**
Assets			
Goodwill		18,125	17,016
Brands		6,329	5,669
Other intangible assets		348	351
Intangible assets	10.1 to 10.3	24,803	23,037
Property, plant and equipment	6.5	6,844	6,572
Investments in associates	5.1 to 5.8	2,055	915
Investments in other non-consolidated companies		131	225
Long-term loans and financial assets		351	344
Other financial assets	12.1, 12.2	482	569
Derivatives – assets [a]	13.2, 13.3	271	259
Deferred taxes	9.2	790	785
Non-current assets		**35,244**	**32,139**
Inventories	6.4	1,933	1,840
Trade receivables	6.4	2,906	2,608
Other current assets	6.4	940	1,000
Short-term loans		6	40
Derivatives – assets [a]	13.2, 13.3	16	27
Short-term investments	11.1, 11.5	3,631	3,680
Cash and cash equivalents		644	593
Assets held for sale	5.7	43	851
Current assets		**10,118**	**10,638**
Total assets		**45,362**	**42,776**

(a) Derivative instruments used to manage net debt.

		As of December 31	
(in € millions)	Notes	**2019**	**2020**
Equity and liabilities			
Share capital		172	172
Additional paid-in capital		5,859	5,889
Retained earnings and others [(a)]	1.3, 11.3	16,491	17,374
Translation adjustments		(2,941)	(4,867)
Accumulated other comprehensive income		(729)	(768)
Treasury shares	14.2	(1,610)	(1,595)
Equity – Group share		**17,241**	**16,205**
Non-controlling interests	4.5	137	93
Consolidated equity		**17,378**	**16,298**
Financing	11.1 to 11.4	12,875	12,272
Derivatives – liabilities [(b)]	13.2, 13.3	19	63
Liabilities related to put options granted to non-controlling interests	4.5	13	7
Non-current financial debt		12,906	12,343
Provisions for retirement obligations and other long-term benefits	8.3	1,091	1,220
Deferred taxes	9.2	1,556	1,474
Other non-current provisions and liabilities	15.2, 15.3	1,178	1,104
Non-current liabilities		**16,731**	**16,141**
Financing	11.1 to 11.4	3,996	3,762
Derivatives – liabilities [(b)]	13.2, 13.3	9	40
Liabilities related to put options granted to non-controlling interests	4.5	469	355
Current financial debt		4,474	4,157
Trade payables	6.4	3,959	3,467
Other current liabilities	6.4	2,819	2,714
Liabilities directly associated with assets held for sale		–	–
Current liabilities		**11,253**	**10,338**
Total equity and liabilities		**45,362**	**42,776**

(a) "Others" corresponds to undated subordinated notes totaling €1.25 billion.
(b) Derivative instruments used to manage net debt.

Consolidated statement of cash flows

		Year ended December 31	
(in € millions)	Notes	**2019**	**2020**
Net income		**2,028**	**2,030**
Share of profit of associates net of dividends received	5.5, 5.6	99	(272)
Depreciation, amortization and impairment of tangible and intangible assets	6.5, 10.3	1,386	1,452
Net change in provisions and non-current liabilities	15.2, 15.3	111	32
Change in deferred taxes	9.2	40	(37)
(Gains) losses on disposal of property, plant and equipment and financial investments		14	(54)
Expense related to Group performance shares	8.4	30	16
Cost of net financial debt	11.7	220	209
Net interest paid		(212)	(197)
Net change in interest income (expense)		8	12
Other components with no cash impact		39	20
Cash flows provided by operating activities, before changes in net working capital		**3,755**	**3,199**
(Increase) decrease in inventories		(178)	(86)
(Increase) decrease in trade receivables		(268)	59
Increase (decrease) in trade payables		266	(204)
Change in other receivables and payables		(131)	–
Change in working capital requirements	6.4	(311)	(232)
Cash flows provided by (used in) operating activities		**3,444**	**2,967**
Capital expenditure [a]	6.5	(951)	(962)
Proceeds from the disposal of property, plant and equipment [a]	6.5	16	43
Net cash outflows on purchases of subsidiaries and financial investments [b]	4.2	(112)	(183)
Net cash inflows on disposal of subsidiaries and financial investments [b]	5.6	58	547
(Increase) decrease in long-term loans and other long-term financial assets		(19)	(54)
Cash flows provided by (used in) investment activities		**(1,008)**	**(610)**
Increase in share capital and additional paid-in capital		55	30
Purchase of treasury shares (net of disposals)	14.2	–	–
Interest on undated subordinated notes	11.4	(22)	(22)
Dividends paid to Danone shareholders [c]	14.5	(1,256)	(1,363)
Buyout of non-controlling interests	4.5	(153)	(99)
Dividends paid to non-controlling interests		(60)	(55)
Contribution from non-controlling interests to capital increases		4	6
Transactions with non-controlling interests		(209)	(147)
Net cash flows on hedging derivatives [d]		(7)	(1)
Bonds issued during the period	11.3, 11.4	–	1,600
Bonds repaid during the period	11.3, 11.4	(1,899)	(2,050)
Net cash flows from other current and non-current financial debt	11.3	354	(306)
Net cash flows from short-term investments		584	(102)
Cash flows provided by (used in) financing activities		**(2,400)**	**(2,360)**
Effect of exchange rate and other changes [e]		(231)	(48)
Increase (decrease) in cash and cash equivalents		**(195)**	**(51)**
Cash and cash equivalents as of January 1		**839**	**644**
Cash and cash equivalents as of December 31		**644**	**593**
Additional information			
Income tax payments during the year		(774)	(753)

(a) Relates to property, plant and equipment and intangible assets used in operating activities.

(b) Acquisition/disposal of companies' shares. In the case of fully consolidated companies, this comprises cash and cash equivalents as of the acquisition/disposal date.

(c) Portion paid in cash.

(d) Derivative instruments used to manage net debt.

(e) Effect of reclassification with no impact on net debt.

The cash flows correspond to items presented in the consolidated balance sheet. However, these flows may differ from changes in assets and liabilities, mainly as a result of the rules for (i) translating transactions in currencies other than the functional currency, (ii) translating the financial statements of companies with a functional currency other than the euro, (iii) changes in the consolidated scope, and (iv) other non-monetary items.

Consolidated statement of changes in equity

			Changes during the period								
(in € millions)	Notes	As of January 1, 2020	Other comprehensive income	Capital increase	Other transactions involving treasury shares	Counterpart entry to expense relating to performance shares after social security charges	Dividends paid to Danone shareholders	Interest on undated subordinated notes net of tax	Other transactions with non-controlling interests	Other changes	As of December 31, 2020
Share capital		**172**		–							**172**
Additional paid-in capital		**5,859**		29							**5,889**
Retained earnings and others [(a)]	14	**16,491**	1,956			16	(1,363)	(15)	169	120	**17,374**
Translation adjustments		**(2,941)**	(1,809)						(116)	–	**(4,867)**
Gains and losses related to hedging derivatives, net of tax		**(192)**	14								**(178)**
Gains and losses on assets recognized at fair value through other comprehensive income, net of tax		**(2)**	37								**35**
Actuarial gains and losses on retirement commitments not recyclable to profit or loss, net of tax	8	**(535)**	(89)								**(624)**
Other comprehensive income		**(729)**	**(39)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(768)**
DANONE treasury shares	14.2	**(1,610)**			16						**(1,595)**
Equity – Group share		**17,241**	**108**	**30**	**16**	**16**	**(1,363)**	**(15)**	**53**	**120**	**16,205**
Non-controlling interests		**137**	36	6			(55)		(21)	(11)	**93**
Consolidated equity		**17,378**	**144**	**36**	**16**	**16**	**(1,417)**	**(15)**	**31**	**109**	**16,298**

(a) "Others" corresponds to undated subordinated notes totaling €1.25 billion.

		Changes during the period								
(in € millions)	**As of January 1, 2019**	**Other comprehensive income**	**Capital increase**	**Other transactions involving treasury shares**	**Counterpart entry to expense relating to performance shares after social security charges**	**Dividends paid to Danone shareholders**	**Interest on undated subordinated notes net of tax**	**Other transactions with non-controlling interests**	**Other changes**	**As of December 31, 2019**
Share capital	**171**		–							**172**
Additional paid-in capital	**5,805**		54							**5,859**
Retained earnings and others [(a)]	**15,803**	1,929			30	(1,256)	(14)	(98)	97	**16,491**
Translation adjustments	**(3,332)**	389						1		**(2,941)**
Gains and losses related to hedging derivatives, net of tax	**(190)**	(3)								**(192)**
Gains and losses on assets recognized at fair value through other comprehensive income, net of tax	**6**	(7)								**(2)**
Actuarial gains and losses on retirement commitments not recyclable to profit or loss, net of tax	**(381)**	(154)								**(535)**
Other comprehensive income	**(564)**	**(164)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(729)**
DANONE treasury shares	**(1,632)**			21						**(1,610)**
Equity – Group share	**16,251**	**2,154**	**55**	**21**	**30**	**(1,256)**	**(14)**	**(96)**	**97**	**17,241**
Non-controlling interests	**131**	82	4			(60)		(30)	9	**137**
Consolidated equity	**16,382**	**2,237**	**58**	**21**	**30**	**(1,315)**	**(14)**	**(126)**	**107**	**17,378**

(a) "Others" corresponds to undated subordinated notes totaling €1.25 billion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Contents

NOTE 1. ACCOUNTING PRINCIPLES

Note 1.1. Bases for preparation

The consolidated financial statements of Danone (the "Company"), its subsidiaries and associates (together, the "Group") as of and for the year ended December 31, 2020 were approved by its Board of Directors on February 18, 2021 and will be submitted for approval to the Shareholders' Meeting on April 29, 2021.

The consolidated financial statements and the Notes to the consolidated financial statements are presented in euros. Unless indicated otherwise, amounts are expressed in millions of euros and rounded to the nearest million. Generally speaking, the values presented are rounded to the nearest unit. Consequently, the sum of the rounded amounts may differ, albeit to an insignificant extent, from the reported total. In addition, ratios and variances are calculated on the basis of the underlying amounts and not on the basis of the rounded amounts.

The preparation of consolidated financial statements requires management to make estimates, assumptions and appraisals that affect the reported amounts in the consolidated balance sheet, consolidated income statement and Notes to the consolidated financial statements. The main such estimates and assumptions relate to:

	Notes
Measurement of the impacts of Covid-19 on Danone	3
Measurement of intangible assets	10.3
Measurement of investments in associates	5.1, 5.4 to 5.7
Measurement of deferred tax assets	9.3
Determination of the amount of Other non-current provisions and liabilities	15.2, 15.3
Determination of the amount of rebates, trade supports and other deductions relating to agreements with customers	6.1

These assumptions, estimates and appraisals are made on the basis of information and conditions available at the end of the financial period presented. Actual amounts may differ from those estimates, particularly in the context of Covid-19 (see Note 3 of the Notes to the consolidated financial statements) and namely in view of the uncertainty on the magnitude and the duration of its impacts.

In addition to the use of estimates, Danone's management uses its judgment to define the accounting treatment for certain activities and transactions, when they are not explicitly addressed in IFRS and related interpretations, particularly in the case of the recognition of put options granted to non-controlling interests.

Note 1.2. Accounting framework applied

The Group's consolidated financial statements have been prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union, which are available on the website of the European Commission.

Main standards, amendments and interpretations whose application is mandatory as of January 1, 2020

Amendment to IFRS 3 *Business Combinations*: this amendment has no significant impact on the consolidated financial statements for the year ended December 31, 2020.

Main standards, amendments and interpretations published by the IASB whose application is not mandatory within the European Union as of January 1, 2020

Danone did not choose the early adoption of those standards, amendments and interpretations in the consolidated financial statements for the year ended December 31, 2020 and considers that they should not have a material impact on its results and financial situation.

Note 1.3. Application of IAS 29

Accounting principles

IAS 29 requires the non-monetary assets and liabilities and income statements of countries with hyperinflationary economies to be restated to reflect the changes in the general purchasing power of their functional currency, thereby generating a profit or loss on the net monetary position which is recognized in net income within Other financial income or Other financial expense. In addition, the financial statements of the subsidiaries in these countries are translated at the closing exchange rate of the reporting period concerned, in accordance with IAS 21.

Application and main accounting implications

Danone has applied IAS 29 to Argentina in its financial statements as from the year ended December 31, 2018 and to Iran in its financial statements as from the year ended December 31, 2020.

As regards the standard's application to Argentina, in 2020 Danone used the Consumer Price Index (CPI) to remeasure its income statement items, cash flows and non-monetary assets and liabilities. This index was up 36% compared with 2019. The EURARS exchange rate used to translate the income statement was 103.0 (67.2 in 2019). The application of IAS 29 had a €38 million impact on consolidated equity and on non-monetary assets net of non-monetary liabilities as of December 31, 2020 (€52 million as of December 31, 2019) and had the following main impacts on the consolidated income statement for the period:

- a €36 million decrease in consolidated Sales and a €23 million decrease in Recurring operating income (decrease of €15 million and €36 million respectively in 2019);
- a loss of less than €1 million on the net monetary position recognized in Other financial income (expense), compared with a loss of €7 million in 2019;

- a €51 million expense in Net income - Group share (a €73 million expense in 2019).

As regards Iran, application of IAS 29 resulted in a negative impact of €104 million on consolidated equity as of January 1, 2020. It did not have a material impact on the year ended December 31, 2020.

Note 1.4. Application of the amendment to IFRS 9

For Danone, interest rate benchmark reform concerns its financial instruments (interest rate derivatives, syndicated credit facility and committed credit facilities) indexed to Euribor or Libor. The Group does not anticipate a material impact from this reform. It did not change any of its benchmarks in 2020 and will make any such changes and the resulting contractual amendments required as from 2021. The Group has not applied the phase 2 amendment to IFRS 9 before their mandatory application date.

NOTE 2. HIGHLIGHTS OF THE YEAR

	Notes
Implications of Covid-19 for Danone	3
Transformation of Danone's organization and operations	7.2
Disposal of the Group's residual interest in Yakult (EDP, Japan)	5.6
Impairment of intangible assets	10.3
Subsequent events	17

NOTE 3. IMPLICATIONS OF COVID-19 FOR DANONE

The management has assessed the impacts of Covid-19 on the basis of reasonably available information and conditions at the end of the financial period presented and considering estimates, assumptions or appraisals (the main ones of which are described in Note 1.1 of the Notes to the consolidated financial statements). In view of the uncertainty as to the magnitude and duration of the impacts of Covid-19, the Group has been particularly vigilant in determining these assumptions.

Note 3.1. Impacts of Covid-19 on the Group's activities and performance in 2020

In 2020, consolidated sales stood at €23,620 million, down by 6.6% mainly driven by the negative impact of exchange rates and reflecting negative category and country mix, especially in Waters and Specialized Nutrition.

Regarding more specifically impacts of Covid-19, out-of-home channels have been penalized by waves of restrictions, especially in Europe, Latin America and Africa. Infant formula sales done in China through cross-border channels have been also penalized by the ongoing border closure with Hong-Kong and travel limitations with mainland China. On the other hand, e-commerce accelerated significantly in 2020.

Danone's recurring operating income reached €3,317 million in 2020. Recurring operating margin stood at 14.0%, down by 117 basis points. It includes a negative effect from €150 million incremental costs (sanitary, industrial, and logistic extra-costs) directly related to Covid-19 incurred during the year to keep employees safe and ensure business continuity. To mitigate these headwinds, Danone stepped-up its efforts on efficiency and cost discipline, especially in the second half of the year.

Note 3.2. Other impacts of Covid-19 on the Group's consolidated financial statements and liquidity situation

Covid-19 did not have significant impacts on the consolidated financial statements for the year ended December 31, 2020, other than those detailed in Note 3.1 of the Notes to the consolidated financial statements. In particular, the Group did not encounter any obstacles in implementing its processes related to the preparation and processing of financial and accounting information as of December 31, 2020.

Besides, Covid-19 did not have any impact on the recurring operating activity, other than those described in Note 3.1 of the Notes to the consolidated financial statements. In particular:

- the Group has not identified any risk of major defect among its customers and thus did not account for significant additional impairment for expected credit loss on its trade receivables;
- its inventories' valuation is not called into question as of December 31, 2020;
- Covid-19 did not lead to any substantial change or renegotiation of contracts concluded by Danone that could have had significant impacts on the consolidated financial statements.

The Group has reviewed its non-current assets in the context of Covid-19, notably in view of its impacts on the out-of-home channels:

- the Group has not identified any conditions that significantly call into question the valuation of its tangible assets or the recovery of its deferred tax assets (see Note 9.2 of the Notes to the consolidated financial statements);
- regarding Investments in associates and intangible assets, the Group has taken into account the impacts of Covid-19 and the uncertainly as to their magnitude and duration when carrying out impairment testing (see Notes 5.7, 5.8 and 10.3 of the Notes to the consolidated financial statements).

Finally, the Group considers that Covid-19 did not impact either its exposure to financial risks associated with operating and financing activities or the monitoring of those risks. In particular:

- the Group has continued, in 2020, to apply its management policies, as described in Notes 6.7, 11.2 and 13 of the Notes to the consolidated financial statements;

- more specifically with regard to liquidity risk, Danone launched two €800 million bond issues in the first half of 2020 and, as of December 31, 2020, held a portfolio of more than €3 billion of available committed credit facilities and more than €4 billion of cash and short-term investments. In addition, as a reminder, Danone is not subject to any financial covenant;
- finally, the Group did not make use of guaranteed financing and support measures granted by some states.

NOTE 4. FULLY CONSOLIDATED COMPANIES AND NON-CONTROLLING INTERESTS

Note 4.1. Accounting principles

Fully consolidated companies

The Group fully consolidates all subsidiaries over which it has the ability to exercise exclusive control, whether directly or indirectly. Exclusive control over an investee is assessed (i) by the power the Group has over said investee, (ii) whether it is exposed, or has rights, to variable returns from its relationship with the investee, and (iii) whether it uses its power over the investee to affect the amount of the Group's returns.

Full consolidation enables the recognition of all assets, liabilities and income statement items relating to the companies concerned in the Group's consolidated financial statements, after the elimination of intercompany transactions, the portion of the net income and equity attributable to owners of the Company (Group share) being distinguished from the portion relating to other shareholders' interests (Non-controlling interests). Intercompany balances and all material intercompany transactions between consolidated entities (including dividends) are eliminated in the consolidated financial statements.

Business combinations: acquisitions resulting in control being obtained, partial disposals resulting in control being lost

The accounting treatment of acquisitions resulting in control being obtained and partial disposals resulting in control being lost is as follows:

- when control is obtained, the incidental transaction costs are recognized in the income statement under the heading Other operating income (expense), and presented in the cash flow statement within cash flows from operating activities, in the year in which they are incurred. In addition, price adjustments are initially recognized at their fair value in the acquisition price and their subsequent changes in value are recognized in the income statement under the heading Other operating income (expense), and all payments relating to these adjustments are presented in the cash flow statement within cash flows from operating activities;
- when control is obtained (or lost), the revaluation at its fair value of the interest previously held (or the residual interest) is recognized in the income statement under the heading (i) Other operating income (expense) when control is lost, (ii) Share of profit of associates when control is obtained of an entity previously accounted for as an associate, and (iii) Other financial income (expense) when control is obtained of an entity previously accounted for as an investment in a non-consolidated company;
- when control is obtained, non-controlling interests are recognized, either at their share of the fair value of the assets and liabilities of the acquired entity, or at their fair value. In the latter case, the goodwill is then increased by the portion relating to these non-controlling interests. The treatment adopted is selected on an individual basis for each acquisition.

Business combinations may be recognized on a provisional basis, as the amounts allocated to the identifiable assets acquired, liabilities assumed and goodwill may be amended during a maximum period of one year from their acquisition date.

Acquisitions or disposals of interests in controlled companies with no impact on control

Purchases or disposals of interests in controlled companies that do not result in control being obtained or lost are recognized directly in equity under the heading Retained earnings, as transfers between the Group share and the non-controlling interests' share in the consolidated equity, with no impact on profit or loss, and the corresponding cash flows are presented within cash flows relating to financing activities. The same accounting treatment is applied to the costs associated with these transactions.

Note 4.2. Main changes during the period

2020 fiscal year

The Group acquired control of several companies, notably in the specialized nutrition activity in China and in the waters activity in the UK. None of these interests is material.

2019 fiscal year

(in percentage)	Reporting entity	Country	Transaction date[a]	Ownership as of December 31 2018	2019
Main companies consolidated for the first time during 2019					
Michel et Augustin	EDP	France and United States	April	46.9%	93.9%
Main consolidated companies with change in ownership percentage					
Fan Milk Group's main companies	EDP	West Africa	July	51.0%	100.0%
Main companies no longer fully consolidated as of December 31					
Earthbound Farm	EDP	United States	April	100.0%	–

Note 4.3. Fully consolidated companies

The list of companies included in the consolidation scope, whether they are fully consolidated directly or indirectly or recognized as investments in associates as of December 31, 2020, is available on Danone's website (www.danone.com).

Note 4.4. Accounting for acquisitions resulting in control being obtained in 2020

The business combinations carried out in 2020 were not material.

Note 4.5. Non-controlling interests

Main companies in terms of net income and consolidated net assets, fully consolidated but not wholly owned

The minority shareholders in companies that are consolidated but not wholly owned by the Group were not material as of December 31, 2020.

Liabilities related to put options granted to non-controlling interests

Accounting principles

Danone granted put options to third parties with non-controlling interests in certain consolidated subsidiaries, with these options giving the holders the right to sell part or all of their investment in these subsidiaries. These financial liabilities do not bear interest.

In accordance with IAS 32 *Financial Instruments: Presentation*, when non-controlling interests hold put options enabling them to sell their investment to the Group, a financial liability is recognized in an amount corresponding to the present value of the option strike price, and the counterpart of the liability arising from these obligations is:

- on the one hand, a reduction in the carrying amount of the non-controlling interests;
- on the other, a reduction in the equity – Group share for the amount of the liability that exceeds the carrying amount of the corresponding non-controlling interests. This item is adjusted at the end of each reporting period to reflect changes in the strike price of the options and the carrying amount of non-controlling interests. In the absence of specific provisions stipulated in IFRS, the Company has applied the recommendations issued by the AMF (Autorité des Marchés Financiers) in November 2009.

Changes during the period

(in € millions)	2019	2020
As of January 1	508	482
New options and options recognized previously in accordance with IFRS 9	19	7
Options exercised[a]	(125)	(90)
Changes in the present value of outstanding options	79	(37)
As of December 31[b]	**482**	**363**

(a) Carrying amount at the closing date of the previous period for options exercised and for which payment has been made.
(b) In most cases, the strike price is an earnings multiple.

NOTE 5. ASSOCIATES

Note 5.1. Accounting principles

Accounting treatment

All companies in which the Group exercises a significant influence, directly or indirectly, are accounted for using the equity method. Under this method, the Group recognizes in the carrying amount of the shares held in the associated or jointly-controlled entity the acquisition-related cost of the shares adjusted by its proportionate share of changes in the entity's net assets since its acquisition.

Upon the acquisition of investments accounted for using the equity method, the acquisition price of the shares is allocated on a fair value basis to the identifiable assets acquired and liabilities assumed. The difference between the acquisition price and the Group's share in the fair value of the assets acquired and liabilities assumed represents goodwill, which is added to the carrying amount of the shares.

The main components of Net income of associates are:

- the Group's share of the profits or losses of its associates, calculated on the basis of estimates;
- gains or losses on disposals of shareholdings in associates;
- the revaluation reserve resulting from a loss of influence where there is no disposal of shares;
- impairment of investments in associates.

Impairment review

The Group reviews the measurement of its investments in associates when events or circumstances indicate that impairment is likely to have occurred. Regarding listed shares, a significant or prolonged fall in their stock price below their historical stock price constitutes an indication of impairment.

An impairment provision is recognized within Share of profit of associates when the recoverable amount of the investment falls below its carrying amount.

Note 5.2. Main associates in terms of net income and consolidated net assets

As of December 31

(in € millions, except percentage)	Notes	Country	Listing market [a]	2019 Ownership	2020 Ownership	2020 Market capitalization [a][b]
Mengniu [c]	5.7	China	Hong Kong	9.8%	9.8% [d]	19,447
Yashili [e]	5.7	China	Hong Kong	25.0%	25.0%	456
Yakult [f]	5.6	Japan	Tokyo	6.6%	–	–

(a) If the company is listed.
(b) The amount disclosed is 100% of the company's market capitalization.
(c) INNER MONGOLIA MENGNIU DAIRY (GROUP) CO LTD.
(d) Investment reclassified as assets held for sale as of December 31, 2020.
(e) YASHILI INTERNATIONAL HOLDINGS LTD.
(f) YAKULT HONSHA CO LTD.

The Group acquired its stake in Mengniu and Yashili on the one hand and Yakult on the other hand under the terms of broader agreements, the main aim of which was operational collaboration and the development of regional categories and markets.

Note 5.3. Main changes during the period

2020 fiscal year

Ownership as of December 31

(in percentage)	Notes	Reporting entity	Country	Transaction date [a]	2019	2020
Main companies accounted for using the equity method for the first time during 2020						
–		–	–	–	–	–
Main associates with changes in ownership percentage						
–		–	–	–	–	–
Main companies no longer accounted for using the equity method as of December 31						
Yakult	5.6	EDP	Japan	October	6.6%	–

(a) Month in the 2020 fiscal year.

2019 fiscal year

(in percentage)	Reporting entity	Country	Transaction date [a]	Ownership as of December 31 2018	2019
Main companies accounted for using the equity method for the first time during 2019					
–	–	–	–	–	–
Main associates with changes in ownership percentage					
–	–	–	–	–	–
Main companies no longer accounted for using the equity method as of December 31					
Michel et Augustin	EDP	France and United States	April	46.9%	93.9%

(a) Month in the 2019 fiscal year.

Note 5.4. Carrying amount and changes during the period

(in € millions)	Notes	2019 Net goodwill	2019 Group's share in net assets and net income	2019 Total	2020 Net goodwill	2020 Group's share in net assets and net income	2020 Total
As of January 1		**1,057**	**1,046**	**2,104**	**923**	**1,131**	**2,055**
Acquisitions, influence acquired during the year and capital increase	5.3	20	21	41	3	20	**22**
Disposals, losses of influence during the year and decreases in ownership percentage	5.3, 5.6	(30)	1	(29)	(81)	(198)	**(279)**
Reclassification within assets held for sale	5.7	–	–	–	(457)	(393)	**(851)**
Share of profit of associates before impact of disposals, revaluation and other	5.5	–	100	100	–	87	**87**
Dividends paid		–	(53)	(53)	–	(32)	**(32)**
Translation adjustments		21	13	34	(38)	(37)	**(75)**
Impairment		(145)	–	(145)	–	–	**–**
Adjustment of the Group's share in net assets		–	4	4	–	(11)	**(11)**
As of December 31		**923**	**1,131**	**2,055**	**350**	**566**	**915**

Note 5.5. Share of profit of associates

(in € millions)	Notes	Year ended December 31 2019	2020
Share of profit of associates before impact of disposals, revaluation and other		100	87
Impairment		(145)	–
Gains (losses) on disposal, revaluation and other	5.6	(1)	217
Total		**(46)**	**304**

Note 5.6. Disposal of the Group's residual interest in Yakult (EDP, Japan)

Background to this equity interest

Danone had an interest in the Yakult group (6.61% after the disposal, in 2018, of 14.7%), was its main shareholder with two representatives on its board of directors. The collaboration between the two companies began in 2004 through their strategic alliance, which aim was to strengthen their global leadership in probiotics and accelerate their growth in the functional food market.

Disposal of the Group's residual interest

In accordance with its continued focus on capital allocation and balance sheet strength, on October 6, Danone sold its remaining 6.61% stake in Yakult via an accelerated book building process. The sale generated sales proceeds of JPY 58 billion (around €470 million) and a gain, after selling expenses, of €220 million, presented within Share of profit of associates in 2020.

Following the announcement of this sale, the companies reconfirmed their commitment to their long-term strategic collaboration to promote probiotics. Existing commercial partnerships, including joint-ventures in India and Vietnam, remain in place.

Note 5.7. Mengniu (EDP, China) and Yashili (Specialized Nutrition, China)

Background to the acquisition of these equity interests

In 2013, Danone, COFCO and Mengniu announced the signing of agreements to accelerate the development of fresh dairy products in China. Under the terms of these agreements, Danone became a strategic shareholder in Mengniu and a joint venture for the production and sale of fresh dairy products in China was established by the pooling of the respective assets of the two companies. Danone owns 20% and Mengniu 80% of the new joint venture. In 2014, Danone, Mengniu and Yashili decided to extend their strategic alliance into infant milk formula in China. This enabled Danone to hold a 25% stake in Yashili and become its second-largest shareholder behind Mengniu, which owns a 51% stake. Lastly, in 2016, the Dumex activity in China was merged with Yashili, thereby building a local infant milk formula brand platform.

Mengniu (EDP, China)

Accounting treatment of the investment

This investment is recognized under Investments in associates, since the Group has significant influence over the financial and operating policies of the Mengniu group due to (i) its role as a strategic shareholder in the Mengniu group pursuant to the agreements with COFCO, (ii) its participation in Mengniu's governance, and (iii) the Group's operating involvement in Mengniu's fresh dairy products activities.

Project of disposal of the investment

As a result of its assets review, Danone has decided to sell its 9.8% stake in Mengniu. In order for its interest to be sold, it will have to be converted from an indirect shareholding to a direct shareholding in Mengniu shares, which can then be sold.

As of December 31, 2020, the Mengniu shares were classified as assets held for sale in accordance with the criteria of IFRS 5 *Non-current assets held for sale and discontinued operations*. This resulted in the reclassification in the balance sheet of the carrying amount (€851 million) from Investments in associates to Assets held for sale. This had no impact on the 2020 income statement.

The sale is expected to take place in 2021, once the regulatory process has been completed, in particular approval by the Chinese authorities.

Main financial information

	2019		2020
(in € millions)	**Interim financial statements as of June 30**	**Financial statements for the year ended December 31**	**Interim financial statements as of June 30**
Non-current assets [a]	4,148	5,248	5,506
Current assets [a]	5,296	4,792	5,233
Equity [a]	4,056	4,263	4,264
Non-current liabilities [a]	908	1,720	2,357
Current liabilities [a]	4,481	4,057	4,118
Sales [a]	5,199	10,217	4,841
Net income [a]	282	555	146
Other comprehensive income [a]	(9)	22	(23)

(a) Published financial statements prepared in accordance with IFRS. Income statement items have been translated into euros at the average exchange rate for the reporting period. Balance sheet items have been translated into euros at the exchange rate in effect at the end of the reporting period.

Impairment review as of December 31, 2020

The Group has not noted any indications of impairment. In particular, the stock price of the Mengniu group is still higher than the average purchase price of its shares.

Impairment review as of December 31, 2019

The Group had not noted any indications of impairment.

Yashili (Specialized Nutrition, China)

Accounting treatment of the investment

As of December 31, 2020, Danone held 25% of Yashili's share capital, had significant influence over its operating policies and was involved in its governance, in particular through its right to appoint two members of the board of directors. Consequently, its shareholding is recognized within Investments in associates.

Impairment review as of December 31, 2020

The Group noted significant volatility in the Yashili stock price which, as of December 31, 2020, remained below the shares' average purchase price, which constituted an indication of impairment.

As of December 31, 2020, the carrying amount of the investment in Yashili (€219 million) was subjected to an impairment test based on estimated future cash flows of the business plan prepared by its management in respect of the 2021 to 2025 period and taking into account the effects of Covid-19 on the 2020 fiscal year. Meanwhile, the assumptions for the discount rate and long-term growth rate are 8.6% and 3.0%, respectively. The test carried out at end-2020 did not result in the amount of the impairment provisions recognized in previous fiscal years being revised.

Lastly, the sensitivity analyses on the key assumptions used to calculate this value in use, taken individually, gave the following results:

Assumptions	Indicators	Additional impairment *(in € millions)*
-500 bps	Sales growth rate [a]	(3)
-500 bps	Recurring operating margin [a]	–
-100 bps	Long-term growth rate	–
+100 bps	Discount rate	–

(a) Decrease applied each year as per the long-term (five-year) plan.

Impairment review as of December 31, 2019

The Group noted a significant decrease in the Yashili stock price which, as of December 31, 2019, remained below the shares' average purchase price. This decrease constituted an indication of impairment.

As of December 31, 2019, the carrying amount of the investment in Yashili (€329 million) was subjected to an impairment test based on estimated future cash flows of the business plan prepared by its management and covering the 2020 to -2024 period. Meanwhile, the assumptions for the discount rate and long-term growth rate are 8.1% and 3.0%, respectively. The test resulted in a review of the amount of the impairment provision recognized in previous fiscal years and the recognition of an additional impairment provision of €109 million recognized in Share of profit of associates for the year ended December 31, 2019.

Note 5.8. Impairment review of other Investments in associates

Impairment review as of December 31, 2020

Following the impairment review of other investments in associates, the Group did not recognize any impairment.

Impairment review as of December 31, 2019

Following the impairment review of other investments in associates, the Group recognized an impairment charge totaling €36 million in respect of a company in the fresh dairy products business.

NOTE 6. INFORMATION CONCERNING THE GROUP'S OPERATING ACTIVITIES

Note 6.1. Accounting principles

Sales

Danone's sales mainly comprise sales of finished products. They are recognized in the income statement when the control of goods is transferred. They are stated net of trade discounts and customer rebates, as well as net of costs relating to trade support and listing or linked to occasional promotional actions invoiced by customers. These amounts are estimated when net sales are recognized, on the basis of agreements and commitments with the customers concerned.

Cost of goods sold

The cost of goods sold mainly comprises industrial costs (including raw material costs, depreciation of industrial assets and personnel costs relating to production activity) and certain logistics and transportation costs.

Selling expense

Selling expenses mainly comprise marketing expenses and consumer promotions as well as sales force overheads.

General and administrative expense

General and administrative expenses mainly comprise other personnel and administrative costs.

Research and Development expense

Development costs are generally expensed as incurred due to the very short time between the date on which technical feasibility is demonstrated and the date on which the products are launched. Certain development costs are recognized under assets in the consolidated balance sheet (see Note 10 of the Notes to the consolidated financial statements).

Note 6.2. Operating segments

General principles

In 2020, the primary operational decision-makers (the Chairman and Chief Executive Officer, Emmanuel FABER, and the Chief Financial Officer, Technology & Data, Cycles and Procurement, Cécile CABANIS) continued to monitor Danone's businesses by category (see Note 7.2 of the Notes to the consolidated financial statements). The operating segments correspond to the EDP, Specialized Nutrition and Waters Reporting Entities. The key indicators reviewed and used internally by the primary operational decision-makers to assess operational performance are:

- Sales;
- Recurring operating income;

- Recurring operating margin, which corresponds to the ratio of Recurring operating income to Sales.

Only these indicators are monitored by Reporting Entity: the other key indicators reviewed and used internally by the primary operational decision-makers are monitored at Group level.

Information by Reporting Entity

Year ended December 31

	Sales [a]		Recurring operating income		Recurring operating margin	
(in € millions, except percentage)	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**
EDP	13,163	12,823	1,345	1,303	10.2%	10.2%
Specialized Nutrition	7,556	7,192	1,908	1,763	25.3%	24.5%
Waters	4,568	3,605	593	251	13.0%	7.0%
Group total	**25,287**	**23,620**	**3,846**	**3,317**	**15.2%**	**14.0%**

(a) Net sales to third parties.

Reporting by geographical area

Sales, Recurring operating income and Recurring operating margin

Year ended December 31

	Sales [a]		Recurring operating income		Recurring operating margin	
(in € millions, except percentage)	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**
Europe and Noram [b]	13,710	13,408	1,999	1,823	14.6%	13.6%
Rest of the World	11,577	10,212	1,847	1,494	16.0%	14.6%
Group total	**25,287**	**23,620**	**3,846**	**3,317**	**15.2%**	**14.0%**

(a) Net sales to third parties.
(b) Including net sales of €2,011 million generated in France in 2020 (€2,190 million in 2019).

Top ten countries contributing to sales

Year ended December 31

(in percentage)	**2019**	**2020**
United States	19%	21%
China	10%	9%
France	9%	9%
Russia	6%	6%
Indonesia	6%	6%
United Kingdom	5%	5%
Spain	4%	4%
Mexico	5%	4%
Germany	3%	3%
Poland	2%	2%

Non-current assets: property, plant and equipment and intangible assets

As of December 31

(in € millions)	**2019**	**2020**
Europe and Noram [a]	23,621	22,576
Rest of the World	8,026	7,032
Group total	**31,647**	**29,609**

(a) Including €2,528 million in France as of December 31, 2020 (€2,396 million as of December 31, 2019).

Note 6.3. Other components of recurring operating income

Other income (expense)

	Year ended December 31	
(in € millions)	**2019**	**2020**
Various taxes [a]	(43)	(36)
Restructuring costs [b]	(25)	(7)
Capital gains on disposals of property, plant and equipment and intangible assets	4	(4)
Other [c]	11	(15)
Total	**(53)**	**(61)**

(a) Comprises notably sales taxes.
(b) Excluding transformation of the Group's operations and the integration of the Early Life Nutrition and Advanced Medical Nutrition businesses.
(c) Comprises currency translation differences, asset impairment, provisions for doubtful receivables and several other components.

Note 6.4. Working capital

Accounting principles

Inventories

Inventories and work-in-progress are recognized at the lower of cost and net realizable value. Cost is determined using the weighted average cost method.

Trade receivables

Trade receivables are recognized at amortized cost in the consolidated balance sheet.

Impairment provisions

Impairment provisions mainly concern disputes on which Danone is in discussion with customers. Impairment provisions for expected losses are recognized at the level of expected losses over the life of the receivable.

Transactions in foreign currencies

When they are not hedged, transactions denominated in foreign currencies are translated using the exchange rate prevailing on the date of the transaction. At period-end, trade receivables and trade payables denominated in foreign currencies are translated using the exchange rates applicable on that date. Foreign exchange gains and losses arising from transactions in foreign currencies are recognized under the heading Other income (expense) in the consolidated income statement. When they are hedged, the hedging impact is recognized in the same item as the hedged element. As a result, all such transactions are recognized at the hedged spot rate, swap points being recognized under the heading Other financial income (expense).

Carrying amount

	As of December 31	
(in € millions, except percentage)	**2019**	**2020**
Goods purchased for resale	122	105
Raw materials and supplies	874	773
Semi-finished goods and work-in-progress	184	218
Finished goods	902	830
Non-refundable containers	17	90
Impairment provisions	(167)	(175)
Inventories, net	1,933	1,840
Trade and other receivables from operations	3,019	2,714
Impairment provisions	(114)	(106)
Trade receivables, net	2,906	2,608
State and local authorities	812	714
Derivatives – assets [a]	23	61
Other	105	225
Total other current assets	940	1,000
Total current assets	**5,778**	**5,448**
Trade payables	(3,959)	(3,467)
Year-end rebates payable to customers	(1,230)	(1,228)
State and local authorities	(342)	(254)
Personnel costs, including social security charges	(917)	(835)
Derivatives – liabilities [a]	(80)	(67)
Other	(251)	(331)
Total other current liabilities	(2,819)	(2,714)
Total current liabilities	**(6,779)**	**(6,181)**
Working capital	**(1,000)**	**(733)**
As a percentage of consolidated sales	4.0%	3.1%

(a) Fair value of derivatives used to hedge operational currency and raw materials risks, most of which are implemented over a horizon of less than one year.

Credit risk on trade receivables

Credit risk exposure

Credit risk represents the risk of financial loss for the Group if a customer or counterparty should fail to meet its contractual payment obligations. The customer payment term is generally 30 days and the Group's main customers are essentially in the mass retail sector where credit risk is considered low.

Due to the large number of customers located in diverse geographical areas and the fact that its main customers are in the mass retail sector, and despite the current economic situation, the Group believes that it is neither exposed to significant credit risk, nor dependent to a material extent on any single customer.

Sales to the Group's largest customers and overdue receivables not yet fully impaired

	Year ended December 31	
(in percentage)	**2019**	**2020**
Portion of consolidated sales made to the Group's largest customers		
Group's largest customer	5.9%	6.8%
Group's five largest customers	13.0%	14.3%
Group's ten largest customers	19.0%	21.2%
Portion of overdue trade receivables not yet fully impaired [a]	**6.4%**	**6.2%**

(a) More than 30 days overdue.

Trade receivables derecognized in connection with the non-recourse factoring programs

As of both December 31, 2020 and December 31, 2019, the amounts are not material.

Reverse factoring programs

The Group uses reverse factoring programs in the normal course of its business. These programs are implemented within a strict framework, notably with respect to:

- use and function as a payment tool;
- exclusively for approved invoices;
- payment by Danone respecting the invoice terms, notably due dates, in accordance with applicable regulations and practices;
- at no cost to Danone.

The amounts to be paid using these payment tools are not reclassified. They remain commitments to suppliers and are carried as operating liabilities under Trade payables until paid by Danone, which has the effect of clearing the commitment.

Several of the Group's subsidiaries in various parts of the world are involved in these programs, none of which is individually material.

Fair value of trade receivables and payables

	As of December 31	
(in € millions)	**2019**	**2020**
Trade receivables	3,019	2,714
Impairment provisions	(114)	(106)
Fair value of trade receivables	**2,906**	**2,608**
Discounts granted to customers [a]	(1,230)	(1,228)
Fair value of trade receivables net of discounts granted	**1,676**	**1,381**

(a) Amount recognized as a current liability in the Group's consolidated balance sheet.

Note 6.5. Property, plant and equipment, capital expenditure and leases (right-of-use assets)

Accounting principles

Property, plant and equipment acquired

Property, plant and equipment acquired by the Group are recognized at cost of acquisition or at construction cost.

Depreciation

Depreciation of property, plant and equipment is calculated on a straight-line basis over the estimated useful lives as follows:

- buildings: 15 to 40 years;
- equipment, furniture and fixtures: 5 to 20 years;
- other: 3 to 10 years.

The depreciation charges in respect of property, plant and equipment are allocated to various headings in the income statement on the basis of the nature and utilization of the assets concerned.

Refundable containers

Refundable containers (including, in particular, jugs in the Waters Reporting Entity) are recognized at cost. They are depreciated on a straight-line basis, based on available statistics for each Group entity, over the shorter of the following lengths of time:

- physical useful life, taking into account the internal and external breakage rates and wear and tear;
- commercial useful life, taking into account planned or likely modifications of containers.

When the amount of the refund changes, the liability for deposits received is measured based on the new amount.

Leased assets

IFRS 16 *Leases* requires lessees to use a unique accounting model for leases, which involves the recognition in the balance sheet of a right-of-use asset with a corresponding lease liability in respect of the present value of the lease payments due over the reasonably certain term of the lease. Deferred tax is also recognized on the basis of the difference between the carrying amount of the right-of-use asset and the lease liability.

The depreciation charge in respect of the right-of-use asset is presented in the various headings within consolidated net income and the interest expense relating to the lease liability is presented within Interest expense.

The cash flows relating to the lease payments are presented in cash flows provided by (used in):

- financing activities, in the case of the portion corresponding to the repayment of the lease liability;
- operating activities, in the case of the portion corresponding to the interest on the lease liability.

Danone uses the incremental borrowing rate to determine the lease liability unless the interest rate implicit in the lease can be easily determined. It is calculated separately for each currency and maturity, on the basis of the internal financing rate, to which is added a credit spread for the Danone SA bond issues, taking into account a linear repayment profile.

The lease term used is the non-cancellable period during which Danone has the right to use the underlying asset, together with both periods covered by options to extend or to terminate the lease if their exercise is assessed as reasonably certain. The decision of the IFRS IC of November 26, 2019 concerning lease term and the useful life of leasehold improvements did not have a material impact on the Group's consolidated financial statements. The right-of-use asset is depreciated over the lease term or over the useful life of the underlying asset if the exercise of a purchase option is deemed reasonably certain.

Danone uses the simplification measures specified by IFRS 16 and consequently:

- does not restate leases of low value assets whose reasonably certain term is less than 12 months. The lease expense is recognized in the income statement as incurred;
- it distinguishes between the lease and non-lease components and accounts for them accordingly;
- for the purposes of its implementation as of January 1, 2019:
  - did not apply IFRS 16 to contracts that the Group had not previously identified as containing a lease component, pursuant to IAS 17 and IFRIC 4: IFRS 16 is not applied on the transition date and will be applied, where relevant, on the renewal of the contract if it is determined that the contract is or contains a lease; the accounting principles in force as of December 31, 2018 for such leases therefore remain applicable;
  - relied, where relevant, on its assessment of whether leases were onerous leases as of December 31, 2018, to adjust the right-of-use asset recognized as of the date of first-time application.

Carrying amount and changes during the period

	2019				2020			
(in € millions)	Land and buildings	Machinery and equipment	Other and assets in progress	Total	Land and buildings	Machinery and equipment	Other and assets in progress	Total
Carrying amount								
As of January 1	**2,587**	**2,882**	**1,373**	**6,842**	**2,644**	**2,877**	**1,323**	**6,844**
Capital expenditure [a]	96	228	602	926	56	109	725	890
Disposals	(3)	(10)	1	(12)	(6)	(19)	(8)	(34)
Reclassification of assets held for sale	(43)	–	–	(43)	–	–	–	–
Changes in consolidation scope	(8)	(9)	(5)	(21)	13	4	1	17
Translation adjustments	32	32	21	85	(154)	(200)	(108)	(461)
Impairment [a]	(40)	(79)	(10)	(128)	(8)	(45)	(1)	(54)
Depreciation charges [a]	(138)	(495)	(137)	(770)	(142)	(431)	(133)	(706)
Impacts of the above on the right-of-use assets (gross) [b]	119	32	46	197	191	29	78	298
Impacts of the above on the right-of-use assets (depreciation and impairment) [b]	(115)	(31)	(81)	(227)	(120)	(29)	(81)	(230)
Other [c]	155	326	(486)	(5)	125	313	(431)	7
As of December 31	**2,644**	**2,877**	**1,323**	**6,844**	**2,600**	**2,608**	**1,365**	**6,572**
Of which right-of-use assets [b]	*663*	*207*	*201*	*1,072*	*709*	*196*	*189*	*1,095*
Of which gross amount	*4,266*	*8,217*	*2,339*	*14,822*	*4,371*	*8,067*	*2,366*	***14,804***
Of which depreciation and impairment	*(1,622)*	*(5,340)*	*(1,016)*	*(7,978)*	*(1,771)*	*(5,459)*	*(1,001)*	**(8,232)**

(a) Excluding right-of-use assets.
(b) Right-of-use assets pursuant to IFRS16 *Leases*.
(c) Corresponds mainly to the effects of the application of IAS 29 (see Note 1.3 of the Notes to the consolidated financial statements).

Impairment review of property, plant and equipment

Property, plant and equipment are reviewed for impairment when events or circumstances indicate that the recoverable amount of the asset (or group of assets to which it belongs) may be impaired:

- the recoverable amount corresponds to the higher of the market value and value in use;
- value in use is estimated on the basis of the discounted cash flows that the asset (or group of assets to which it belongs) is expected to generate over its estimated useful life in the conditions of use determined by the Group;
- market value corresponds to the estimated net selling price that could be obtained by the Group in an arm's length transaction.

An impairment provision is recognized when the recoverable amount of the asset proves to be lower than its carrying amount.

Capital expenditure during the period

	Year ended December 31	
(in € millions, except percentage)	**2019**	**2020**
Related cash flows	(951)	(962)
As a percentage of sales	*3.8%*	*4.1%*

Note 6.6. Off-balance sheet commitments relating to operating activities

Commitments given in 2020

		Amount of financial flows for the period				
(in € millions)	Total	2021	2022	2023	2024	2025 and after
Commitments to purchase goods and services [a]	(3,690)	(2,410)	(764)	(279)	(89)	(150)
Capital expenditure commitments	(336)	(316)	(20)	–	–	–
Guarantees and pledges given	(21)	(21)	–	–	–	–
Other	(75)	(39)	(17)	(10)	(4)	(5)
Total	**(4,122)**	**(2,786)**	**(801)**	**(288)**	**(93)**	**(154)**

(a) Commitments relating mainly to purchases of milk, dairy ingredients and other food raw materials.

Commitments given in 2019

		Amount of financial flows for the period				
(in € millions)	Total	2020	2021	2022	2023	2024 and after
Commitments to purchase goods and services [a]	(4,149)	(2,417)	(1,047)	(402)	(171)	(112)
Capital expenditure commitments	(181)	(178)	(3)	–	–	–
Guarantees and pledges given	(17)	(17)	–	–	–	–
Other	(182)	(53)	(21)	(11)	(14)	(83)
Total	**(4,528)**	**(2,665)**	**(1,070)**	**(412)**	**(186)**	**(195)**

(a) Commitments relating mainly to purchases of milk, dairy ingredients and other food raw materials.

Other commitments

The Company and its subsidiaries are parties to a variety of legal proceedings arising in the normal course of business, notably as a result of guarantees given on disposals since 1997. In some cases, damages and interest are sought. Provisions are recognized when an outflow of resources is probable and the amount can be reliably estimated.

Note 6.7. Financial risks associated with operating activities

The Group's financial risk policy and its organization are detailed respectively in Note 13.3 and Note 13.1 of the Notes to the consolidated financial statements.

Foreign exchange risk

Risk identification

The Group mainly operates on a local basis and consequently in the currency of the country in which it is operating, thereby incurring no currency risk. However, the location of some of the Group's production units may result in intercompany billings in foreign currencies. This applies particularly to the Specialized Nutrition Reporting Entity and, to a lesser extent, to the EDP Reporting Entity excluding the activities of the WhiteWave companies. Similarly, some raw materials are billed or indexed in foreign currencies, in particular for the Waters and EDP Reporting Entities. Lastly, the Group is also developing some export activities. The sales and operating margin of some subsidiaries are therefore exposed to fluctuations of foreign exchange rates against their functional currency.

Risk monitoring and management

The hedging policy related to operational foreign exchange risk is detailed in Note 13.3 of the Notes to the consolidated financial statements, section *Operational currency risk management.*

Exposure

Pursuant to its financial currency risk hedging policy, the Group's residual exposure (after hedging) is not significant over the hedging period. As of December 31, 2020, the main hedged currencies in terms of value included the British pound, Chinese yuan, Australian dollar, Mexican peso, US dollar and Russian ruble.

Commodities risk

Risk identification

Danone's principal raw material needs consist primarily of:

- materials needed to produce food and beverage products, mainly milk, sugar and fruit. In terms of value, milk is the main raw material purchased, primarily in the form of liquid milk, for which the operating subsidiaries typically enter into agreements with local producers or cooperatives. Its price is set locally, over contractual periods that vary from one country to another. The other main food raw materials are fruit-based preparations;
- product packaging materials, in particular plastics and cardboard ("packaging"). Packaging purchases are managed through regional or global purchasing programs to optimize skills and volume effects. Prices are influenced by supply and demand at the global and regional levels, economic cycles, production capacities and oil prices;

- energy supplies, which account for only a limited portion of its purchases.

Danone's strategy increasingly focuses on the upstream portion of its activities and in particular its supply of raw materials, not only to manage its costs but also to make it a source of value creation and differentiation relative to the competition. However, the price trends of major raw materials may affect the structure of Danone's results.

Risk monitoring and management

Danone manages cost volatility through operational initiatives such as continuous productivity gains: Danone strives in particular to optimize its use of raw materials (reductions in production waste, lighter packaging and more effective use of milk sub-components in its products) and take advantage of pooled purchasing, for example through centralized management of purchases other than milk for the EDP and Specialized Nutrition Reporting Entities. Furthermore Danone has implemented a purchasing policy (Market Risk Management) which is detailed in the section *Management of commodities price volatility risk* of Note 13.3 of the Notes to the consolidated financial statements.

Sensitivity of net income to changes in prices of the two main categories of raw materials purchased by the Group

Impact on the cost of raw materials for the fiscal year concerned of an increase/decrease in their price applied uniformly across all countries, throughout that fiscal year, using constant exchange rates (projected annual rate determined by Danone for the 2020 fiscal year)

	Year ended December 31	
	2019	**2020**
(in € millions)	**Income (expense)**	**Income (expense)**
Increase of 5%		
Liquid milk, milk powder and other milk-based ingredients	(111)	(145)
Plastics, including PET	(74)	(56)
Decrease of 5%		
Liquid milk, milk powder and other milk-based ingredients	111	145
Plastics, including PET	74	56

NOTE 7. EVENTS AND TRANSACTIONS OUTSIDE THE GROUP'S ORDINARY ACTIVITIES

Note 7.1. Other operating income (expense)

Accounting principles

Other operating income and expenses comprise items that, because of their significant or unusual nature, cannot be viewed as inherent to Danone's recurring activity and have limited predictive value, thus distorting the assessment of its recurring operating performance and its evolution. These mainly include:

- capital gains and losses on disposals of businesses and fully consolidated companies;
- impairment charges on intangible assets with indefinite useful lives;
- costs related to strategic restructuring or transformation plans;
- costs related to major external growth transactions;
- costs related to major crises or major litigations;
- in connection with IFRS 3 (Revised) and IAS 27 (Revised) relating to business combinations, (i) acquisition costs related to business combinations, (ii) revaluation profit or loss accounted for following a loss of control, and (iii) changes in earn-outs relating to business combinations and subsequent to the acquisition date.

Other operating income (expense) in 2020

In 2020, the net Other operating expense of €(519) million consisted mainly of the following items:

(in € millions)	Notes	**Related income (expenses)**
Impairment of intangible assets	10.2, 10.3	(353)
Costs related to the transformation of Danone's organizations and operations	7.2	(163)
Costs related to the integration of the Early Life Nutrition and Advanced Medical Nutrition businesses [a]		(46)
Proceeds from disposals of businesses and assets		51

(a) Related mainly to the costs associated with staff and information systems.

Other operating income (expense) in 2019

In 2019, the net Other operating expense of €(609) million consisted mainly of the following items:

(in € millions)	**Related income (expenses)**
Effect of the disposal of Earthbound Farm [a]	(154)
Costs relating to the strategic restructuring of the EDP and Waters Reporting Entities in certain countries [b]	(159)
Expenses related to the transformation of Danone's organization	(114)
Impairment of two brands in the EDP Reporting Entity and one brand in the Specialized Nutrition Reporting Entity	(84)
Costs associated with the integration of WhiteWave	(46)

(a) Including impairment charges of €119 million, on the date they were classified as assets held for sale in accordance with IFRS 5, less disposal costs.
(b) Latin America, Africa and China.

Note 7.2. Transformation of Danone's organization and operations

In February 2020, Danone announced the transformation and adaptation of its operations across its entire value chain: digital, end-to-end connected value chain through data, technology and agile ways of working to strengthen execution and to meet new consumer needs in terms of products, consumption premises and times, and effects on the environment. Regarding the Other operating expenses recognized in 2020, they mostly concern the beginning of the execution of the operations' transformation of the EDP Reporting Entity and mainly relate to employee-related costs.

In addition, in light of the global spread of the Covid-19 health crisis and the emergence of a radically changed environment, Danone decided to implement a new organization to (i) best serve its strategy and (ii) optimize the execution of its transformation and adaptation plans, (iii) by being better adapted and more agile at the local level:

- move from a category-led global organization to a local geography-led organization: Local First plan;
- integration of the value chain, End-to-End Design to Delivery: creation of a new strategic function, integrating global and local capabilities from Research & Innovation, Cycles & Procurement, Operations (manufacturing and supply chain) and Quality.

To reflect this new organization, on November 23, 2020, Danone announced the expansion of its Executive Committee:

- creation of two macro-regions:
  - Danone International which, to ensure decisions are pushed down to a local level, will be organized around five zones in 2021: Europe, Asia/Africa & Middle East, Greater China & Oceania, CIS & Turkey and Latin America;
  - Danone North America;
- representation of the new End-to-End Design to Delivery function.

Since the new geography-led organization is due to be implemented in 2021, it had no impact on the operating segments in 2020 as the primary operational decision-makers continued to monitor Danone's businesses on a category basis (EDP, Waters and Specialized Nutrition).

NOTE 8. NUMBER OF EMPLOYEES, PERSONNEL COSTS AND EMPLOYEE BENEFITS

Note 8.1. Number of employees at fully consolidated companies

Number of employees as of December 31 and breakdown by Reporting Entity and geographical area

	As of December 31	
	2019	**2020**
Total number of employees	**102,449**	**101,911**
By geographical area		
Europe and North America	31%	32%
North America	6%	6%
Europe	25%	26%
Rest of the World	69%	68%
Asia, Pacific and Middle East	21%	21%
China	8%	8%
CIS	9%	9%
Africa	8%	8%
Latin America	23%	23%
Total	**100%**	**100%**
By Reporting entity		
EDP	41%	41%
Specialized Nutrition	21%	21%
Waters	35%	35%
Corporate functions	3%	3%
Total	**100%**	**100%**

Note 8.2. Personnel costs of fully consolidated companies

	Year ended December 31	
(in € millions)	**2019**	**2020**
Salaries and social security charges [a]	(3,917)	(3,990)
Retirement obligations – defined benefit plans [b]	(37)	(43)
Expenses relating to Group performance shares (GPS)	(28)	(16)

(a) Salaries after social security charges. Also comprises the contributions in respect of defined contribution retirement plans.
(b) Service cost.

Note 8.3. Retirement commitments, retirement indemnities and personal protection

General principles

The Group contributes to employee retirement benefit plans in accordance with the laws and usual practices of countries in which its subsidiaries operate. The Group has no actuarial liability in respect of contributions paid under such plans to private or state sponsored pension funds. The Group also has contractual obligations for supplementary retirement plans, severance pay, retirement indemnities and personal protection plans. The related actuarial commitments are taken into account either through the payment of contributions to independently-managed funds responsible for their service and the fund administration, or through provisions.

Accounting principles

Defined contribution retirement plans

Contributions due under defined contribution plans are expensed as incurred. These expenses are allocated to different headings in the consolidated income statement.

Defined benefit retirement plans

The Group's obligations relating to defined benefit retirement plans are calculated using the projected unit credit method and by taking into account actuarial assumptions, including employee turnover, salary increases and employees' expected active lives.

The carrying amounts of these plans on the consolidated balance sheet correspond to the actuarial value of the obligations, as defined above, less the fair value of the plan assets (retirement funds to which the Group contributes, for example). They are presented under the heading Provisions for retirement obligations and other long-term benefits. In addition, the expected return on plan assets is measured on the basis of the discount rate used to estimate the actuarial value of retirement commitments. Actuarial gains and losses resulting from experience adjustments and changes in the actuarial assumptions that are used to calculate the obligations net of the assets (including the difference between the expected return and the actual return on plan assets) are fully recognized within Other comprehensive income.

The recognized costs and income of defined benefit plans correspond mainly to:

- the cost of services provided during the year and of prior services (where relevant) allocated according to their function to the various headings in the consolidated income statement;
- the accretion of the present value of the obligations, net of the expected return on plan assets, recognized within Other financial income (expense).

Other long-term benefits

Other long-term benefits may be granted by certain Group companies to their employees, such as personal protection coverage and long-service awards. The Group's obligations in respect of these benefits are determined by applying a similar method to that used to determine the obligations relating to defined benefit retirement plans.

The amounts recognized in the balance sheet in respect of these plans correspond to the present value of the obligations, as detailed above. They are presented under the heading Provisions for retirement obligations and other long-term benefits. The actuarial gains and losses resulting from experience adjustments and changes in the actuarial assumptions used to calculate obligations are recognized in full within Recurring operating income of the fiscal year in which they are incurred.

Defined benefit retirement plans

Provisions for retirement obligations and other long-term benefits

	As of December 31	
(in € millions)	**2019**	**2020**
Defined benefit retirement plans	1,063	1,189
Other long-term benefits	28	31
Total	**1,091**	**1,220**

Defined benefit retirement plans and other post-employment benefits

Carrying amount of gross obligations

	As of December 31	
(in percentage)	**2019**	**2020**
Retirement plan for senior managers	32%	34%
Other	18%	17%
France	50%	51%
Germany	11%	10%
Indonesia	9%	9%
Belgium	7%	8%
United States	7%	7%
Ireland	6%	7%
Other [a]	9%	9%
Total	**100%**	**100%**

(a) Several countries, none of which represents more than 5% of the Group's gross obligations.

Group's principal obligation

The Group's principal defined benefit retirement plan obligations involve the Retirement plan for senior managers in France. This retirement plan, which was set up in 1976 to retain key managers, may also include certain senior executives who were "Group Directors" on December 31, 2003, at which date the plan was closed to new beneficiaries. On December 31, 2020, 81 Group Directors were members of this plan (excluding plan beneficiaries who had already claimed their pension benefits), compared to 170 potential beneficiaries in 2003.

General principles

This plan provides for a pension based on years of service and the amount of final salary, under the condition that the beneficiary is still in Danone's employment at the time of retirement. The pension is paid after deducting certain pensions corresponding: (i) with respect to a first category of senior executives, to the full amount of retirement benefits they acquired over the course of their professional career; and (ii) with respect to a second category of senior executives, to the full amount of retirement benefits that they acquired due to the implementation of a Company non-contributory supplementary retirement plan. It may reach a maximum of 65% of final salaries.

In the event of leaving Danone before the age of 55 or in the event of death before retirement, the employee loses all benefits under this plan, it being specified that if the employee is laid off after the age of 55, the plan benefits are preserved, subject to the beneficiary not taking any salaried position in the future.

Other obligations

Most of the other retirement plans put in place by the Group concern only a given subsidiary in a given country. Consequently, the Group is required to manage several different plans in a given country. None is material.

Carrying amount of provisions (gross obligations net of plan assets)

						As of December 31
			2019			**2020**
(in € millions)	**Retirement plan for senior managers**	**Other plans**	**Total**	**Retirement plan for senior managers**	**Other plans**	**Total**
Vested rights with projected salaries	518	1,079	1,597	573	1,141	1,714
Fair value of plan assets	(146)	(388)	(534)	(134)	(391)	(525)
Vested rights net of fair value of plan assets	**372**	**691**	**1,063**	**439**	**750**	**1,189**
Impact of ceiling on assets			–			–
Obligations for which provisions have been recorded on the balance sheet	**372**	**691**	**1,063**	**439**	**750**	**1,189**

In addition, the total amount of contributions/benefits to be paid out in 2021 in connection with these plans is estimated at €43 million.

Actuarial assumptions

Methodology

The Group defines the actuarial assumptions by country and/or subsidiary. The discount rates used in 2020 were obtained on the basis of investment grade (AA rating) bond yields of private issuers for durations equivalent to that of the commitment in the corresponding monetary areas. The level of quality used is assessed on the basis of the rating obtained from the leading financial rating agencies. In the case of illiquid markets, the discount rate is determined using government bonds of equivalent maturity to the term of the assessed plans.

Retirement plan for senior managers

Main actuarial assumptions

		Year ended December 31
		Retirement plan for senior managers
(in percentage, except for ages in number of years)	**2019**	**2020**
Discount rate	1.2%	0.8%
Expected return on plan assets	1.2%	0.8%
Salary growth rate	3.0%	3.0%
Retirement age	60-66	60-66

Sensitivity analysis to the discount rate

		Year ended December 31
		Retirement plan for senior managers
	2019	**2020**
(in € millions)	**Increase (decrease)**	**Increase (decrease)**
50 bps increase	(47)	(52)
50 bps decrease	54	57

Changes in carrying amount of provisions

				2019				2020
(in € millions)	Vested rights	Plan assets	Impact of ceiling on assets	Obligations provisioned	Vested rights	Plan assets	Impact of ceiling on assets	Obligations provisioned
As of January 1	**1,391**	**(548)**	**–**	**843**	**1,597**	**(534)**	**–**	**1,063**
Service cost	37	–		37	43	–		43
Effect of discounting	39	–		39	30	–		30
Expected return on plan assets	–	(12)		(12)	–	(7)		(7)
Other	(56)	30		(26)	(17)	14		(2)
Expense for the year	20	17		38	56	7		64
Payments made to retirees	(53)	32		(22)	(56)	31		(26)
Contributions to plan assets	–	(12)		(12)	–	(18)		(18)
Changes in demographic assumptions	9	–		9	(10)	–		(10)
Changes in economic assumptions	219			219	138	–		138
Experience effects	(5)	(19)		(23)	16	(23)		(8)
Actuarial gains and losses	224	(19)	–	205	144	(23)	–	121
Translation adjustments	13	(5)		8	(34)	11		(22)
Other	2	–		2	7	–		7
As of December 31	**1,597**	**(534)**	**–**	**1,063**	**1,714**	**(525)**	**–**	**1,189**

The increase in the provision between December 31, 2019 and December 31, 2020 was due mainly to the decrease in the discount rates used for the Senior Managers' Plan and the other plans in most countries.

Defined benefit retirement plan assets

The investment policy for plan assets depends, for each company, on the employees' age structure and the expected return on the various asset classes.

Plan assets of retirement plan for senior managers

As of December 31

	Retirement plan for senior managers	
(in € millions, except percentage)	2019	2020
Fair value of plan assets	**(146)**	**(134)**
Main class of plan assets		
Debt securities [a] [b]	90%	90%
Stock equity [b]	4%	4%
Real estate and other asset classes [b]	5%	5%

(a) These assets are diversified and, in particular, exposure to individual sovereign risk is limited.
(b) Do not include any financial instruments issued by the Group.

Defined contribution retirement plans

Contributions paid as part of defined contribution plans are recognized according to their function under various headings in the consolidated income statement.

Note 8.4. Group performance shares

Group policy

The Group has awarded long-term compensation in the form of Group performance shares (GPS) to around 1,600 directors and senior executives, as well as to the corporate officers.

General principles applicable to Group performance shares

The GPS are shares in the Company that are subject to performance conditions, set by the Shareholders' Meeting for each plan. In the case of all outstanding plans, the performance conditions are based on aspects of Danone's performance. The GPS are also subject to the employee continuing to be employed by Danone for four years.

Group Performance Shares outstanding

	Year ended December 31	
(in number of shares)	**2019**	**2020**
As of January 1	**2,151,944**	**2,151,501**
Maximum number [a]	*2,212,646*	*2,236,479*
Shares granted during the year	551,159	714,710
Maximum number [a]	*578,923*	*750,484*
Shares that lapsed or were canceled during the year [b]	(103,989)	(514,198)
Shares delivered during the year	(447,613)	(407,864)
As of December 31	**2,151,501**	**1,944,149**
Maximum number [a]	*2,236,479*	*2,006,027*

(a) If the continuous employment and performance conditions are fully met.
(b) For the GPS granted in 2018, the Board of Directors must examine the level of achievement of the performance condition relating to sales growth in the second quarter of 2021. For the purposes of the 2020 consolidated financial statements, Danone has included, in the number of GPS that have lapsed during the year, those GPS likely to lapse due to the non-achievement of this performance condition, on the basis of information known as of the approval date by the Board of Directors (even if such shares' cancellation has not yet been acknowledged by the Board).

Accounting treatment

Accounting principles

The fair value of the GPS is calculated on the basis of assumptions made by the Group's management. The corresponding charge is spread over the vesting period (4 years). Since the performance conditions are based on internal performance, charges recognized in respect of shares that lapse due to the failure to achieve said performance conditions are written back in the income statement for the period in which it is probable they will lapse. The corresponding expense is allocated according to its function to the various headings in the consolidated income statement.

In addition, the GPS are taken into account in the calculation of the diluted number of shares as described in Note 14.4 of the Notes to the consolidated financial statements.

Valuation as of the grant date

	Year ended December 31	
(in € per share, except for number of shares)	**2019**	**2020**
Number of shares granted	551,159	714,710
Fair value of shares granted [a]	66.7	53.2
Average DANONE share price	72.5	59.9

(a) Fair value as of the grant date.

Expenses related to GPS including taxes

	Year ended December 31	
(in € millions)	**2019**	**2020**
Group performance shares	(28)	(16)
Total expense	**(28)**	**(16)**

Note 8.5. Company Savings Plan

General and accounting principles

Danone regularly carries out capital increases reserved for Danone employees in France participating in a company savings plan. In addition, since 2019, Danone has also carried out capital increases reserved for employees of the foreign companies, on the basis of the authorization given by the Shareholders' Meeting ("One Person, One Voice, One Share" program). The purchase price of the shares corresponds to 80% of the average DANONE share price over the 20 listing days preceding the meeting of the Board of Directors that approves the plan.

The benefit granted to the employees is calculated based on the fair value of the shares on the grant date. The fair value is calculated after taking into account the five-year holding period on these shares and the market parameters applicable to employees, in particular the borrowing rate. The corresponding expense is allocated according to its function to the various headings in the consolidated income statement.

Capital increases reserved for employees

In 2020, these various capital increases reserved for employees accounted for a total amount of €29,525,315.82.

NOTE 9. INCOME TAX

Note 9.1. Income tax expense

Income before tax and tax expense

	Year ended December 31	
(in € millions, except tax rate in percentage)	**2019**	**2020**
Income before tax	**2,867**	**2,488**
Current tax (expense) income	(753)	(799)
Deferred tax (expense) income	(40)	37
Current and deferred tax (expense) income	**(793)**	**(762)**
Effective tax rate	27.7%	30.6%
Amount (paid) received during the year	(774)	(753)

Tax rate and tax systems

French tax system

Danone forms a tax group with most of its French subsidiaries in which it owns, directly or indirectly, more than 95% of the share capital, enabling taxable profits and losses to be offset subject to certain limits and conditions.

Other tax systems

Similar tax grouping arrangements exist in other countries, in particular in the United States, the Netherlands, the United Kingdom, Germany and Spain.

Effective tax rate

In 2020, the Group effective tax rate was 30.6%, higher than in 2019. The increase in the rate in 2020 corresponded mainly to the adverse effects in 2020 of the change in the rate in the Netherlands on the measurement of the long-term deferred tax balances. The 2019 rate included the favorable impact of the sale of Earthbound Farm (EDP, United States).

As is the case with Danone's business activity (see breakdown of sales by country in Note 6.2 of the Notes to the consolidated financial statements), Danone's current and deferred tax expense is also relatively well distributed across several countries, with no single dominant country.

Difference between effective tax rate and 32.02% country tax rate in France

		Year ended December 31	
(in percentage)	**Notes**	**2019**	**2020**
Country tax rate in France		34.4%	32.0%
Differences between French and foreign tax rates [a]		(11.9)%	(10.8)%
Tax on dividends and royalties		2.0%	2.7%
Permanent differences		2.9%	1.6%
Tax loss carryforwards [b]	9.3	0.6%	1.8%
Tax rate adjustments and unallocated taxes [c]		3.2%	4.5%
Impact of capital gains and losses on disposal and asset impairment [d]	7.1, 10.3	(2.6)%	(0.5)%
Other differences		(1.1)%	(0.7)%
Effective tax rate		**27.7%**	**30.6%**

(a) Various countries, none of which generates a significant difference with the country tax rate in France.
(b) In 2020 and 2019, this comprised the impacts of the non-recognition and impairment of the deferred tax assets in certain Latin American countries.
(c) In 2020, this corresponded mainly to the adverse effects of the change in the rate in the Netherlands on the measurement of the long-term deferred tax balances.
(d) In 2019, this corresponded mainly to the disposal of Earthbound Farm (EDP, United States).

Note 9.2. Deferred taxes

Accounting principles

Deferred taxes are recognized for temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except for the cases specified in IAS 12 *Income taxes*. Deferred taxes are calculated using the liability method, applying the enacted income tax rates expected to be applicable when the temporary differences will be reversed.

In addition, temporary differences are reflected in the consolidated financial statements as deferred tax assets or liabilities systematically in the case of associates and on the basis of the most likely scenario as regards the reversal of the differences, *i.e.* distribution of reserves or disposal of the entity concerned, in the case of fully consolidated subsidiaries.

Deferred tax assets and liabilities are offset when the tax entity has a legal right to offset.

Lastly, the Company and its subsidiaries may be subject to tax audits. A provision is recognized in the consolidated financial statements whenever it is probable that a tax reassessment will be made.

Carrying amount

		As of December 31	
(in € millions)	Notes	**2019**	**2020**
Breakdown by type of deferred tax			
Property, plant and equipment and intangible assets		(1,710)	(1,629)
Tax loss carryforwards	9.3	306	302
Provisions for retirement obligations and other long-term benefits		257	281
Employee profit-sharing provisions		13	17
Restructuring provisions		10	4
Other		360	336
Net deferred taxes		**(765)**	**(689)**
Deferred tax assets		790	785
Deferred tax liabilities		(1,556)	(1,474)
Net deferred taxes		**(766)**	**(689)**

Changes during the period

(in € millions)	Notes	**2019**	**2020**
As of January 1		**(777)**	**(766)**
Changes recognized in Other comprehensive income		70	(31)
Changes recognized in profit or loss		(40)	37
Changes in consolidation scope	4.2, 5.3	1	(10)
Other		(21)	81
As of December 31		**(766)**	**(689)**

Note 9.3. Tax loss carryforwards

Accounting principles

Deferred tax assets relating to tax loss carryforwards and temporary differences are recognized when it is more likely than not that these taxes will be recovered. At each closing, the Group reviews the unused tax losses and the amount of deferred tax assets recognized on the balance sheet. In some countries in which losses can be carried forward indefinitely, the Group takes into consideration long-term recovery horizons when justified in light of forecast taxable profits.

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Carrying amount

	As of December 31	
(in € millions)	**2019**	**2020**
Tax losses – recognized portion		
Recognized tax loss carryforwards [a] [b]	1,167	1,157
Tax savings [c]	306	302
Tax losses – unrecognized portion		
Tax loss carryforwards and tax credits not yet used [a]	550	563
Potential tax savings	148	154

(a) Basis amount.
(b) In 2020, as in 2019, they mainly come from the French consolidated tax group.
(c) Corresponds to deferred tax assets based on tax loss carryforwards.

Consumption horizon

Most of the tax losses as of December 31, 2020 can be carried forward indefinitely. The probable consumption horizon for most of these losses is less than ten years.

NOTE 10. INTANGIBLE ASSETS

Note 10.1. Accounting principles

Goodwill

When control of a company is acquired, the fair value of the consideration given to the seller is allocated to the acquired identified assets and the liabilities and contingent liabilities assumed, which are measured at fair value. The difference between the consideration given to the seller and the Group's share of the fair value of the acquired identified assets and the liabilities and contingent liabilities assumed represents goodwill. When the option of recognizing non-controlling interests at fair value is applied, a corresponding premium is allocated to goodwill. Goodwill is recognized in the consolidated balance sheet as an asset under the heading Goodwill.

Goodwill arising from the acquisition of a foreign entity is recognized in the functional currency of the entity acquired and translated at the exchange rates prevailing on the closing date.

Goodwill is not amortized but is tested for impairment at least annually.

For the purposes of impairment testing, goodwill is allocated to the Cash Generating Units (CGU) or groups of CGUs most likely to benefit from the synergies of the business combination and to the lowest level at which goodwill is monitored by the Group. The CGUs correspond to subsidiaries or groups of subsidiaries that are included in the same Reporting Entity and that generate cash flows largely independent from those generated by other CGUs.

Brands with indefinite useful lives

Acquired brands that are distinguishable, have a significant value, are supported by advertising expense and have indefinite useful lives are recorded under the heading Brands in the consolidated balance sheet. The valuation of these brands is generally determined with the assistance of valuation specialists, taking into account various factors, including brand awareness and their contribution to earnings. These brands, which are legally protected, are not amortized but are tested for impairment annually or more frequently if signs of impairment exist (see hereinafter).

Other brands

Other acquired brands that are deemed to have finite useful lives are presented under the heading Brands in the consolidated balance sheet. They are amortized on a straight-line basis over their estimated useful lives, which do not exceed 60 years. The amortization charges in respect of brands with finite useful lives are allocated to various headings in the income statement on the basis of the nature and utilization of the brands concerned.

Development costs

Development costs are only recognized under assets in the consolidated balance sheet if all the recognition criteria set by IAS 38 *Intangible Assets* are met before the products are launched on the market. They are amortized over the term of their legal protection granted to the Group as from the date the corresponding products are launched on the market. Development costs are generally expensed as incurred (see Note 6.1 of the Notes to the consolidated financial statements).

Technologies, development costs and other intangible assets

The following elements are recognized in the balance sheet under the heading Other intangible assets:

- acquired technologies, which are generally valued with the assistance of specialized consultants and amortized over the average duration of the patents;
- acquired development costs meeting the criteria for the recognition of an intangible asset in accordance with IAS 38 *Intangible Assets* (see above);
- other acquired intangible assets are recognized at their acquisition cost. They are amortized on a straight-line basis over their estimated economic lives, which do not exceed 40 years.

The amortization charges in respect of these assets are allocated to various headings in the income statement on the basis of their nature and utilization.

Note 10.2. Carrying amount and changes during the period

		2019				2020			
(in € millions)	Notes	**Goodwill**	**Brands** [a]	**Other intangible assets**	**Total**	**Goodwill**	**Brands** [a]	**Other intangible assets**	**Total**
Carrying amount									
As of January 1		**17,711**	**6,359**	**376**	**24,445**	**18,125**	**6,329**	**348**	**24,803**
Changes in consolidation scope	4.2	50	(25)	(3)	**22**	66	–	48	**114**
Capital expenditure		10	4	62	**75**	–	–	80	**80**
Disposals		–	–	(1)	**(1)**	–	–	(2)	**(2)**
Translation adjustments	1.3	352	118	1	**472**	(1,273)	(379)	(21)	**(1,673)**
Impairment [b]	7.1, 10.3	(3)	(140)	(18)	**(161)**	(32)	(288)	(43)	**(363)**
Amortization charges		–	(3)	(98)	**(101)**	–	(2)	(94)	**(97)**
Other		5	16	29	**51**	130	9	36	**175**
As of December 31		**18,125**	**6,329**	**348**	**24,803**	**17,016**	**5,669**	**351**	**23,037**
Of which gross amount			*6,492*	*1,261*			*6,123*	*1,415*	
Of which amortization			*(23)*	*(895)*			*(25)*	*(1,003)*	

(a) Includes brands with indefinite useful lives and the other brands (€75 million as of December 31, 2020).
(b) In 2020, the impairment losses relating to Other intangible assets with finite useful lives included a €33 million impairment provision in respect of customer relationships of the away-from-home segment resulting from the purchase price allocation process of the WhiteWave group companies acquired in 2017. This impairment reflects the effects of the pandemic crisis of Covid-19 on this segment.

Note 10.3. Impairment review of goodwill and brands with indefinite useful lives

Methodology

The carrying amounts of goodwill and brands with indefinite useful lives are reviewed for impairment at least annually and whenever events or circumstances indicate that they may be impaired. These events or circumstances are linked to significant, unfavorable and lasting changes that have an impact on the economic environment and the assumptions or targets set at the time of acquisition.

Impairment tests are carried out on all property, plant and equipment and intangible assets of the CGUs and groups of CGUs. When the carrying amount of all the property, plant and equipment and intangible assets of the CGUs and groups of CGUs becomes greater than their recoverable amount, an impairment provision is recognized and first charged against goodwill.

The recoverable amount of the CGUs or groups of CGUs to which the tested assets belong is the higher of the fair value net of disposal costs, which is generally estimated on the basis of earnings multiples, and the value in use, which is assessed with reference to expected future discounted cash flows of the CGU or group of CGUs concerned.

Annual impairment testing of brands with indefinite useful lives is based on an individual recoverable amount established using the royalties method, with the exception of certain brands for which the Group has a third-party valuation. In the case of the major brands, the Group re-estimates the royalty rate of the brands concerned in accordance with a method applied each year and based on the brand's parameters including awareness of the brand, its profitability, market shares, etc.

The cash flows used to determine value in use of the CGUs or groups of CGUs and the recoverable amount of the brands with indefinite useful lives are derived from the annual budgets and strategic plans of the CGUs or groups of CGUs, which are drawn up by Management and cover a period of two years, and are extended, where appropriate, on the basis of the most recent forecasts, to:

- three to five years for the CGUs and groups of CGUs in the Waters and EDP Reporting Entities (with the exception of the emerging countries for which the forecasts cover eight years);
- nine years for the Specialized Nutrition Reporting Entity, to better reflect the expected development of its activity on the estimation of the value in use. The Group uses projections over nine years to better reflect the Reporting Entity's growth over this period, since the actual growth rate of these CGUs and groups of CGUs exceeds the long-term growth rate that the Group applies to each of these CGUs.

Future cash flows beyond that period are extrapolated using a long-term growth rate that is specific to each CGU or group of CGUs:

- the operational assumptions used to calculate the terminal value are in line with the last year of projections described above in terms of sales and recurring operating margin;
- the long-term growth rate is determined for each CGU or group of CGUs taking into account its average growth rate in recent years and its geographical area (macro-economic fundamentals, demographics, etc.).

Finally, future cash flows are discounted using the weighted average cost of capital method, according to which the cost of debt and the after-tax cost of equity are weighted based on their respective proportions in the business sector concerned. It is calculated for the Group and increased, for certain CGUs or groups of CGUs, by a premium to take into account the risk factors affecting certain countries.

Impairment tests carried out as of December 31, 2020

Combination of the Early Life Nutrition Asia, Early Life Nutrition Rest of the World and Advanced Medical Nutrition CGUs

Following the integration of the early life nutrition and advanced medical nutrition activities, which was finalized in 2020, the Specialized Nutrition Reporting Entity was reorganized with management of the Early Life Nutrition Asia, Early Life Nutrition Rest of the World and Advanced Medical Nutrition CGUs now carried out on a centralized and global basis. Consequently, Danone combined these CGUs within a single Global Specialized Nutrition CGU, the Group having previously ensured that no impairment provision should have been recognized in respect of the CGUs before they were combined.

Assumptions used

In its business plans, the Group has projected the effects of the Covid-19 pandemic crisis on its various businesses over the entire duration of the plans to reflect the uncertainty as to its magnitude and duration (see below)

Carrying amount and assumptions concerning long-term growth rate and discount rate in respect of the CGUs or groups of CGUs

As of December 31

	Carrying amount of goodwill and brands with indefinite useful lives		Long-term growth rate [g]		Discount rate [g]	
(in € millions)	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**
EDP						
Noram	8,634	7,805	1 to 2.5%	1 to 2.5%	6.5%	6.6%
Centrale Danone	229	189	2.0%	2.0%	8.0%	8.8%
Danone CIS [a]	314	240	3.0%	3.0%	7 to 13%	7 to 13%
Europe	2,612	2,593	0 to 2.5%	0 to 2.5%	7 to 10%	7 to 9%
Other CGUs [b]	292	238	0 to 3%	0 to 3%	7 to 19%	7 to 19%
Total EDP	**12,081**	**11,064**				
• Of which goodwill	8,811	8,129				
• Of which brands with indefinite useful lives [c]	3,269	2,935				
Waters						
Danone Waters France	428	428	1%	1%	6.5%	6.6%
Other CGUs [d]	277	288	0 to 3%	0 to 3%	7 to 19%	7 to 24%
Total Waters	**704**	**716**				
• Of which goodwill	518	536				
• Of which brands with indefinite useful lives [e]	186	180				
Specialized Nutrition						
Global Specialized Nutrition	11,388	10,664	2.5%	2.5%	7 to 9%	6.8%
Happy Family	181	166	2.5%	2.5%	6.6%	6.8%
Total Specialized Nutrition	**11,569**	**10,830**				
• Of which goodwill	8,796	8,351				
• Of which brands with indefinite useful lives [f]	2,772	2,478				
Total	**24,354**	**22,610**				
• Of which goodwill	18,125	17,016				
• Of which brands with indefinite useful lives	6,227	5,594				

(a) Consists mainly of Russia and Ukraine.
(b) More than 10 CGUs.
(c) Consists of several brands, the most material of which are *International Delight*, *Alpro* and *Silk*.
(d) Consists mainly of the Waters Asia CGU and other CGUs, none of which exceeded €150 million as of December 31, 2020 or December 31, 2019.
(e) Consists of several brands, the largest of which is *Volvic*.
(f) Consists of several brands, the largest of which are *Nutricia* and *Milupa*.
(g) Rates applied to goodwill.

Goodwill of the CGUs in the Waters Reporting Entity

In 2020, the pandemic had a major impact on the Waters Reporting Entity's activities, due to their significant exposure to away-from-home consumption (see Note 3.1 of the Notes to the consolidated financial statements) However, their indefinite-life intangible assets accounted for less than 4% of total consolidated intangible assets and did not result from any recent transactions. Consequently, their recoverable amount significantly exceeds their carrying amount, including after taking into account assumptions of a major and prolonged downturn in activity due to the health crisis. This Reporting Entity's recoverable amounts have therefore been measured on the basis of scenarios in which a return to pre-Covid activity levels only happens in the final year.

These assumptions have resulted in a significant reduction in the difference between the carrying amounts and the recoverable amounts thus estimated for the CGUs in the Waters Reporting Entity without an impairment provision being required. However, for the CGUs for which these differences were lower than the value of their invested capital, Danone then carried out additional stress tests. Likewise, these even more unfavorable scenarios did not indicate any impairment.

Goodwill of the Global Specialized Nutrition CGU and the EDP Noram CGU

As of December 31, 2020, the recoverable amount exceeded the carrying amount by the following amounts:

(in € billions)	
Global Specialized Nutrition	22.5
EDP Noram	3.8

Sensitivity analysis for the key value in use assumptions

		Year ended December 31
(in € billions, except percentage)	**Impact on recoverable amount**	**Annual decrease to make recoverable amount equal carrying amount**
Sales – 50bps decrease [a]		
Global Specialized Nutrition	(1.9)	7.8%
EDP Noram	(0.6)	3.7%
Recurring operating margin – 100bps decrease [b]		
Global Specialized Nutrition	(1.9)	11.5%
EDP Noram	(0.9)	4.3%
Long-term growth rate – 50bps decrease		
Global Specialized Nutrition	(2.5)	
EDP Noram	(0.9)	
Discount rate – 50bps increase		
Global Specialized Nutrition	(3.6)	
EDP Noram	(1.2)	

(a) Decrease applied, each year, to the assumed growth in sales, including the final year, on the basis of the 2021 projections.
(b) Decrease applied, each year, to the assumed recurring operating margin, including the final year, on the basis of the 2021 projections.

Goodwill of the other CGUs in the Specialized Nutrition and EDP Reporting Entities

As of December 31, 2020, (i) the CGUs in the EDP Reporting Entity other than EDP Noram and (ii) the Happy Family CGU in the Specialized Nutrition Reporting Entity represented in total 17% of the carrying amount of the Group's goodwill and comprised more than 20 CGUs located in diverse geographical areas and in different countries. Following the goodwill impairment test of these CGUs, the Group recognized an impairment provision in respect of two CGUs in the EDP Reporting Entity totaling €32 million.

As of December 31, 2019, following the goodwill impairment test of these CGUs, the Group did not recognize any impairment provision.

Brands with indefinite useful lives

The Group's main brands are *Nutricia*, *International Delight*, *Silk* and *Alpro*. As of December 31, 2020, they represented more than 50% of the carrying amount of the Group's brands with indefinite useful lives. The other brands are spread over all Reporting Entities and located in diverse geographical areas and different countries and none represented individually more than 8% of the carrying amount of the Group's brands with indefinite useful lives as of December 31, 2020.

Impairment review of the main brands with indefinite useful lives

As of December 31, 2020, the Group tested the value of the *Nutricia*, *International Delight*, *Silk* and *Alpro* brands in accordance with the methodology and the valuation model described above and on the basis of assumptions based on those of the groups of CGUs concerned. These tests did not result in the recognition of any impairment provisions.

In addition, analysis of the sensitivity of the value in use to the key assumptions was carried out on each of these main brands. The key assumptions involved in the valuation model used by the Group are

(i) the growth in sales, (ii) the royalty rate, (iii) the long-term growth rate used to calculate the terminal value, and (iv) the discount rate. The following changes, deemed reasonably possible, in the key assumptions do not alter the findings of the impairment test, *i.e.* the absence of any impairment:

- 50bps decrease in sales (decrease applied, each year, to the assumed growth in sales, including the final year, on the basis of the 2021 projections);
- 50bps decrease in the royalty rate;
- 50bps decrease in the long-term growth rate;
- 50bps increase in the discount rate.

Impairment review of the other brands with indefinite useful lives

As of December 31, 2020, the tests carried out on brands with indefinite useful lives other than *Nutricia*, *International Delight*, *Silk* and *Alpro* required partial impairment (totaling €288 million) of four brands in the EDP Reporting Entity and one brand in the Specialized Nutrition Reporting entity, in light of the new assumptions made in their strategic plan. In addition, Danone assessed the sensitivity of the impairment amount to changes in the key assumptions in respect of the main brands concerned. Taken individually, none of the following assumptions would require additional impairment totaling more than €25 million in respect of these brands:

- 50bps decrease in sales (decrease applied, each year, to the assumed growth in sales, including the final year, on the basis of the 2021 projections);
- 50bps decrease in the royalty rate;
- 50bps decrease in the long-term growth rate;
- 50bps increase in the discount rate.

As of December 31, 2019, following the impairment tests of the other brands with indefinite useful lives, the Group recognized an impairment provision in respect of two brands in the EDP Reporting Entity and one brand in the Specialized Nutrition Reporting Entity in the aggregate amount of €84 million.

NOTE 11. FINANCING AND FINANCIAL SECURITY, NET DEBT AND COST OF NET DEBT

Note 11.1. Accounting principles

Financing

Debt instruments are recognized in the consolidated balance sheet (i) under the amortized cost method, using their effective interest rate, or (ii) at their fair value.

They may be hedged by a derivative instrument as follows:

- fair value hedging: the change in the fair value of the hedged component of said debt is recognized in the consolidated balance sheet, with the counterpart to the entry being to the heading Other financial income (expense), which thereby offsets the changes in fair value of the derivative instrument;
- cash flow hedging: the change in the fair value of the effective portion of the derivative hedging said debt is recognized in the consolidated balance sheet, with the counterpart to the entry being to consolidated equity, and is recycled to profit or loss when the hedged item (the interest flows relating to the hedged debt) impacts the consolidated net income.

Hybrid financing

Since the contractual terms of the perpetual subordinated debt securities issued by Danone do not stipulate any redemption or coupon payment obligation (payment of a coupon is mandatory mainly in the event of the payment of a dividend to Danone's shareholders):

- they are classified as equity instruments;
- the related coupons are recognized as a deduction from consolidated equity, net of the related tax income. In the consolidated statement of cash flows, they are included in Cash flows provided by (used in) financing activities, with the related tax being included in Cash flows provided by (used in) operating activities.

Short-term investments

Short-term investments comprise:

- Marketable securities: highly liquid instruments with short maturities that are easily convertible into a known amount of cash;
- Other short-term investments.

Other short-term investments are measured at their fair value, changes in their fair values being recognized under the heading Interest income on cash equivalents and short-term investments in the consolidated income statement.

Translation of transactions denominated in foreign currencies

At period-end, trade receivables and trade payables denominated in foreign currencies are translated using the exchange rates on that date. Foreign exchange gains and losses arising from the translation of instruments that are used to hedge long-term investments (borrowings or other instruments) denominated in the same currencies are recognized in consolidated equity under the heading Translation adjustments.

Note 11.2. Liquidity risk and management policy

Risk identification

Danone does not use debt in either a recurring or a significant way in connection with its operating activities. Operating cash flows are generally sufficient to finance Danone's business operations and organic growth. Danone may, however, take on additional debt to finance acquisitions or, occasionally to manage its cash cycle, particularly when dividends are paid to the Company's shareholders. The Group's objective is always to keep this debt at a level enabling it to maintain the flexibility of its financing sources.

Liquidity risk arises mainly from the maturities of its (i) interest-bearing liabilities (bonds, bank debt, etc.), and (ii) non-interest-bearing liabilities (liabilities related to put options granted to non-controlling interests), and from payments on derivative instruments. As part of its debt management strategy, Danone regularly seeks new financing to refinance its existing debt.

In those countries where centralized financing is not available, when medium-term financing is unavailable and/or in the case of some existing financing in a company prior to the acquisition by Danone of a controlling interest in it, Danone is exposed to liquidity risk involving limited amounts in those countries. More generally, it is possible that in the context of a systemic financial crisis, Danone may not be able to access the financing or refinancing it needs on the credit or capital markets, or to access such finance on satisfactory terms, which could have an adverse impact on its financial situation.

In addition, Danone's ability to access financing and the amount of its interest expense could depend in part on its credit rating by financial rating agencies. The Company's short- and long-term debt ratings and any potential deterioration therein could result in higher financing costs and affect its access to financing.

Lastly, most of the financing agreements entered into by the Company (bank lines of credit and bonds) include a change of control provision, which offers creditors a right of early repayment in the event that a change in control of the Company causes its rating by the financial rating agencies to fall below investment grade.

Risk monitoring and management

Under its refinancing policy, Danone reduces its exposure by (i) centralizing its financing sources; (ii) borrowing from diversified financing sources; (iii) arranging a significant portion of its financing as medium-term financing; (iv) maintaining financing sources available at all times; (v) spreading maturities on the basis of projected need and cash flow generation; and (vi) ensuring that it is not subject to any covenant relating to maintaining financial ratios.

In those countries where centralized financing is not available, when medium-term financing is unavailable and/or in the case of some existing financing in a company prior to the acquisition by Danone of a controlling interest in it, some Group companies may, for operational reasons, be required to borrow from local sources. From a Group perspective, the amounts borrowed are relatively small, whether considered individually or in total, given that the level of operating cash flow is generally sufficient to finance their operations and organic growth.

Use of its financing sources

The Group's policy consists of keeping its financing sources available and managing them at the Company level. The Group may need to use (i) its commercial paper program and syndicated credit facility to manage its cash cycle, notably when paying out the dividend to Danone shareholders, and (ii) alternatively, its commercial paper and EMTN programs or its syndicated credit facility to optimize its financing cost while still ensuring its financial security, such that the maturity and currency of its financing raised may vary without changing the net debt level or the Group's financial security.

Note 11.3. Financing structure and changes during the period

Financing classified as debt

(in € millions)	As of December 31, 2019 [a]	Bonds issued	Bonds repaid	Net flows from other financing arrangements	Impact of accrued interest	Impact of changes in exchange rates and other non-cash impacts [c]	Non-current portion becoming current	Change in consolidation scope	As of December 31, 2020
Financing managed at Company level									
Bonds – non-current portion	12,087	1,600	–			(281)	(1,914)	–	11,493
Bonds – current portion	2,050	–	(2,050)			(68)	1,914	–	1,846
Commercial paper [a]	1,502			(7)		(3)	–	–	1,492
Total	15,639	1,600	(2,050)	(7)	–	(351)	–	–	14,831
Lease debt									
Non-current portion	751			(53)		232	(201)	14	744
Current portion	215			(217)		22	201	1	222
Total	967	–	–	(270)	–	254	–	15	966
Other financing arrangements [b]									
Non-current portion	37			28		–	(30)	1	36
Current portion	229			(56)	12	(19)	34	1	202
Total	266	–	–	(28)	12	(19)	4	2	237
Total	**16,871**	**1,600**	**(2,050)**	**(305)**	**12**	**(116)**	**4**	**17**	**16,034**

(a) As of December 31, 2019 and 2020, these were included in Current financial debt.
(b) Subsidiaries' bank financings.
(c) Concerning the lease debt, corresponds mainly to new financing in the period.

Financing classified as equity

In 2017, Danone launched a hybrid perpetual bond issue totaling €1.25 billion. The issue consists of a euro-denominated undated bond, offering a first 1.75% coupon, with a first call date of June 23, 2023. The bonds, fully accounted for as equity in accordance with IFRS, are treated as equity in the amount of 50% by Moody's and Standard & Poor's.

Note 11.4. Group's financing and financial security managed at the Company level

Structure of the Group's financial security

	As of December 31			
		2019		2020
(in € millions)	**Committed amount**	**Amount used**	**Committed amount**	**Amount used**
Bank financing [a]				
Syndicated credit facility [b]	2,000	–	2,000	–
Committed credit facilities [c]	1,045	–	1,008	–
Capital markets financing [a]				
EMTN financing [d]	NA	9,630	NA	9,058
Hybrid financing	NA	1,250	NA	1,250
Bonds on the US market [d]	NA	4,507	NA	4,281
Short-term debt instruments	NA	1,502	NA	1,492

(a) The Group's financial structure and financial security are managed at the Company level.
(b) Revolving syndicated credit facility maturing in February 2025.
(c) A portfolio of back-up facilities entered into with major credit institutions, with maturities ranging from 2021 to 2025.
(d) Bonds issued by the Company are disclosed on the Danone website.

Main financing transactions in 2020

	Year ended December 31		
			2020
(in millions of currency)	**Currency**	**Nominal**	**Maturity**
New financing			
Eurobonds	EUR	800	2027
Eurobonds	EUR	800	2029
Repayments			
Eurobonds	EUR	550	2020
Eurobonds	EUR	500	2020
Eurobonds	EUR	1,000	2020

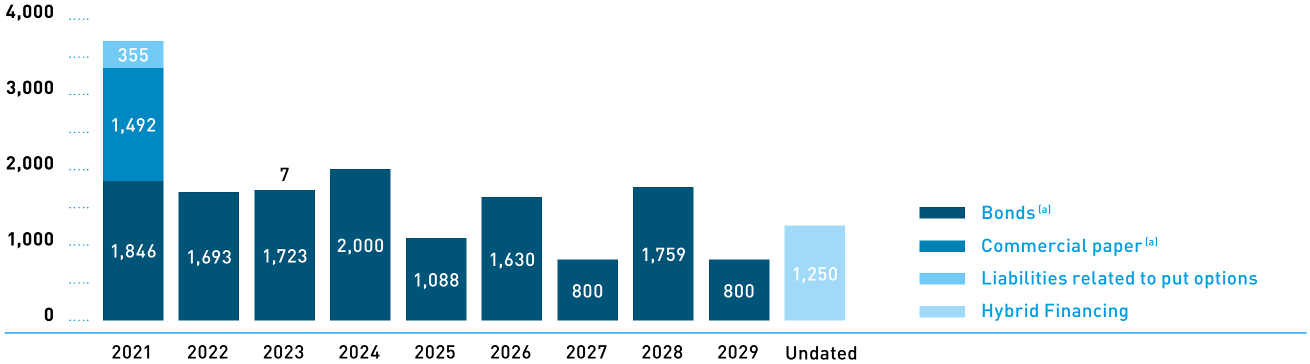
Main financing transactions in 2019

	Year ended December 31		
			2019
(in millions of currency)	**Currency**	**Nominal**	**Maturity**
New financing			
None			
Repayments			
Eurobonds	EUR	150	2019
Eurobonds	EUR	650	2019
Bonds on the US market	USD	1,200	2019

Repayment schedule for financial debt managed at Company level and put options granted to non-controlling interests

Projected cash outflows related to the contractual repayment of the principal amount based on the assumption of non-renewal

Year ended December 31 *(in € millions)*



(a) Includes the value of derivatives hedging bonds and commercial paper.

Projected cash outflows related to the contractual payment of interest on the financial assets and liabilities managed at the Company level, including premiums to be paid on derivative financial instruments based on the assumption of non-renewal

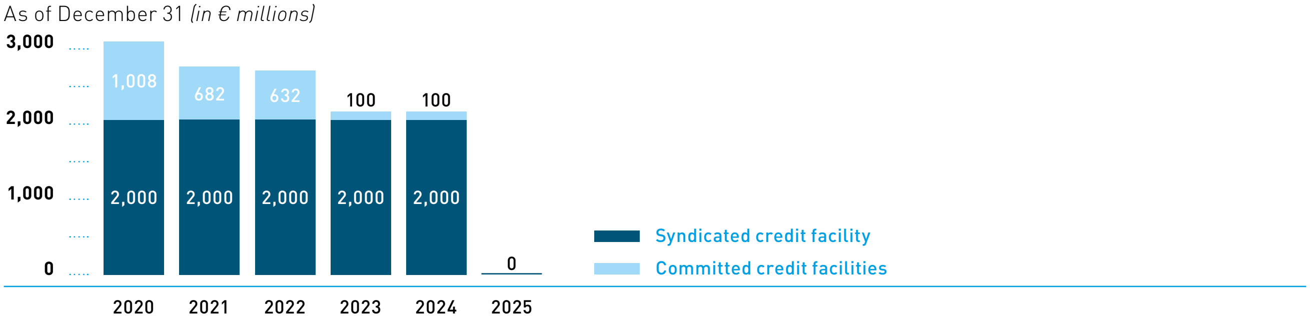
(in € millions)	Cash flows 2021	Cash flows 2022	Cash flows 2023	Cash flows 2024	Cash flows 2025 and after
Interest on debt [a]	(212)	(166)	(141)	(99)	(190)
Cash flows on derivatives [a] [b] [c]	66	60	52	33	88

(a) The floating interest rates are calculated on the basis of the rates applicable as of December 31, 2020.
(b) Net contractual flows, including premiums payable, and net flows payable or receivable relating to the exercise of options in the money at year-end.
(c) Concerns derivative instruments used to manage net debt, assets and liabilities.

Sources of financing available at any time

The financings available at any time are carried by the Company and are composed of available committed credit facilities and a syndicated credit facility.

As of December 31 *(in € millions)*



Company rating

	As of December 31			
	2019		2020	
	Moody's	Standard and Poor's	Moody's	Standard and Poor's
Short-term rating [a]				
Rating	–	A-2	–	A-2
Long-term rating [b]				
Rating	Baa1	BBB+	Baa1	BBB+
Outlook	Stable	Stable	Stable	Stable

(a) Rating given to the Company's commercial paper program.
(b) Rating given to the Company's debt issues with a maturity of more than one year.

Note 11.5. Short-term investments

Carrying amount

	As of December 31	
(in € millions)	2019	2020
Money market funds	2,749	2,739
Bank deposits, negotiable debt instruments and other short-term investments	882	942
Total	**3,631**	**3,680**

Counterparty risk in respect of short-term investments

The Group invests primarily in money market funds (French OPC *monétaires*) or short-term money market funds (French OPC *monétaires court terme*), which are highly liquid, diversified and not rated.

Bank deposits, negotiable debt instruments and other short-term instruments are subscribed from first-tier financial institutions.

Note 11.6. Net debt

	As of December 31	
(in € millions)	2019	2020
Non-current financial debt [a]	12,906	12,343
Current financial debt [a]	4,474	4,157
Short-term investments	(3,631)	(3,680)
Cash and cash equivalents	(644)	(593)
Derivatives – assets – Non-current [b]	(271)	(259)
Derivatives – assets – Current [b]	(16)	(27)
Net debt	**12,819**	**11,941**

(a) Consists of €966 million of lease debt following the application of IFRS16 *Leases*.
(b) Used solely to manage net debt.

Changes in net debt in 2020

Danone's net debt totaled €11,941 million as of December 31, 2020, €878 million lower than as of December 31, 2019. It included €363 million of put options granted to non-controlling interests, €119 million lower than as of December 31, 2019.

Changes in net debt in 2019

Danone's net debt totaled €12,819 million as of December 31, 2019, €595 million lower than as of January 1, 2019. It included €482 million of put options granted to non-controlling interests, €26 million lower than as of December 31, 2018.

Note 11.7. Cost of net debt

Accounting principles

Cost of debt comprises mainly interest charges (calculated at the effective interest rate) on current and non-current financing and the effects of the derivatives relating to said financing.

Interest income comprises mainly interest received and, if applicable, the effects of the measurement at fair value through profit or loss of the short-term investments and cash and cash equivalents.

The related cash flows are presented within Cash flows provided by (used in) operating activities.

Cost of net debt in 2020

During 2020, cost of net debt decreased from €(220) million in 2019 to €(207) million in 2020, reflecting the Group's gradual debt reduction strategy.

Note 11.8. Financial risks associated with the net debt and the financing activity

Interest rate risk

Risk identification

The Group is exposed to interest rate risk on its financial liabilities as well as its cash and cash equivalents. Through its interest-bearing debt, the Group is exposed to the risk of interest rate fluctuations that affect the amount of its financial expense. In addition, pursuant to IFRS 9, interest rate fluctuations may have an impact on the Group's consolidated results and consolidated equity.

Risk monitoring and management

The Group has implemented a policy to monitor and manage this interest rate risk in connection with its net debt management, as detailed in Note 13.3 of the Notes to the consolidated financial statements, in the section related to Cost of net debt management.

Exposure

Net debt breakdown between fixed and floating rates

As of December 31, 2020 and December 31, 2019, all of the consolidated net debt was fixed rate debt.

Sensitivity of the cost of net debt to changes in the short-term interest rate

In 2020 as in 2019, the impact of changes in short-term interest rates would not have had a significant impact on the cost of the Group's net debt. This sensitivity analysis to interest rate changes reflects the following factors:

- financial debt net of short-term investments, cash and cash equivalents. It excludes the financial liabilities related to put options granted to non-controlling interests as these are not interest-bearing;
- active interest rate hedges as of December 31.

Financial currency risk

Risk identification

Due to its international presence, the Group could be exposed to foreign exchange rate fluctuations in relation to its financing activities: in application of its risk centralization policy, the Group manages multi-currency financings and liquidities.

Risk monitoring and management

The management policy regarding financial currency risk is detailed in Not 13.3 of the Notes to the consolidated financial statements, section *Management of currency risk related to financing activities and translation risk on net assets*.

Exposure

In applying its management policy related to financial currency risk, the residual exposure is not significant.

NOTE 12. OTHER FINANCIAL ASSETS, OTHER FINANCIAL INCOME (EXPENSE)

Note 12.1. Accounting principles

Investments in other non-consolidated companies

Investments in other non-consolidated companies are recognized at fair value in the consolidated balance sheet. Changes in fair value and gains or losses on disposals are recognized according to the intention of the management (i) in profit or loss in Other financial income (expense) or (ii) in consolidated equity in Accumulated other comprehensive income and are not recycled to profit or loss.

Fair value

For listed companies, fair value is assessed according to the stock price as of the end of the period.

For unlisted companies, fair value is assessed based on recent transactions entered into with third parties, put or call options negotiated with third parties or external appraisals.

Other financial assets

Other financial assets mainly comprise bonds and money-market funds and security deposits with uncertain maturity dates pursuant to the applicable regulations of certain countries in which the Group operates.

Bonds and money-market funds are recognized at fair value in the consolidated balance sheet. Changes in fair value are recognized under consolidated equity in Accumulated other comprehensive income. They are not subsequently recycled to profit or loss except for bonds and money market funds with an equity underlying, for which fair value changes are recognized directly in profit or loss in Other financial income or Other financial expense.

Their fair value is calculated on the basis of listed prices on active markets.

Loans

Loans are measured at amortized cost using the effective interest rate method.

Note 12.2. Other financial assets

Main changes during the period

In 2020 as in 2019, the Group did not carry out any material transactions.

Carrying amount

	As of December 31	
(in € millions)	**2019**	**2020**
Investments in other non-consolidated companies	131	225
Bonds and money-market funds [a]	111	112
FPS Danone Communities	13	13
Other [b]	213	207
Other financial assets	337	332
Long-term loans	14	12
Other financial assets	**482**	**569**

(a) Bonds and money-market funds held as the counterpart to certain "damage and personal protection" risk provisions.
(b) Comprises mainly deposits with uncertain maturity dates pursuant to the applicable regulations of certain countries in which the Group operates.

Note 12.3. Other financial income and Other financial expense

Accounting principles

Other financial income and Other financial expense correspond to financial income and expense other than income and expense related to net financial debt. They include in particular:

- the ineffective portion of hedges, in particular hedges of currency risk related to operations and hedges in respect of the acquisition/disposal of companies and equity investments in accordance with IFRS 9 *Financial Instruments*;
- the impact of the accretion of the present value of commitments net of the expected return on plan assets of retirement commitments and other long-term benefits;
- bank commissions, including commissions for the non-use of committed credit facilities;
- changes in the fair value of Investments in other non-consolidated companies classified as at fair value through profit or loss;
- gains or losses on the net monetary position resulting from the application of IAS 29.

NOTE 13. ORGANIZATION OF FINANCIAL RISKS AND DERIVATIVES MANAGEMENT

Note 13.1. Organization of financial risks management

As part of its normal business, the Group is exposed to financial risks, especially foreign currency, financing and liquidity, interest rate and counterparty risks, securities-related risks and commodity risks.

Financial risks

The Group's policy consists of (i) minimizing and managing the impact that its exposure to financial market risks could have on its results and, to a lesser extent, on its balance sheet, (ii) monitoring and managing such exposure centrally, (iii) whenever the regulatory and monetary frameworks so allow, executing financial transactions locally or centrally, and (iv) using derivative instruments only for the purpose of economic hedging.

Through its Treasury and Financing Department, which is part of the Group Finance Department, the Group possesses the expertise and tools (trading room, front and back office software) to act on different financial markets following the standards generally implemented by first-tier companies. In addition, the Internal Control and Internal Audit Departments review the organization and procedures applied. Lastly, a monthly treasury and financing report is sent to the Group Finance Department, enabling it to monitor the decisions taken to implement the previously approved management strategies.

Commodity risks

The Group has implemented a commodity purchasing policy (Market Risk Management). The monitoring of exposures and the implementation of this policy are carried out for each raw materials category by the central purchasing team. This team negotiates forward purchase agreements mainly with suppliers. Forward purchase agreements are reviewed by the Market Risk Management Committee for each year-end closing.

Note 13.2. Accounting principles

Derivatives are recognized in the consolidated balance sheet at their fair value:

- derivatives used to manage net debt and hedges of net investments in foreign operations are recognized in Derivatives assets or liabilities;
- foreign exchange and raw materials derivatives related to operations are recognized in the heading (i) Other accounts receivable in Derivatives – assets or within (ii) Other current liabilities in Derivatives – liabilities.

When derivatives are designated as:

- fair value hedges of assets or liabilities in the consolidated balance sheet, changes in the fair value of both the derivatives and the hedged items are recognized in profit or loss in the same period.
- hedges of net investments in foreign operations, changes in the fair value of the derivatives are recognized in equity under translation adjustments and are recycled as income (expense) when the asset is derecognized.
- future cash flow hedges:
  - changes in the value of the effective portion are recognized in equity under Accumulated other comprehensive income and are recycled to profit or loss, in the same heading, when the hedged item itself is recognized in profit or loss;
  - time value (swap points, currency option premium and basis spread of cross-currency swaps) is recognized in equity in Other comprehensive income and taken to profit or loss on expiry of the underlying instrument, in accordance with the principles adopted by the Group. As a reminder, derivatives designated as future cash flow hedges are recognized in accordance with the transaction-related principle (hedging of transactions included in the forecasts).

Changes in the fair value of the ineffective portions of derivatives that meet the conditions for classification as hedging instruments and changes in the fair value of derivative financial instruments that do not meet the conditions for classification as hedging instruments are recognized directly in profit or loss for the period, in a heading within operating income or financial income depending on their nature.

Note 13.3. Derivatives

Group policy

Operational currency risk management

The Group's policy is to hedge its highly probable commercial transactions so that, as of December 31, its residual exposure in respect of the whole of the following fiscal year is significantly reduced. However, when the hedging conditions of certain currencies have deteriorated (less availability, high cost, etc.), the Group may be required to limit the hedging of its highly probable commercial transactions in its currencies, by not hedging or only partially hedging the exposure. The Group uses forward currency contracts and currency options to reduce its exposure.

The execution of the hedging policy for currency risk related to operations consists of providing the necessary hedges to subsidiaries through a centralized management system, or, in the case of subsidiaries where such hedges are legally prohibited, through a monitoring and control process.

The Group mainly applies cash flow hedge accounting.

Based on pending transactions as of December 31, 2020, the Group's residual exposure after hedging of exchange risks on its highly probable commercial operating transactions is significantly reduced for 2021, the currencies partially hedged being mainly the Turkish lira, the Russian ruble and the Brazilian real.

Management of currency risk related to financing activities and translation risk on net assets

The Group has established a policy for monitoring and hedging the net assets of certain subsidiaries, with regular assessments of risks and opportunities to use hedging instruments. The Group's policy consists of maintaining the debt and/or surplus cash positions of Danone and its subsidiaries in their respective functional currencies. Furthermore, in compliance with its policy of managing risks centrally, the Group may manage multi-currency borrowings and surplus cash.

As part of these policies, the Group therefore uses cross-currency swaps.

Cost of net debt management

In connection with its net debt management, the Group has implemented a policy to monitor and manage interest rate risk in order to limit the volatility of its financial income (expense) through the use of hedging instruments. These derivatives are mainly interest rate swaps and sometimes collars. All these instruments are plain vanilla. The interest rate derivatives are contracted to manage interest rate risk and are either eligible for hedge accounting or not in accordance with IFRS 9.

Hedging acquisitions and disposals of companies or other equity investments

The Group's policy is, generally, not to hedge amounts payable or receivable in connection with acquisitions or disposals of companies or other equity investments. However, in certain circumstances, the Group may decide to hedge certain transactions.

Management of commodities price volatility risk

The Group has implemented a commodity purchasing policy ("Market Risk Management"), defining rules for securing the physical supply and for setting the prices of raw materials on the financial markets. The Group's central purchasing team mainly negotiates forward purchase contracts with suppliers which are based on a financial markets index or on a proxy, since instruments that would fully hedge the price volatility of Danone's main raw materials do not always exist in the financial markets.

The impact of a price change in the two main commodity categories on the cost of the Group's annual purchases is presented in Note 6.7 of the Notes to the consolidated financial statements.

Portfolio of derivatives

Notional and fair value amounts

As of December 31

(in € millions)	2019 Notional	2019 Fair value	2019 Of which recognized in equity	2020 Notional	2020 Fair value	2020 Of which recognized in equity
Used to hedge operational currency risk	**(2,506)**	**(58)**	**(58)**	**(1,930)**	**(4)**	**(3)**
Cash flow hedge – currency options [a]	(314)	(6)	(6)	(318)	(2)	(2)
Cash flow hedge – forward currency contracts [a]	(2,191)	(52)	(52)	(1,612)	(2)	(2)
No hedge accounting applied	(1)	(1)	–	–	–	–
Used to manage raw materials	**207**	**(1)**	**(1)**	**132**	**9**	**9**
Used to manage net debt	**6,641**	**241**	**81**	**6,535**	**166**	**62**
Fair value hedge	2,576	148	–	2,517	192	–
Cash flow hedge	3,435	98	93	3,622	(26)	60
Net investment hedge	183	(13)	(13)	217	1	1
No hedge accounting applied	446	8	–	179	(1)	–
Total	**4,342**	**181**	**22**	**4,737**	**172**	**68**

(a) Pursuant to IFRS 9, the intrinsic value and time value of the operational foreign exchange instruments designated as cash flow hedges are recognized in equity.

Additional information

Operational currency risk management

Net notional amount of derivative instruments hedging main currencies

As of December 31

(in € millions)	2019 Forward currency contracts, net [a]	2019 Currency options, net [b]	2019 Total	2020 Forward currency contracts, net [a]	2020 Currency options, net [b]	2020 Total
(Sales)/Purchases of currencies						
GBP [c]	(575)	(238)	(813)	(446)	(177)	(623)
CNY [c]	(384)	–	(384)	(251)	–	(251)
AUD [c]	(273)	(17)	(291)	(183)	(26)	(209)
MXN [c]	(188)	–	(188)	(137)	–	(137)
USD [c]	20	(5)	14	(78)	(20)	(98)
RUB [c]	(118)	–	(118)	(94)	–	(94)
BRL [c]	(90)	–	(90)	(83)	–	(83)
HKD [c]	(143)	(36)	(179)	24	(82)	(58)
Other [c]	(441)	(17)	(457)	(364)	(13)	(377)
Total	**(2,192)**	**(314)**	**(2,506)**	**(1,612)**	**(318)**	**(1,930)**

(a) Spot portion of notional amount, based on closing rates.
(b) Spot portion of notional amount, includes in- and out-of-the-money options.
(c) Transactions denominated with the EUR or other currencies as counterpart.

Sensitivity of equity and net income to changes in fair value

A change in the fair value of the derivative instruments hedging the operational foreign exchange risk, caused by a change in exchange rates, could impact the Group's net income:

- swap point variations and currency option premium at the maturity of the underlying;
- transactions to which hedge accounting is not applied.

Sensitivity to a change in the euro against currencies exposed to exchange rate fluctuations

As of December 31

	2019		2020	
(in € millions)	Equity [c]	Gain (loss)	Equity [c]	Gain (loss)
10% increase in EUR [a]				
GBP [b]	61	–	52	–
CNY [b]	35	–	26	–
AUD [b]	26	–	18	–
MXN [b]	(12)	–	3	-
RUB [b]	9	–	9	–
USD [b]	12	–	11	–
BRL [b]	3	–	2	–
HKD [b]	36	–	28	–
10% decrease in EUR [a]				
GBP [b]	(65)	–	(54)	–
CNY [b]	(43)	–	(32)	–
AUD [b]	(30)	–	(22)	–
MXN [b]	(3)	–	(3)	–
RUB [b]	(11)	–	(10)	–
USD [b]	(14)	–	(11)	–
BRL [b]	(3)	–	(3)	–
HKD [b]	(41)	–	(29)	–

(a) Increase/decrease in EUR applied to transactions that are outstanding and at constant interest rate volatility.
(b) Transactions denominated with the EUR or other currencies as counterpart. In the case of transactions denominated in currencies other than the EUR, the increase or decrease in the EUR is applied to the base currency and the secondary currency.
(c) Under IFRS 9, the intrinsic value and the time value are recognized in Other comprehensive income.

These instruments and the hedged items typically have maturities of less than one year. Consequently the cash flows related to these instruments will, for the most part, be recognized in the consolidated income statement in 2021.

Gains and losses related to fair value changes recognized in profit or loss

Gains and losses recognized in profit or loss involve the following items:

- the ineffective portion, during the year, of the changes in fair value of instruments qualified as cash flow hedges: in 2020, as in 2019, the amounts are not material;
- the effective portion deferred in equity the previous year of instruments qualified as cash flow hedges and recycled to income during the year: in 2020 as in 2019, the amount recycled corresponded to the portion of hedges recorded in equity as of December 31 of the previous year, with these hedges having for the most part a maturity of less than one year.

Management of currency risk related to financing activities and translation risk on net assets

Sensitivity of equity and net income to changes in fair value

A change in the fair value of these derivative financial instruments induced by a change in foreign exchange rates at the reporting date would not have a significant impact on the Group's equity or net income. Changes in the foreign exchange rates of the financial instruments are offset by changes in the foreign exchange rates on loans and borrowings in hedged currencies or on net foreign investments.

Net debt management

Sensitivity of equity and net income to changes in fair value

A change in the fair value of interest rate derivatives induced by a change in the yield curve recognized at the reporting date would have the following impact on the Group's equity and net income:

- in equity for the effective portion of the instruments eligible to be used as hedges of future cash flows;
- in profit or loss for the ineffective portion of the instruments eligible to be used as hedges of future cash flows, and for the change in fair value of the instruments not qualifying as hedges.

In 2020 as in 2019, a rate change applied to the entire yield curve would not have a material impact on consolidated equity or net income.

Gains and losses related to fair value changes recognized in profit or loss

Gains and losses recognized through profit or loss are related to:

- the ineffective portion, during the year, of the changes in fair value of instruments qualified as cash flow hedges;
- the effective portion deferred in equity the previous year of instruments qualified as future cash flow hedges and recycled to income during the year.

In 2020 as in 2019, the corresponding amounts are not material.

Management of raw material price volatility risk

As of December 31, 2020, the commodity portfolio consisted of diesel, plastic, dairy, sugar and natural gas derivatives, in accordance with the Group's management policy, and all of the hedging instruments were qualified as future cash flow hedges.

Note 13.4. Counterparty risk

Counterparty risk inherent to financial risk management

Risk identification

The Group is exposed to counterparty risk, especially on banking counterparties, as part of its financial risk management activities. As part of its normal activities, the Group has financial institutions as counterparties, mainly to manage its cash and foreign exchange rate and interest rate risks. The failure of these counterparties to comply with one or more of their commitments could adversely affect the Group's financial situation.

Risk monitoring and management

The Group's overall exposure to counterparty risk has been significantly reduced through the centralization of financial risks and implementation of centralized applications as well as its cash management policy of minimizing and managing surpluses.

The Group's banking policy aims to apply deposit limits per counterparty and emphasizes the importance of their credit rating quality by concentrating its transactions among first-tier counterparties that (i) have credit ratings at least in the BBB+ category; (ii) possess international branch networks and (iii) provide it with financing. Moreover, in order to manage its short-term surpluses, the Group mainly invests in either money-market funds (French OPC *monétaires*) or short-term money-market funds (French OPC *monétaires court terme*), which are not rated. These funds are liquid and diversified. The other short-term investments are made in accordance with the Group's banking policy as described above.

Finally, in certain countries, the Group may be obliged to conduct transactions with local banks that have lower credit ratings.

Exposure related to short-term investments

See Note 11.4 of the Notes to the consolidated financial statements.

Exposure related to derivative instruments

	As of December 31	
(as a percentage of the total fair value as of December 31) [a]	**2019**	**2020**
Counterparty rating (Standard & Poor's)		
AAA, AA and A	86%	98%
BBB, BB and B	13%	2%
Unrated	–	–

(a) Total, when positive, of fair values of outstanding derivatives by counterparty as of December 31.

Fair value associated with derivatives counterparty risk

The fair value associated with derivatives counterparty risk is calculated on the basis of historical default probabilities derived from the calculations of a leading rating agency, to which a recovery rate is applied. As of December 31, 2020 and December 31, 2019, the impact associated with the adjustment required by IFRS 13 was not material.

Note 13.5. Equity securities risk

		As of December 31	
(in € millions)	Notes	**2019**	**2020**
Risk on Company shares			
Treasury shares	14.2	1,610	1,595
Risk on other shares			
Investments in associates	5	2,055	915
Assets held for sale	5.6	–	851
Investments in other non-consolidated companies	12.2	131	225

Note 13.6. Reconciliation of the consolidated balance sheet by class and accounting category

(in € millions)	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Carrying amount	Fair value	Fair value level [c]
As of December 31, 2020						
Financial assets						
Investments in other non-consolidated companies	25	200	–	225	225	1-3
Long-term loans and long-term financial assets	125	–	219	344	344	1-3
Derivatives – assets [a]	221	65	–	286	286	2
Trade receivables [b]	2,608	–	–	2,608	2,608	–
Other current assets [b]	939	61	–	1,000	1,000	–
Short-term loans	–	–	40	40	40	–
Money market funds	2,739	–	–	2,739	2,739	1
Other short-term investments	–	–	942	942	942	2
Cash and cash equivalents	593	–	–	593	593	1
Carrying amount of financial assets by category	**7,249**	**327**	**1,201**	**8,777**	**8,777**	
Financial liabilities						
Financing	4,438	–	11,596	16,034	14,024	2
Derivatives – liabilities [a]	100	3	–	103	103	2
Trade payables [b]	–	–	3,467	3,467	3,467	–
Other current liabilities [b]	–	67	2,647	2,714	2,714	–
Carrying amount of financial liabilities by category	**4,538**	**70**	**17,710**	**22,318**	**20,308**	

(a) Derivative instruments used to manage net debt.
(b) The carrying amount approximates to the fair value given the short-term nature of these items.
(c) Valuation hierarchy used to assess fair value.

Valuation levels in accordance with IFRS 7 *Financial instruments – Disclosures*

Level	Fair value is based on:
1	(Unadjusted) prices listed on active markets for identical assets and liabilities.
2	Data other than listed prices as per level 1, which are observable for the asset or liability concerned, directly or indirectly. For asset and liability derivative instruments recognized at fair value, the Group uses measurement techniques that include data observable on the market, notably for interest rate swaps, forward currency purchases and sales, or currency options. The model integrates diverse data such as spot and forward exchange rates and the yield curve.
3	Data relating to the asset or liability not based on observable data on active markets.

NOTE 14. DANONE SHARES, DIVIDEND AND EARNINGS PER SHARE

Note 14.1. Accounting principles

DANONE shares held by the Company and its fully consolidated subsidiaries are recognized as a reduction in consolidated equity, under the heading Treasury shares and are measured at effective cost.

Note 14.2. Transactions and changes involving DANONE shares

Changes in terms of transactions and use according to the Company's objective

(in number of shares)	As of December 31, 2019	Changes during the period			As of December 31, 2020
		Buybacks	Sales/Transfers	Delivery of shares	
Acquisition transactions	**30,769,360**	–	–	–	**30,769,360**
Employee shareholding plans	**700,174**	–	–	(415,849)	**284,325**
Cancellation of shares	**-**	–	–	–	**–**
Shares held by the Company	**31,469,534**	**-**	**-**	**(415,849)**	**31,053,685**
Shares held by Danone Spain	**5,780,005**	**-**	**-**	**-**	**5,780,005**
Total shares held by the Group	**37,249,539**	**–**	**–**	**(415,849)**	**36,833,690**

Note 14.3 Outstanding DANONE shares

Year ended December 31

(in number of shares)	Notes	2019			2020		
		Share capital	Treasury	Outstanding	Share capital	Treasury	Outstanding
As of January 1		685,055,200	(37,781,990)	647,273,210	686,120,806	(37,249,539)	648,871,267
Capital increase	8.5	1,065,606	–	1,065,606	508,794		508,794
Changes in treasury shares	14.2		532,451	532,451		415,849	415,849
As of December 31		**686,120,806**	**(37,249,539)**	**648,871,267**	**686,629,600**	**(36,833,690)**	**649,795,910**

Note 14.4. Earnings per share – Group share

Accounting principles

Earnings per share correspond to the ratio of Net income - Group share adjusted for hybrid financing (adjustment of the income used to calculate Earnings per share for the coupon accrued for the period presented net of tax, in accordance with IFRS) divided by the Number of shares. The Number of shares corresponds to the average number of outstanding shares during the year, after deducting the treasury shares held by the Company and its fully consolidated subsidiaries.

Earnings per share after dilution (or diluted earnings per share) correspond to the ratio of Net income – Group share adjusted for hybrid financing divided by the Diluted number of shares. The Diluted number of shares corresponds to the Number of shares increased by the net impact, when it is positive, of the following two elements:

- the increase in the weighted average number of shares that would result from the acquisition of Group performance shares, taking into account only those shares whose performance conditions are met as of the closing date;
- the reduction in the number of shares that could theoretically be acquired, in accordance with the treasury stock method specified by IAS 33 *Earnings per share*.

Earnings per share

		Year ended December 31	
(in € per share, except for number of shares)	Notes	**2019**	**2020**
Net income – Group share		1,929	1,956
Coupon relating to hybrid financing, net of tax		(14)	(15)
Adjusted net income – Group share		1,915	1,941
Number of outstanding shares			
As of January 1		647,273,210	648,871,267
Effects of changes during the year	14.3	1,598,057	924,643
As of December 31		648,871,267	649,795,910
Average number of outstanding shares			
• Before dilution		648,250,543	649,331,592
Dilutive impact			
Group performance shares		855,496	637,251
• After dilution		649,106,039	649,968,844
Net income – Group share, per share			
• Before dilution		2.95	2.99
• After dilution		2.95	2.99

Note 14.5. Dividend

Distributable reserves of the parent company Danone

For each subsidiary or associated company, their legally distributable reserves may differ from their reported retained earnings as a consequence of (i) consolidation adjustments applied to their separate financial statements, and (ii) the laws applicable in the countries in which the Group operates. In the case of the Group, under French law, dividends can only be paid out of the net income for the year and the distributable reserves of the parent company Danone.

Payment of the 2020 dividend

The Shareholders' Meeting on June 26, 2020 in Paris approved the dividend proposed relating to the 2019 fiscal year of €2.10 per share in cash.

NOTE 15. OTHER NON-CURRENT PROVISIONS AND LIABILITIES AND LEGAL AND ARBITRATION PROCEEDINGS

Note 15.1. Accounting principles

Other provisions

Other provisions consist of provisions and investment subsidies.

Provisions are recognized when the Group has a present obligation resulting from a past event, it is probable that this obligation will result in a net outflow of resources to settle the obligation and the amount of the obligation can be reliably estimated. Danone also presents in Other provisions the "current" portion since it is not material and does not disclose information on provisions recognized if it deems such disclosure would seriously prejudice its position as regards the resolution of the matter that is the subject of the provision.

For each obligation, the amount of the provision recognized as of the reporting date reflects management's best estimate, as of that date, of the probable outflow of resources required to settle said obligation. If payment is made to settle the obligation or an outflow of resources is no longer probable, the provision is reversed (to reflect, respectively, the use or non-use of the provision).

Other non-current liabilities

Other non-current liabilities correspond to liabilities for uncertain income tax positions pursuant to IFRIC 23. They are recognized depending on whether it is probable that they will crystallize, without taking into account the probability that they will not be detected by the tax authorities. Their measurement must reflect management's best estimate as to their actual amount when they ultimately crystallize. They must be recognized on the basis of their most probable value or a weighted average of the values under various scenarios.

Note 15.2. Other non-current provisions and liabilities

	As of December 31	
(in € millions)	**2019**	**2020**
Other non-current provisions	557	513
Other non-current liabilities [a]	621	591
Total [b]	**1,178**	**1,104**

(a) These relate to uncertain income tax positions.
(b) The current portion totaled €71 million as of December 31, 2020 (€65 million as of December 31, 2019).

Note 15.3. Changes in Other provisions

		Changes during the period						
(in € millions)	**As of January 1, 2020**	**Changes in consolidation scope**	**Increase**	**Reversal of provisions used**	**Reversal of provisions not used**	**Translations adjustments**	**Other**	**As of December 31, 2020**
Tax and territorial risks [a]	113	–	19	(2)	(11)	(30)	2	92
Employee-related and commercial disputes and other provisions	380	-	101	(40)	(68)	(20)	1	354
Restructuring provisions	64	–	58	(50)	(5)	–	–	67
Total	**557**	**–**	**178**	**(92)**	**(84)**	**(51)**	**4**	**513**

(a) These concern those risks not relating to income tax, which are presented in Other non-current liabilities.

Changes in Other provisions in 2020 were as follows:

- increases resulted primarily from lawsuits against the Company and its subsidiaries in the normal course of business;
- reversals of provisions used occurred when the corresponding payments were made. Reversals of provisions not used related mainly to reassessments and situations where some risks ceased to exist. They related to several provisions, none of which is material individually.

As of December 31, 2020, provisions for tax risks, territorial (not related to income taxes) and commercial, employee-related, and other disputes included several provisions for legal, financial, tax and territorial risks, as well as provisions for multi-year variable compensation granted to some employees, with these provisions established in the context of the normal course of business. Also, as of this date, Danone believes that it is not subject to known risks that could, individually, have a material impact on its financial situation or its profitability.

Note 15.4. Legal and arbitration proceedings

In general, the Company and its subsidiaries are parties to legal proceedings arising in the normal course of business, in particular by customs and competition authorities in certain countries. Provisions are recognized when an outflow of resources is probable and the amount can be reliably estimated.

To the best of the Danone's knowledge, no governmental, court or arbitration proceedings are currently ongoing that are likely to have, or have had in the past 12 months, a material impact on Danone's financial position or profitability.

NOTE 16. RELATED PARTY TRANSACTIONS

Note 16.1. Accounting principles

The main related parties are the associated companies, the members of the Executive Committee and the members of the Board of Directors.

Note 16.2. Transactions with associates

Transactions with these companies are generally carried out at arm's length. They mainly involve management fees and royalties paid to Danone, services (mainly logistics) and financing. As in 2019, the amounts pertaining to 2020 are not material.

Note 16.3. Compensation and benefits granted to members of the Executive Committee and Board of Directors

Compensation paid

	Year ended December 31	
(in € millions)	**2019**	**2020**
Compensation paid to corporate officers and members of the Executive Committee [a]	10.8	14.7
Attendance fees paid to Directors	0.8	0.9
Total	**11.6**	**15.6**
Carrying amount of shares subject to performance conditions granted during the year [b]	6.8	6.6

(a) Annual and multi-year fixed and variable compensation (gross amount excluding employer contributions), of which the variable portion totaled €8.1 million in 2020 (€5.7 million in 2019).

(b) The carrying amount represents the full estimated value as of the grant date in accordance with IFRS 2 on the assumption that the performance conditions have been satisfied.

Danone's commitment to the corporate officers and Executive Committee members with respect to their retirement plans

The amount of provisions for the defined benefit retirement plan represented Danone's commitment as of December 31, 2020, in accordance with IFRS, *i.e.* a total of €34 million for Executive Committee members. Indeed, as regards Mr. Emmanuel FABER, he does not benefit from this defined-benefit retirement plant since he waived it in 2019.

Loans and guarantees

In 2020, as in 2019, no loan or guarantee was granted or established by the Company or its subsidiaries on behalf of Executive Committee members.

NOTE 17. SUBSEQUENT EVENTS

On February 19, 2021 Danone announced it has entered into an agreement to acquire 100% of the shares of Follow Your Heart, a pioneering leader in plant-based foods in the USA.

On February 28, 2021, Danone announced, it has reached an agreement with COFCO Dairy Investments Limited, to convert, as a first step to disposal, Danone's stake in China Mengniu Dairy Company Limited, currently held indirectly, into a direct holding.

To the Company's knowledge, no material events occurred after the approval date of the 2020 consolidated financial statements (approved by the Board of Directors on February 18, 2021).

NOTE 18. FEES TO THE STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS

	PricewaterhouseCoopers				Ernst & Young Audit			
(in € millions, except percentage)	2019		2020		2019		2020	
Statutory audit: certification of the individual and consolidated financial statements	4.6	68%	4.2	76%	5.2	77%	5.2	90%
Services other than the certification of the financial statements	2.2	32%	1.3	24%	1.6	23%	0.6	10%
Total [a]	**6.7**	**100%**	**5.6**	**100%**	**6.8**	**100%**	**5.8**	**100%**

(a) Fees invoiced in foreign currencies have been translated into euros on the basis of the annual average exchange rates used by Danone.

In 2020, the fees of the Statutory auditors of the parent company and its French subsidiaries in respect of the certification or limited review of the individual and consolidated financial statements totaled €2.6 million (€2.6 million in 2019), of which €1.1 million for PricewaterhouseCoopers Audit (€1.2 million in 2019) and €1.4 million for Ernst & Young Audit (€1.4 million in 2019). The fees for services other than the certification of the financial statements for the year ended December 31, 2020 totaled €0.6 million (€2.1 million in 2019), of which €0.4 million for PricewaterhouseCoopers Audit (€0.7 million in 2019) and €0.2 million for Ernst & Young Audit (€1.5 million in 2019) and included in particular fees for due diligence, and for the independent third party report on the extra-financial performance statement.

The fees of the Statutory auditors' networks for services other than the certification of the financial statements to certain foreign subsidiaries of Danone totaled €1.4 million (€1.6 million in 2019), of which €1.0 million for PricewaterhouseCoopers Audit (€1.5 million in 2019) and €0.3 million for Ernst & Young Audit (€0.2 million in 2019) and included in particular assistance for logistic transformation projects and fees for tax services related notably to the review of technical documentation or the technical analysis of tax positions adopted by certain foreign subsidiaries.

NOTE 19. EXEMPTION OPTION FROM STATUTORY REQUIREMENTS RELATED TO SOME AFFILIATES

Companies included in the consolidated financial statements of Danone SA, exercising exemption options in respect of the year ended December 31, 2020, which shall be mentioned in the consolidated financial statements pursuant to local regulations

Country and exemption	Company (company number)
Germany Exemption option from audit of individual accounts under § 264 (3) HGB	Nutricia GmbH, Milupa GmbH, Milupa Nutricia GmbH, Nutricia Grundstücksverwaltungs GmbH, Nutricia Deutschland GmbH, Danone Waters Deutschland GmbH, Alpro GmbH
United Kingdom Exemption option from audit of individual accounts under section 394A / 479A of the Companies Act 2006	Nutricia (Cow & Gate, Milupa) Holdings Limited (01917542), UK Holdings CAP (Commonwealth, Asia and Pacific) Limited (05616355), Danone Financing UK Limited (08808080), Danone Finance Company Limited (10426518), Scientific Hospital Supplies Holdings Limited (02502240), Complan Foods Limited (04418784)
Ireland Exemption option from publication of individual accounts under section 357 (1) of the Companies Act 2014	Nutricia Infant Nutrition Limited (384474), Danone Europe Limited (407825), Danone Limited (217235), Nutricia Ireland Limited (106997), Nutricia Medical Ireland Limited (552466)

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STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying consolidated financial statements of Danone ("the Group") for the year ended 31 December 2020.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2020 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (code de commerce) and the French Code of Ethics (*code de déontologie*) for statutory auditors, for the period from January 1st, 2020 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (*code de déontologie*) for statutory auditors.

Justification of assessments – Key audit matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Revenue recognition

DESCRIPTION OF RISK	HOW OUR AUDIT ADDRESSED THIS RISK
As of December 31, 2020, the total net sales were recorded for an amount of €23,620 million in the consolidated financial statements. As indicated in Note 6.1 to the consolidated financial statements, your group's sales are stated net of trade discounts and rebates granted to customers (including costs relating to trade support and listing agreements or occasional promotional actions invoiced by retailers). Revenue recognition therefore involves estimates related to such agreements or actions. We deemed the valuation of trade discounts and rebates to be a key audit matter given (i) the Group's broad customer base across different countries and with varying contractual relationships (based on sales volumes, promotional agreements or trade practices), (ii) the significance of trade discounts and rebates, and (iii) the complexity of valuating these amounts at the year end.	We assessed the compliance of the revenue recognition rules applied by the Group with international financial reporting standards (IFRS).Given the large number of sales transactions carried out by the Group's various entities, we gained an understanding of the internal control procedures relating to the estimation of trade discounts and rebates as part of the revenue recognition process and tested the controls, which we determined are key, in the main operating entities. We also performed substantive procedures to assess: • the amounts to be refunded to customers being measured and recognized on the reporting date by (i) reconciling the estimates with the contractual data in the information systems used to manage trade terms and conditions or in the contracts with the relevant customers, and (ii) analyzing for selected amounts, the assumptions used, where applicable, with regard to actions taken or specific situations and customary trade practices; • whether revenue was being recognized in the appropriate period by (i) testing the transactions booked after the reporting date to identify any non accrued discounts and rebates as of closing date and (ii) analyzing the change in accruals and their ageing.

Goodwill, brands and investments in associates

DESCRIPTION OF RISK	HOW OUR AUDIT ADDRESSED THIS RISK
As at 31 December 2020, goodwill amounted to 17,016 million euros, brands amounted to 5,669 million euros and investments in associates amounted to 915 million euros. In the course of 2020, the Group recognized a €320 million impairment charge on goodwill and brands. These assets are subject to impairment tests, at least once a year in the case of goodwill and brands with indefinite useful lives, and whenever there is an indication of impairment in the case of investments in associates. The recoverable amounts of these assets or groups of assets are generally estimated on the basis of the discounted cash flows method or market value in the case of goodwill and investments in associates, and according to the royalty relief methodology, as explained in Notes 5.1 and 10.1 of the Notes to the consolidated financial statements. The impairment tests are based on estimates and on management's judgment concerning (i) the definition of the cash generating units (CGUs) and the allocation of assets to these CGUs (ii) the estimation of the future performance of the assets or CGUs and (iii) the determination of the discount rates, long-term growth rates, and royalties' rates as regards to brands. In 2020, as indicated in Note 10.3, management notably : • performed the combination of the Early Life Nutrition Asia, Early Life Nutrition Rest of the World and Advanced Medical Nutrition CGUs into a single Global Specialized Nutrition CGU, following the integration of the early life nutrition and advanced medical nutrition activities, which was finalized in 2020; • projected the effect of the Covid-19 pandemic crisis on its business plans over the entire durations of the plan to reflect the uncertainty as to its magnitude and duration. In addition, as indicated in Note 5.7 to the consolidated financial statements, the Group noted an indication of impairment on the Yashili's investments in associates as of December 31, 2020. The impairment test performed, based on estimated future cash flows of the business plan prepared by its management and covering the 2020 to 2025 and taking to account of the Covid-19 crisis on the 2020 fiscal year, did not result in an additional impairment charge. Taking into account the sensitivity of these estimates, especially in the context of uncertainty due to the Covid-19 pandemic, we therefore deemed the measurement of (i) goodwill, brands and (ii) the investments in associates to be a key audit matter.	*Goodwill and brands* We gained an understanding of the processes set up by the management to allocate the goodwill to CGUs or groups of CGUs, in order to identify any indications of loss in value and to determine the cash flow projections underlying the impairment tests. We examined the combination of the Early Life Nutrition Asia, Early Life Nutrition Rest of the World and Advanced Medical Nutrition CGUs into a single Global Specialized Nutrition CGU. For a sample of CGUs and brands, identified on the basis of quantitative and qualitative factors, notably intangible assets which have been impaired, we examined the methods and main assumptions, including the effects of covid-19 as assumed by management, used to determine recoverable value, including: • forecasted cash flows: the assumptions relating to the growth of the business and market shares were compared with the available market analyses. We also compared the main assumptions with past performance and assessed the trends between past forecasts and actual figures; • the long-term growth rates, the discount rates and the royalties' rates, with the support of financial valuation experts, as part of the audit team. We also analyzed the sensitivity of the test results to the main assumptions used by management and examined the disclosures provided in the notes to the consolidated financial statements. *Investments in associates* We gained an understanding the approach adopted and the data used by the group (market valuation, recent performance and forecast results), including the effects of covid-19 as projected by management, to identify any indications of loss in value. For Yashili, we have performed the procedures as described hereinbefore for goodwill and brands and we have examined the main assumptions used to determine the recoverable amount, notably by comparing with external valuations. We have also examined the disclosures provided in the notes to the consolidated financial statements, with respect to the sensitivity analysis.

Tax assets and liabilities

DESCRIPTION OF RISK	HOW OUR AUDIT ADDRESSED THIS RISK
Your group operates in many different tax jurisdictions throughout the world. Consequently, the Company and its subsidiaries may be subject to audits or questioning by local tax authorities. The situations where outflows of resources are considered probable give rise to liabilities measured on the basis of facts known in the jurisdiction involved. As indicated in Note 15 of the Notes to the consolidated financial statements, liabilities for tax risks, including territorial risks, amounted to €683 million as of December 31, 2020. As of 31 December 2020, the amount of 302 million euros is recognized in the consolidated balance sheet in respect of the deferred tax assets relating to tax loss carryforwards as set out in Note 9.3 of the Notes to the consolidated financial statements. The recoverability of these deferred tax assets resulting from tax loss carryforwards is based primarily on the ability of the entities concerned to meet their targets defined in the business plans drawn up by management, It is to be noted, as mentioned in the note 3.2 in the Notes to the consolidated financial statements, that the Group proceeded to a deferred tax assets review in the context of the pandemic crisis due to Covid-19. The recognition of tax assets and liabilities and liabilities for tax risks constitutes a key audit matter, given (i) the judgment required to assess the recoverability of deferred taxes notably in the context of the pandemic crisis due to Covid-19 and (ii) the probable outflows of resources related to tax disputes.	We gained an understanding the procedures implemented within the Group to identify the main tax risks, as well as management's assessments of these risks. We also gained an understanding of the opinions of third parties, and analyzed past and current experience with the tax authorities in the jurisdictions concerned. Furthermore, we involved in the audit team, tax specialists in order to assess the assumptions used by management to determine the liabilities for tax risks. We examined the deferred tax positions for the most significant entities. Our work consisted primarily in examining (i) the awareness of the Covid-19 consequences in the business projections prepared by the management, (ii) the consistency with these assumptions concerning the use of the tax loss carryforwards against future taxable profits with those derived from management's business projections, used in particular within the scope of the impairment tests on goodwill and on brands.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verification required by laws and regulations of the Group's information given in the management report of the Board of Directors.

We have no matters to report as to their fair presentation and their consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by Article L.225-102-1 of the French Commercial Code is included in the information relating to the Group presented in the management report, being specified that, in accordance with the provisions of Article L. 823-10 of the Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. This information should be reported on by an independent third party.

Report on Other Legal and Regulatory Requirements

Format of the presentation of the consolidated financial statements intended to be included in the annual financial report

In accordance with Article 222-3, III of the AMF General Regulation, the Company's management informed us of its decision to postpone the presentation of the consolidated financial statements in compliance with the European single electronic format as defined in the European Delegated Regulation No 2019/815 of 17 December 2018 to years beginning on or after January 1st, 2021. Therefore, this report does not include a conclusion on the compliance with this format of the presentation of the consolidated financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, I of the French Monetary and Financial Code (*code monétaire et financier*).

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Danone by the Annual General Meeting held on May 21, 1992 for PricewaterhouseCoopers Audit and Avril 28, 2016 for ERNST & YOUNG Audit. PricewaterhouseCoopers Audit and ERNST & YOUNG Audit were in the 29th year and 5th year of total uninterrupted engagement, respectively.

Previously, ERNST & YOUNG Audit have been appointed as a statutory auditor from 2010 to 2015.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

- As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore: identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;
- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics (code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense and Neuilly-sur-Seine, March 3, 2021

The Statutory auditors

Ernst & Young Audit	**PricewaterhouseCoopers Audit**
Gilles COHEN	François JAUMAIN

4.2 FINANCIAL STATEMENTS OF DANONE SA, THE PARENT COMPANY

FINANCIAL STATEMENTS OF DANONE SA

Income statement

		Year ended December 31	
(in € millions)	Notes	**2019**	**2020**
Sales		593	622
Other income		54	52
Total operating income	3	**647**	**674**
Personnel costs	4	(295)	(260)
Other operating expense	5	(515)	(544)
Total operating expense		**(810)**	**(804)**
Net operating expense		**(163)**	**(130)**
Income from equity interests		346	2,070
Interest on loans and receivables and similar income		234	205
Interest on borrowings and similar expense		(287)	(255)
Other financial income (expense)		272	3
Net financial income	6	**565**	**2,022**
Net income before non-recurring items and tax		**402**	**1,892**
Net non-recurring income (expense)	7	**(10)**	**(34)**
Income tax	8	79	73
Net income for the year		**471**	**1,931**

Balance sheet

Assets

As of December 31

(in € millions)	Notes	2019 Net amount	2020 Gross amount	2020 Depreciation, amortization and provisions	2020 Net amount
Intangible assets		65	190	(112)	78
Property, plant and equipment		14	45	(21)	24
Equity interests		28,690	28,808	(111)	28,697
Other financial assets		4,943	4,590	–	4,590
Financial assets	9	33,632	33,398	(111)	33,287
Non-current assets		**33,711**	**33,633**	**(244)**	**33,389**
Short-term loans and receivables	10	330	302	(1)	301
Marketable securities	11	38	22	–	22
Cash and cash equivalents		–	–	–	–
Current assets		**368**	**324**	**(1)**	**323**
Deferrals and prepaid expense		261	508	–	508
Total assets		**34,340**	**34,465**	**(245)**	**34,220**

Equity and liabilities

As of December 31

(in € millions)	Notes	2019	2020
Share capital		172	172
Share premium		5,659	5,689
Revaluation adjustment		4	4
Other reserves		3,790	3,790
Retained earnings		2,850	1,945
Net income for the year		471	1,931
Regulated provisions		21	21
Equity	12	**12,967**	**13,552**
Other equity	14	1,250	1,250
Provisions for risks and charges	13	59	59
Bonds	14	14,035	13,263
Other financial debt	14	1,503	1,498
Other liabilities	15	4,313	4,128
Deferrals and accrued expense	15	213	470
Total equity and liabilities		**34,340**	**34,220**

NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY DANONE SA

The financial statements of the parent company Danone ("the Company") for the year ended December 31, 2020 were approved by Danone's Board of Directors on February 18, 2021 and will be submitted for approval to the Shareholders' Meeting on April 29, 2021. Danone and its consolidated subsidiaries constitute "the Group".

Unless indicated otherwise, amounts are expressed in millions of euros and rounded to the nearest million. Generally speaking, the values presented in the financial statements of the parent company Danone and in the Notes to the financial statements of the parent company Danone are rounded to the nearest unit. Consequently, the sum of the rounded amounts may differ, albeit to an insignificant extent, from the reported total. In addition, ratios and variances are calculated on the basis of the underlying amounts and not on the basis of the rounded amounts.

Contents

NOTE 1. ACCOUNTING PRINCIPLES

The Company's financial statements are prepared in accordance with French statutory and regulatory provisions and generally accepted accounting principles. The general rules for drawing up and presenting annual financial statements comply with ANC regulation 2018-01. The main accounting methods used are detailed hereafter.

Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are valued at cost of acquisition (including acquisition-related costs) and are amortized or depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	15 to 20 years
Fixtures and fittings	8 to 12 years
Other property, plant and equipment	4 to 10 years
Software	1 to 10 years

Financial assets

Financial assets comprise Equity interests and Other financial assets.

Equity interests are shares in companies, the long-term holding of which is deemed to be useful for the Company's activity, notably because it enables the Company to exercise influence on or control over the issuing company. Investments that do not meet this definition are classified as Other financial assets. Equity interests are recognized at acquisition cost, including acquisition-related costs, which are amortized over five years as of the date of acquisition. For tax purposes, these assets are subject to accelerated tax amortization rates. An impairment provision is recognized when the recoverable amount of Equity interests is below their carrying amount.

Recoverable amount is determined using various criteria including:

- market value;
- value in use based on forecast discounted cash flows;
- revalued equity.

Assumptions, estimates or appraisals used to determine the recoverable amount are made on the basis of available information and conditions at the end of the financial period presented, which may differ from the reality, particularly in an economically and financially volatile context. Impairment provisions are recognized as Other financial income (expense), with the exception of reversals of impairment in connection with disposals of equity interests, which are recognized as Net non-recurring income (expense). Gains or losses on disposals of equity interests are recognized as Net non-recurring income (expense).

Other financial assets consist mainly of a portion of the DANONE treasury shares held in connection with the authorizations given by the Shareholders' Meeting (see hereinafter) and long-term loans and receivables granted by the Company.

DANONE treasury shares

DANONE shares repurchased by the Company are recognized under the heading:

- Other financial assets, when they are repurchased in connection with corporate acquisitions or to be canceled;
- Marketable securities, when they are repurchased to hedge Group performance share plans under which shares are allocated to certain Danone employees and corporate officers.

They are recognized at acquisition cost, excluding acquisition-related costs. In the event of a disposal, the cost of the DANONE shares sold is calculated by allocation category in accordance with the weighted average cost method, which is calculated individually for each plan for the shares allocated to hedge Group performance share plans.

DANONE shares recognized as Other financial assets

In the case of DANONE shares recognized as Other financial assets that are not to be canceled, an impairment provision is recognized when their recoverable amount (assessed at the average price for the last month of the fiscal year) falls below their carrying amount.

DANONE shares recognized as Marketable securities

Hedging of Group performance shares for which it is probable that performance conditions will not be met

In the case of treasury shares allocated to hedge plans that cannot be exercised (it is probable that the performance conditions will not be met), a provision for impairment is recognized when the market value of the shares (assessed at the average price for the last month of the fiscal year) is less than their carrying amount.

Hedging of Group performance shares for which it is probable that performance conditions will be met

In the case of treasury shares allocated to hedge plans that can be exercised (it is probable that the performance conditions will be met), a provision for impairment is not recognized. However, a provision for risks and charges is, where necessary, recognized in respect of these plans, equal to the carrying amount of the shares allocated to said plans. The provision is booked *prorata* to the rights vesting period and recognized in Personnel costs in the income statement.

Loans and receivables

Loans and receivables are stated at their nominal value. An impairment provision is recognized when the recoverable amount is less than the carrying amount.

Recognition of transactions in foreign currencies

Expense and income in foreign currencies are recorded at their exchange value in euros at the date of the transaction.

Liabilities, receivables and cash denominated in foreign currencies are recorded in the balance sheet at their exchange value in euros calculated at the closing rate. The differences resulting from translation at this rate are recorded in the balance sheet in the line items Deferrals and prepaid expense and Deferrals and accrued expense in the case of receivables and liabilities. A provision for risks is recognized for non-hedged unrealized exchange losses.

Marketable securities

Marketable securities comprise a portion of the treasury shares and other investments made by the Company.

Their gross value corresponds to their acquisition cost excluding acquisition-related costs. When the market value of each category of securities of the same nature is lower than the acquisition cost, a provision for impairment is recognized equal to the difference. For further information about treasury shares reclassified as Marketable securities, see the above section *DANONE shares recognized as Marketable securities*.

Bonds

Bonds consist in borrowings raised by Danone, on capital markets, notably under its EMTN (Euro Medium Term Note) program, through public issues or private placements, denominated in euros or foreign currencies. Bonds denominated in foreign currencies may be maintained in those currencies or swapped into euros; bonds are recognized at their nominal value, translated at the closing exchange rate.

Derivatives

Danone hedges part of its bonds denominated in foreign currencies by cross-currency swaps. Since January 1, 2017, the Company has applied ANC Regulation no. 2015-05 on financial instruments to its material hedging transactions.

In addition, Danone Corporate Finance Services, a wholly-owned subsidiary, also carries out interest rate hedging transactions on behalf of the Company in respect of certain borrowings and commercial paper (*Billets de trésorerie*) issued by the Company.

Provisions for risks and charges

Provisions are recognized for identified risks and charges of uncertain timing or amount when the Company has an obligation to a third party and it is certain or probable that this obligation will result in a net outflow of resources for the Company.

For further information about provisions against Group performance share plans, see the above section *DANONE shares recognized as Marketable securities*.

Retirement commitments

Supplementary retirement commitments and lump sum retirement payments borne by the Company are presented within Off-balance sheet commitments.

NOTE 2. HIGHLIGHTS OF THE YEAR

Danone received dividends totaling €2.1 billion, mostly from its subsidiaries in the Specialized Nutrition business and the sale of its residual indirect interest in Yakult.

Impacts of Covid-19

Management has assessed the impacts of Covid-19 on the basis of reasonably available information and conditions at the end of the financial period presented and considering assumptions, estimates, or appraisals, the main ones of which concern the measurement of equity interests and financial assets as described below. In light of the uncertainty as to the magnitude and duration of the effects of Covid-19, Danone has exercised particular vigilance in determining these assumptions.

The Company has therefore calculated the recoverable amounts of its equity interests and financial assets, which are measured based on discounted cash flows, by projecting in its business plans the full effects on its various businesses of the Covid-19 health crisis over its entire duration so as to reflect the uncertainty as to the magnitude and duration of the crisis. These measurements have not indicated any impairment.

With regard to liquidity risk, Danone launched two €800 million bond issues in the first half of 2020 and held as of December 31, 2020 a portfolio of more than €3 billion of available committed credit facilities. In addition, as a reminder, Danone is not subject to any financial covenant.

NOTE 3. OPERATING INCOME

Sales comprise mainly the billing of direct and indirect subsidiaries for services rendered by the Company to those subsidiaries. They totaled €622 million in 2020 (€593 million in 2019).

Other income totaled €52 million in 2020 (€54 million in 2019) and comprised mainly reversals of provisions for risks and charges relating to hedging of the Group performance share plans granted by the Company.

NOTE 4. PERSONNEL COSTS AND COMPENSATION OF THE MEMBERS OF THE MANAGEMENT BODIES AND THE BOARD OF DIRECTORS

Personnel costs

Personnel costs comprise the gross compensation of the Company's employees and senior executives and the related social charges as well as the charges relating to the Group performance share plans under which shares are allocated to certain Danone employees and corporate officers subject to performance conditions.

Company's share of the compensation paid to the members of the Board of Directors and the Executive Committee

	Year ended December 31	
(in € millions)	**2019**	**2020**
Compensation paid to corporate officers and members of the Executive Committee [a]	11	11
Attendance fees paid to non-executive members of the Board of Directors [b]	1	1
Total	**12**	**12**

(a) Recognized in Personnel costs.
(b) Recognized in Other operating expense.

See also Note 17 of the Notes to the financial statements of the parent company Danone.

NOTE 5. OTHER OPERATING EXPENSE

Other operating expense comprised mainly fees paid to external service providers and charges for rent and services provided and totaled €544 million in 2020 (€515 million in 2019).

NOTE 6. NET FINANCIAL INCOME (EXPENSE)

Net financial income totaled €2,022 million in 2020 (€565 million in 2019).

Income from equity interests

Income from equity interests consisted of dividends received from the Company's equity interests. In 2020, these dividends totaled €2,070 million (€346 million in 2019), mostly from its subsidiaries in the Specialized Nutrition business and the sale of its residual indirect interest in Yakult.

Interest on loans and receivables and similar income

In 2020, interest on loans and receivables and similar income comprised: (i) interest received on loans and receivables granted to certain direct or indirect subsidiaries for €142 million (mainly in the United States), (ii) interest received from cross-currency swaps for €34 million, and (iii) interest on interest rate swaps for €29 million.

Interest on borrowings and similar expense

		As of December 31
(in € millions)	**2019**	**2020**
Bonds [a]	280	251
Current account with Danone Finance International [a]	13	10
Short-term borrowings from indirect subsidiaries [a]	–	–
Commercial paper [a]	(6)	(6)
Total	**287**	**255**

(a) Interest paid and accrued in respect of the year.

Other financial income (expense)

As regards Other financial income (expense), the Company generated net income of €3 million (compared with net income of €272 million in 2019, due mainly to the transfer of the assets and liabilities of Danone Baby and Medical Holding).

NOTE 7. NET NON-RECURRING INCOME (EXPENSE)

In 2020, Danone generated a Net non-recurring expense of €34 million, which consisted mainly of restructuring expenses. In 2019, Danone generated a Net non-recurring expense of €10 million, which consisted mainly of allocations to and reversals of provisions and restructuring expenses.

NOTE 8. INCOME TAX

Tax group

The Company forms a tax group with the French subsidiaries in which it holds, directly or indirectly, a stake of more than 95%.

Companies that were members of the tax group in 2020

	As of December 31, 2020
BLEDINA	HELDINVEST 9
COMPAGNIE GERVAIS DANONE	HELDINVEST 11
DAN INVESTMENTS	HELDINVEST 12
DANONE [a]	HOLDING INTERNATIONALE DE BOISSONS
DANONE CORPORATE FINANCE SERVICES	LES PRES RIENT BIO
DANONE DAIRY ASIA	NUTRICIA NUTRITION CLINIQUE SAS
DANONE FINANCE INTERNATIONAL	PRODUITS LAITIERS FRAIS ESPAGNE
DANONE MANIFESTO VENTURE EUROPE	PRODUITS LAITIERS FRAIS EST EUROPE
DANONE NUTRICIA AFRICA & OVERSEAS	PRODUITS LAITIERS FRAIS SUD EUROPE
DANONE PRODUITS FRAIS FRANCE	SOCIÉTÉ ANONYME DES EAUX MINÉRALES D'ÉVIAN
DANONE RESEARCH	SOCIÉTÉ DES EAUX DE VOLVIC
FERMINVEST	

(a) The Company.

The subsidiaries that are members of the tax group recognize and pay their tax to the Company as if they were taxed separately, in compliance with the rules set by the French tax authorities. The tax savings (or additional charges) – based on the difference between the tax charges recorded by the different subsidiaries of the tax group and the tax charge resulting from the computation of the results of the tax group – are recognized in the income statement under Income tax.

In 2020, the tax group recorded a taxable income. As of December 31, 2020, tax loss carry-forwards accumulated within the tax group in France amounted to €966 million, compared with €974 million as of December 31, 2019.

Other information

In accordance with Article 39.4 of the French Tax Code, in 2020 the Company recognized €0.4 million as taxable income in respect of passenger vehicle depreciation and rental. The application of Article 39.5 of the French Tax Code did not result in any add-backs to taxable income in 2020. As of December 31, 2020, items likely to result in a reduction of future tax liabilities consisted mainly of accrued charges and provisions. They totaled €39 million and would reduce future tax charges by €10 million.

NOTE 9. FINANCIAL ASSETS

Carrying amount and changes during the period

(in € millions)	As of December 31, 2019	Changes during the period: Increase	Decrease	Reclassification, translation	As of December 31, 2020
Gross amount					
Equity interests	28,801	8			28,809
Long-term loans and receivables	3,359		(115)	(242)	3,003
DANONE treasury shares	1,578				1,578
Other	6	3			9
Other financial assets	4,942	3	(115)	(242)	4,590
Total	**33,743**	**11**	**(115)**	**(242)**	**33,398**
Provisions [a]	(111)				(111)
Net total	**33,632**	**11**	**(115)**	**(242)**	**33,287**

(a) Consists mainly of provisions for impairment of Equity interests.

Equity interests

Equity interests held in portfolio as of December 31, 2020

(in € millions, except percentage)	Share capital [a]	Other equity [a] [c]	Share of equity held	Number of shares held	Carrying amount of shares held – Gross	Carrying amount of shares held – Net	Maximum authorized amount of guarantees, security interests and endorsements given by the Company	Previous year's sales [b]	Previous year's net income (loss) [b]	Dividends received by the Company during the year
Subsidiaries (at least 50% of the share capital held by the Company)										
French investments										
BLEDINA	24	118	100%	1,602,357	43	43	–	685	48	–
COMPAGNIE GERVAIS DANONE	9,338	690	100%	370,575,203	9,755	9,755	–	–	404	–
DAN INVESTMENTS	82	(5)	100%	4,100,000	82	76	–	–	1	–
DANONE CORPORATE FINANCE SERVICES	142	126	100%	8,875,000	179	179	–	–	(8)	–
DANONE NUTRICIA AFRICA & OVERSEAS	27	4	100%	266,421,480	2	2	–	158	3	–
HOLDING INTERNATIONALE DE BOISSONS	324	816	100%	161,768,722	1,116	1,116	–	–	15	–
Foreign investments										
DANONE ASIA PTE LTD	1,368	33	88%	2,288,111,264	1,263	1,263	–	–	134	496
DANONE BABY AND MEDICAL NUTRITION BV	1,305	1,640	100%	5,221,575,799	13,575	13,575	–	–	22	1,500
DANONE FINANCE NETHERLANDS	8	1	100%	800,000	94	26	–	–	–	–
DANONE SINGAPORE HOLDINGS PTE LTD	156	30	61%	173,987,816	118	118	–	–	24	50
FPS DANONE COMMUNITIES	24	(4)	72%	20,859	16	15	–	–	–	–
HELDINVEST B.V	–	–	100%	18,000	–	–	–	–	–	–
NUTRICIA RUSSIA BABY	–	10	70%	4,445,000	153	124	–	185	2	–
Investments in associates (at least 10% to 50% of the share capital held by the Company)										
NV DANONE SA	186	1,227	23%	21,988	400	400	–	292	17	3
DANONE FINANCE INTERNATIONAL	965	4,971	33%	4,034,154	2,012	2,004	2,000	–	59	20
Total					**28,808**	**28,697**				

(a) Amounts related to foreign companies are translated at the year-end exchange rate.
(b) Amounts related to foreign companies are translated using the average exchange rate for the year.
(c) Excluding net income (loss) for the year.

NOTE 10. SHORT-TERM LOANS AND RECEIVABLES

As of December 31, 2020, this balance sheet item comprised mainly €301 million of loans and receivables due to the Company within less than one year, including tax receivables totaling €92 million, accounts receivable totaling €49 million, derivative instruments totaling €91 million and other receivables totaling €69 million.

NOTE 11. MARKETABLE SECURITIES

Carrying amount and changes during the period

(in € millions)	As of December 31, 2019	Changes during the period				As of December 31, 2020
		Increase	Decrease (delivery)	Reallocation	Reclassification	
DANONE shares hedging Group performance shares [a]	25		(16)			9
Short-term investment	–					–
SICAV Danone Communities [b]	13					13
Total	**38**	**–**	**(16)**	**–**	**–**	**22**

(a) Portion of DANONE treasury shares recognized as Marketable securities (see Note 1 of the Notes to the financial statements of the parent company Danone).
(b) Danone Communities is a mutual fund (French SICAV) aimed at financing social projects through an investment vehicle that generates a return comparable to the money market rate.

NOTE 12. EQUITY

Carrying amount and changes during the period

(in € millions)	As of December 31, 2019		Changes during the period				As of December 31, 2020
	Before allocation	After allocation [b]	Net income	Capital decrease	Capital increase [c]	Other changes	Before allocation
Share Capital	172	172	–		–		172
In number of shares [a]	*686,120,806*	*686,120,806*	–		*508,794*		*686,629,600*
Share premium	5,659	5,659	–		29		5,689
Legal reserve	25	25	–				25
Other reserves	3,769	3,769	–				3,769
Retained earnings	2,850	1,945	–				1,945
Net income for the year	471	–	1,931				1,931
Regulated provisions	21	21		–	–		21
Total	**12,967**	**11,591**	**1,931**	**–**	**29**	**–**	**13,552**

(a) Ordinary shares with a par value of €0.25.
(b) Following shareholder approval at the Shareholders' Meeting of June 26, 2020, €1,441 million of the amount available for allocation of net income from the year ended December 31, 2019 was allocated to the dividend, and the remainder to retained earnings. This amount included €66 million in respect of treasury shares held by Danone.
(c) Issues totaling €0.1 million carried out on July 22, 2020 under the terms of the Company Savings Plan. This issue generated a share premium of €29 million.

NOTE 13. PROVISIONS FOR RISKS AND CHARGES

Carrying amount and changes during the period

		Changes during the period				
(in € millions)	As of December 31, 2019	Reclassification	Allocation	Reversal, used provision	Reversal, unused provision	As of December 31, 2020
Provisions in respect of Group performance share plans	41		25	(16)	(13)	37
Other provisions	18	12	15	(9)	(15)	21
Total	**59**	**12**	**40**	**(25)**	**(28)**	**59**

NOTE 14. BONDS, OTHER EQUITY AND OTHER FINANCIAL DEBT

Bonds and Other equity

Carrying amount of bonds

	As of December 31	
(in € millions)	2019	2020
Nominal value	13,973	13,199
Accrued interest	62	64
Total	**14,035**	**13,263**

Bonds issued by the Company are disclosed on the Group's website.

Most of the financing agreements entered into by the Company (bank lines of credit and bonds) include a change of control provision, which offers creditors a right of early repayment in the event a change in control of the Company causes its rating by the financial rating agencies to fall below investment grade.

2020 transactions

	Year ended December 31		
	2020		
(in millions of currency)	Currency	Nominal value	Maturity
New financing			
Euro bond	EUR	800	2027
Euro bond	EUR	800	2029
Repayments			
Euro bond	EUR	550	2020
Euro bond	EUR	500	2020
Euro bond	EUR	1,000	2020

Bonds: fixed rate/floating rate breakdown (after hedging where applicable) and changes during the period

(in € millions)	As of December 31, 2019	Changes during the period				As of December 31, 2020
		New borrowings	Repayment	Change in accrued interest	Revaluation	
Fixed rate portion						
Bonds	13,423	1,600	(1,500)		(324)	13,199
Accrued interest	62			2		64
Floating rate portion						
Bonds	550		(550)			–
Accrued interest	–					–
Total	**14,035**	**1,600**	**(2,050)**	**2**	**(324)**	**13,263**

Breakdown by currency with interest accrued as of the reporting date

As of December 31, 2020

(in € millions, except Nominal value in foreign currency in currency millions)	Nominal value in foreign currency	Historical value	Carrying amount
Bonds in euros or in currencies hedged in euros			
Euro	8,874	8,874	8,798
U.S. dollar	5,150	4,620	4,278
Yen	24,500	186	187
Bonds in currencies not hedged in euros			
None			
Total		**13,680**	**13,263**

Portfolio of cross-currency swaps hedging certain foreign-currency denominated bonds

As of December 31, 2020

(in € millions except Nominal value in foreign currency, in currency millions)	Nominal value in foreign currency	Historical value in euros
Euro – U.S. dollar	2,150	1,835
Euro – Yen	24,500	186
Total		**2,021**

In addition, as specified in Note 1 of the Notes to the financial statements of the parent company Danone, Danone Corporate Finance Services, a wholly-owned subsidiary, also carries out interest rate hedging transactions in respect of certain bonds issued by the Company.

Other financial debt

Fixed rate/floating rate breakdown and changes during the period

(in € millions)	As of December 31, 2019	Changes during the period				As of December 31, 2020
		New borrowings	Repayment	Change in accrued interest	Revaluation	
Fixed rate portion						
Loan from Danone Finance International	–					–
Floating rate portion						
Commercial paper [a]	1,503		(5)			1,498
Short-term loan from subsidiaries	–					–
Other	–					–
Total	**1,503**	**–**	**(5)**	**–**	**–**	**1,498**

(a) Net changes.

Maturity of Bonds and Other financial debt

	As of December 31	
(in € millions)	2019	2020
Due date less than 1 year	3,615	3,400
Due date between 1 and 5 years	7,492	8,161
Due date more than 5 years	4,431	3,200
Total	**15,538**	**14,761**

NOTE 15. OTHER LIABILITIES

Composition of Other liabilities

	As of December 31	
(in € millions)	2019	2020
Amounts owed by the Company to certain subsidiaries and affiliates	3,958	3,722
Trade payables	32	49
Unrealized foreign exchange gains	–	–
Accrued expenses	323	357
Total	**4,313**	**4,128**

Composition of Accrued charges

	As of December 31	
(in € millions)	2019	2020
Services provided	158	139
Personnel costs	1	–
Social charges	154	122
Tax liabilities	2	2
Financial debt	9	94
Total	**323**	**357**

NOTE 16. NET DEBT

Composition of net debt

	As of December 31	
(in € millions)	**2019**	**2020**
Bonds	14,035	13,263
Other financial debt	1,503	1,498
Amounts owed by the Company to certain subsidiaries and affiliates [a]	3,958	3,722
Total debt	**19,496**	**18,482**
Marketable securities	38	22
Cash and cash equivalents		–
Total cash and cash equivalents	**38**	**22**
Total net debt	**19,458**	**18,460**

(a) Portion of the amounts owed by the Company to subsidiaries and affiliates presented in Other liabilities.

NOTE 17. POST-EMPLOYMENT BENEFIT COMMITMENTS AND COMMITMENTS TO MANAGEMENT BODIES AND TO THE BOARD OF DIRECTORS

Post-employment benefit commitments

	As of December 31	
(in € millions)	**2019**	**2020**
Supplementary benefits in addition to defined benefit retirement plans [a]		
Gross commitments	639	697
Commitments net of retirement plan assets	458	528

(a) Commitments measured using the actuarial method.

These net commitments are presented off-balance sheet (see Note 18 of the Notes to the financial statements of the parent company Danone). The main commitment involves the retirement plan granted to some senior managers of Danone.

Retirement plan granted to some senior managers of Danone

Commitments measured using the actuarial method

	As of December 31	
	Retirement plan for senior managers	
(in € millions)	**2019**	**2020**
Gross commitments	518	573
Commitments net of retirement plan assets	372	439

The €67 million increase in commitments net of plan assets was due mainly to the decrease in discount rates.

Main actuarial assumptions

	Year ended December 31	
	Retirement plan for senior managers	
(as a percentage, except for age in years)	**2019**	**2020**
Discount rate	1.2%	0.8%
Expected return on plan assets	1.2%	0.8%
Salary growth rate	3.0%	3.0%
Retirement age	60-66	60-66

Commitments to management bodies and to the Board of Directors

Post-employment benefit commitments for corporate officers and Executive Committee members

	As of December 31	
(in € millions)	**2019**	**2020**
Supplementary benefits in addition to defined benefit retirement plans [a]		
Gross commitments	26	34

(a) Commitments measured using the actuarial method.

Severance pay for Executive Committee members

Severance pay for members of the Executive Committee in certain cases where they cease to continue their terms of office or exercise their functions were set at twice the annual gross compensation (fixed, variable, and in-kind) they received over the 12 months preceding the date on which they cease to continue their functions.

NOTE 18. OFF-BALANCE SHEET COMMITMENTS

Main commitments given directly and indirectly by the Company

	As of December 31	
(in € millions)	**2019**	**2020**
Put options held by non-controlling interests over some of the Company's direct and indirect equity interests [a]	482	363
Post-employment benefits [b]	458	528
Rents	114	117
Services provided	64	66
Derivative instruments [c]	2,021	4,806
Security interests [d]	2,000	2,000
Guarantees	16	2
Total	**5,155**	**7,881**

(a) Commitments given directly or indirectly by the Company (see details hereinafter in section *Put options over the Company's direct and indirect equity interests*).
(b) Net commitments in respect of defined benefit retirement plans (see Note 17 of the Notes to the financial statements of the parent company Danone).
(c) Corresponds to the nominal amount of cross-currency swaps for €4,806 million.
(d) The Company acted as joint and several guarantor for Danone Finance International.

Put options over the Company's direct and indirect equity interests

The Company or certain of its direct or indirect subsidiaries granted put options to third parties with non-controlling interests in certain consolidated subsidiaries, with these options giving the holders the right to sell part or all of their investment in these subsidiaries. Their exercise price is generally based on the profitability and financial position of the company concerned at the exercise date of the put option.

Commitments received

Commitments received by the Company concerned €3 billion in available committed credit facilities as of December 31, 2020.

Other commitments

The Company and certain of its subsidiaries are parties to a variety of legal and arbitration proceedings arising in the ordinary course of business. Some of these proceedings involve claims for damages, and liabilities are booked when a loss is probable and can be reliably estimated.

In the context of exemptions from the preparation, certification and/or publication of the corporate financial statements of certain of its subsidiaries, the Company has granted comfort letters and guarantees in respect of the commitments made by the latter.

NOTE 19. WORKFORCE

Average number of Company employees during the year

				Year ended December 31
(in number, except percentage)		**2019**		**2020**
Executives and managers	768	84%	826	83%
Supervisors and technicians	109	12%	106	11%
Clerical staff	42	5%	58	6%
Total	**919**	**100%**	**990**	**100%**

NOTE 20. RELATED PARTY TRANSACTIONS

The main related parties are the associated companies and the members of the Executive Committee and of the Board of Directors.

Transactions with associated companies are generally carried out at arm's length. They mainly involve management fees paid to Danone, services and financing.

Details of the compensation paid to the members of the Executive Committee and of the Board of Directors are provided in Note 4 of the Notes to the financial statements of the parent company Danone. Details of Danone's commitments to the corporate officers and Executive Committee members with respect to the retirement plan are provided in Note 17 of the Notes to the financial statements of the parent company Danone. The related party agreements are described in section 6.6 *Related party agreements and commitments*.

NOTE 21. SUMMARY OF SHARES HELD IN PORTFOLIO

Securities of subsidiaries and associates

		As of December 31
(in € millions)	**2019**	**2020**
Gross amounts	28,801	28,809
Provisions for impairment	(111)	(111)
Carrying amount	**28,690**	**28,697**

DANONE treasury shares

As of December 31

(in € millions, except number of shares)	2019		2020	
	Number of shares	Carrying amount	Number of shares	Carrying amount
Treasury shares classified as Financial assets [a]	30,769,360	1,578	30,769,360	1,578
Treasury shares classified as Marketable securities [a]	700,174	25	284,325	9
Total	**31,469,534**	**1,603**	**31,053,685**	**1,587**

(a) See classification in Note 1 of the Notes to the financial statements of the parent company Danone.

NOTE 22. RESULTS AND OTHER SIGNIFICANT INFORMATION RELATING TO THE LAST FIVE YEARS

	2016	2017	2018	2019	2020
Capital at year-end					
Share capital *(in €)*	163,973,000	167,677,600	171,263,800	171,530,202	171,657,400
Number of shares issued	655,892,000	670,710,400	685,055,200	686,120,806	686,629,600
Operations and results for the year *(in € millions)*					
Sales	648	609	666	593	622
Net income before tax, depreciation, amortization and provisions	1,318	105	820	431	1,877
Income tax [a]	59	100	104	79	73
Net income after tax, depreciation, amortization and provisions	1,347	176	899	471	1,931
Dividends paid [b]	1,115	1,274	1,329	1,441	1,332
Earnings per share *(in € per share)*					
Income after tax but before depreciation, amortization and provisions	2.10	0.32	1.35	0.74	2.84
Net income after tax, depreciation, amortization and provisions	2.05	0.26	1.31	0.69	2.81
Dividend per share	1.70	1.90	1.94	2.10	1.94
Personnel					
Average number of employees for the year	844	869	888	919	990
Payroll expense *(in € millions)*	160	207	193	200	169
Amounts paid in respect of employee benefits (social security, social benefit schemes, etc.) *(in € millions)*	90	115	94	95	91

(a) Income (expense).
(b) Amount relating to the 2020 fiscal year estimated as of December 31, 2020 based on the number of treasury shares held on that date by the Company. The 2019 dividend corresponds to the amount actually paid during the 2020 fiscal year.

NOTE 23. SUBSEQUENT EVENTS

To the best of the Company's knowledge, no significant events occurred between the end of the reporting period and February 18, 2021, the date on which the Board of Directors approved the financial statements of the parent company Danone for the year ended December 31, 2020.

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

This is a translation into English of the Statutory auditors' report on the financial statements issued in French and is provided solely for the convenience of English-speaking users. This Statutory auditors' report includes information required by French law, such as information about the appointment of the Statutory auditors or verification of the management report and other documents provided to the shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders' Meeting of Danone,

Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying financial statements of Danone for the year ended 31 December 2020.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2020 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de déontologie*) for statutory auditors for the period from 1 January 2020 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014.

Justification of assessments – Key audit matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Valuation of equity interests

RISK IDENTIFIED	OUR RESPONSE
As at 31 December 2020, equity interests amounted to 28 697 million euros out of a total balance sheet of 34 220 million euros. As stated in Note 1 to the financial statements, an impairment loss is recorded when the recoverable amount of the equity interests is lower than their carrying amount. The recoverable amount is determined by management based of various criteria, including market value, value in use based on discounted cash flows and revalued shareholders' equity. The estimation of the recoverable amount of these equity interests requires management to exercise its judgment in choosing the items to be taken into consideration depending on the interests concerned, as well as in determining the value in use, estimating the future performance of the entities concerned and the discount and long-term growth rates. As stated in Note 2 to the financial statements, the Company has assessed the recoverable amount of equity interests and financial fixed assets, for which the assessment is based on discounted forecasted cash flows, by projecting in its business plans the full effects on its various businesses of the Covid-19 health crisis over its entire duration so as to reflect the uncertainty as to the magnitude and duration of the crisis. In view of the materiality of this line item in the Company's balance sheet and the judgment required to estimate their recoverable amount, especially in the context of the health crisis linked to Covid-19, we considered the valuation of these interests to be a key audit matter.	Our work mainly consisted in the following, for a sample of equity interests determined based on qualitative and quantitative criteria: ● For valuations based on historical data: • examining the concordance between the shareholders' equity used and the accounts of the corresponding entities, as well as any adjustments performed on this shareholders' equity; ● For valuations based on forecast data: • obtaining the operating cash flow forecasts for the activities of the entities concerned and reconciling them with the forecast data provided in the latest strategic plans, including the effects of the health crisis linked to Covid-19 projected by management; • examining the assumptions used in the light of the economic environment at the closing date and the date on which the accounts were drawn up; • comparing the forecasts used for prior periods with the corresponding actual figures in order to assess the achievement of past targets. We also examined the information provided in Note 9 to the financial statements.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents with respect to the financial position and the financial statements provided to the shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D. 441-6 of the French Commercial Code (*Code de commerce*).

Report on Corporate Governance

We attest that the Board of Directors' Report on Corporate Governance sets out the information required by Articles L. 225-37-4, L. 22-10-10 and L. 22-10-9 of the French Commercial Code (*Code de commerce*).

Concerning the information given in accordance with the requirements of Article L. 22-10-9 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by, or allocated to the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlled thereby, included in the consolidation scope. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your Company considered likely to have an impact in the event of a takeover bid or exchange offer, provided pursuant to Article L. 22-10-11 of the French Commercial Code (*Code de commerce*), we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on other legal and regulatory requirements

Format of presentation of the financial statements intended to be included in the annual financial report

In accordance with Article 222-3, III of the AMF General Regulation, the Company's management informed us of its decision to postpone the presentation of the financial statements in compliance with the European single electronic format as defined in the European Delegated Regulation No 2019/815 of 17 December 2018 to years beginning on or after January 1st, 2021. Therefore, this report does not include a conclusion on the compliance with this format of the presentation of the financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, of the French Monetary and Financial Code (*Code monétaire et financier*).

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Danone by the annual general meeting held on 21 May 1992 for PricewaterhouseCoopers Audit and on 28 April 2016 for ERNST & YOUNG Audit.

As at 31 December 2020, PricewaterhouseCoopers Audit and ERNST & YOUNG Audit were in the 29th year and 5th year of total uninterrupted engagement respectively.

Previously, ERNST & YOUNG et Autres held office as statutory auditor of Danone from 2010 to 2015.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory auditors' responsibilities for the audit of the financial statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the financial statements;
- assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense and Neuilly-sur-Seine, March 3, 2021

The Statutory Auditors

Ernst & Young Audit	**PricewaterhouseCoopers Audit**
Gilles COHEN	François JAUMAIN

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4.3 INFORMATION ON PAYMENT TERMS GRANTED TO SUPPLIERS AND CUSTOMERS OF THE PARENT COMPANY, DANONE SA

As of December 31, 2020

	Invoices received, unpaid and overdue as of the reporting date					
(in € millions unless stated otherwise)	**Due in 0 day**	**Due between 1 and 30 days**	**Due between 31 and 60 days**	**Due between 61 and 90 days**	**Due 91 or more days**	**Total (1 or more days)**
A. Overdue payment categories						
Number of invoices concerned	65					**485**
Total amount of invoices concerned (including taxes)	3.2	3.2	0.7	0.4	6.1	**10.4**
Percentage of total purchases for the year (excluding taxes)	0.7%	0.7%	0.2%	0.1%	1.4%	**2.4%**
Percentage of sales for the year (excluding taxes)						
B. Invoices excluded from (A) relating to payables and receivables in dispute or not recognized						
Number of excluded invoices						403
Total amount of excluded invoices						2.3
C. Benchmark contractual payment terms used						
Payment terms used to calculate overdue payments	Contractual terms: 60 days of invoice date, in the absence of statutory terms					

As of December 31, 2020

	Invoices issued, unpaid and overdue as of the reporting date					
(in € millions unless stated otherwise)	**Due in 0 day**	**Due between 1 and 30 days**	**Due between 31 and 60 days**	**Due between 61 and 90 days**	**Due 91 or more days**	**Total (1 or more days)**
A. Overdue payment categories						
Number of invoices concerned	90					**1,305**
Total amount of invoices concerned (including taxes)	4.8	6.1	4.6	2.0	32.8	**45.6**
Percentage of total purchases for the year (excluding taxes)						
Percentage of sales for the year (excluding taxes)	0.8%	1.0%	0.7%	0.3%	5.3%	**7.3%**
B. Invoices excluded from (A) relating to payables and receivables in dispute or not recognized						
Number of excluded invoices						0
Total amount of excluded invoices						0
C. Benchmark contractual payment terms used						
Payment terms used to calculate overdue payments	Contractual terms: 30 days from end of month of invoice					

4.4 INFORMATION ORIGINATING FROM THIRD PARTIES, EXPERT OPINIONS AND DECLARATIONS OF INTEREST

None.

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SOCIAL, SOCIETAL AND ENVIRONMENTAL RESPONSIBILITY

This section describes Danone's commitments and achievements in the area of social, societal and environmental responsibility. All references to "OPOH" refer to the Company's frame of action One Planet. One Health.

It is organized as follows:

- *Information regarding extra-financial performance:*
  - *decree n° 2017-1265 of August 9, 2017 taken for the purpose of the order n°2017-1180 of July 19, 2017 as regards disclosure of non-financial information by companies;*
  - *Art. L. 22-10-10-2 of the French Commercial Code regarding "results of gender diversity in the top 10% of positions with greater responsibility";*
  - *Art.1 no. 2017-399 referred to as the law on the duty of vigilance of parent companies and ordering companies;*
  - *Art.173 no. 2015-992 of August 17, 2015 on the energy transition for green growth.*
- *Description of Danone's sustainability approach through the steps of decree n°2017-1265:*
  - *Danone's business model is described in sections 2.1 to 2.4 of this Universal Registration Document.*

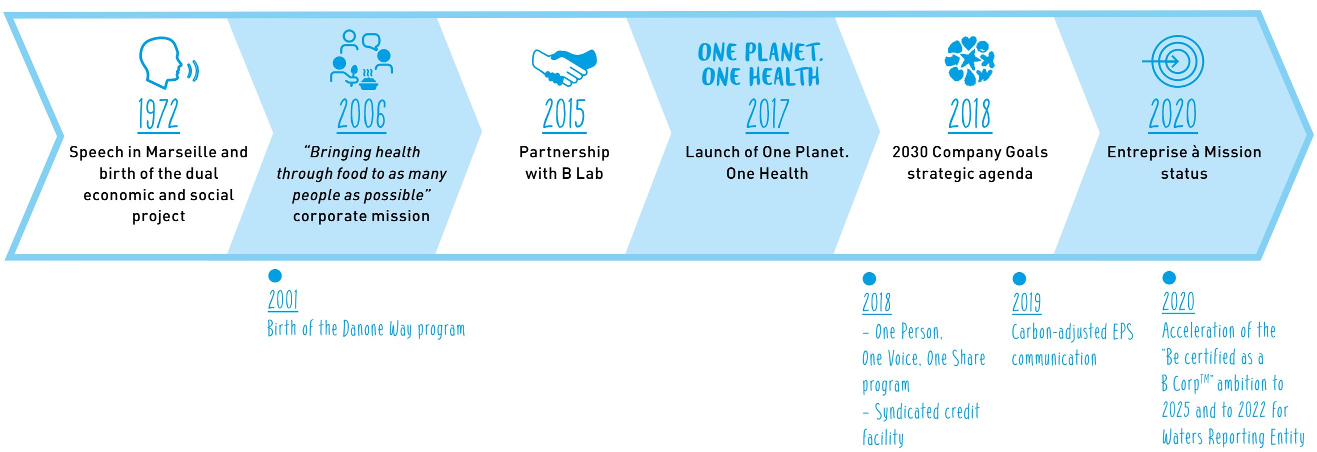
  For each of the risks and as far as possible, the following elements are highlighted:
  - *Definitions of the identified sustainability risks;*
  - *Policies implemented to define the Company's ambitions and commitments;*
  - *Governance and team dedicated to strategic management and operational follow-up;*
  - *Action plans implemented to deploy the commitments;*
  - *Quantitative and qualitative outcomes;*
  - *Opportunities considered as levers of actions generating positive impact.*
- *Extra-financial performance for 2020 relies notably on:*
  - *Environmental indicators;*
  - *Social indicators;*
  - *Safety indicators;*
  - *Nutrition indicators;*
  - *Responsible procurement and human rights indicators;*
  - *Results of the Danone Way program.*
- *More extensive information is available in:*
  - *section 2.6 Risk factors dedicated to the main risks Danone is exposed to as of the date of the release of this Universal Registration Document;*
  - *the 2020 Integrated Annual Report in which quantitative results and practices are described based on the 2030 Company Goals, and the United Nations' Global Compact principles and Sustainable Development Goals (SDG). Furthermore, the Report includes a cross-reference table between the Company extra-financial performance indicators, and the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB) indicators.*

5.1 AN INTEGRATED APPROACH OF SUSTAINABLE BUSINESS MODEL

Contents

DANONE'S MISSION AND VISION: A LONG-STANDING COMMITMENT TO SUSTAINABLE VALUE CREATION

Key milestones in Danone's sustainability journey



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2030 Company Goals as an extension of the One Planet. One Health frame of action

Building on its dual economic and social project and its OPOH frame of action, Danone has defined a set of nine long-term Goals – aligned with the Sustainable Development Goals of the United Nations – to embrace the food revolution while creating sustainable value for its shareholders and ecosystem.

In 2020, Danone took another step forward by becoming the first listed company to adopt the Entreprise à Mission model. It also selected four of its 2030 Company Goals as its mission and integrated them into its by-laws:

- impact people's health locally, with a portfolio of healthier products, with brands encouraging better nutritional choices and by promoting better dietary habits;
- preserve and renew the planet's resources, by supporting regenerative agriculture, protecting the water cycle and strengthening the circular economy of packaging, across its entire ecosystem, in order to contribute to the fight against climate change;
- entrust Danone's people to create new futures: building on a unique social innovation heritage, give each employee the opportunity to impact the decisions of the Company, both locally and globally;
- foster inclusive growth, by ensuring equal opportunities within the Company, supporting the most vulnerable partners in its ecosystem and developing everyday products accessible to as many people as possible.

Danone has appointed a Mission Committee to monitor the Company's progress toward its mission and has defined key performance indicators and targets to allow an independent third party to verify the progress made (see section 2.2 *Strategic priorities*).

This step is also in line with its goal of obtaining worldwide B Corp™ certification by 2025, which will show consumers and stakeholders that all Danone entities and brands are putting their businesses to work to serve society.

Beyond its direct scope of responsibility and more specifically during the Covid-19 crisis, Danone has supported its ecosystem through its corporate actions, brands and social innovation platforms. The Company is also committed to protecting its supply chain so that it can continue to provide it with its daily food supply.

GOVERNANCE ESTABLISHED TO SUPPORT DANONE'S ONE PLANET. ONE HEALTH FRAME OF ACTION

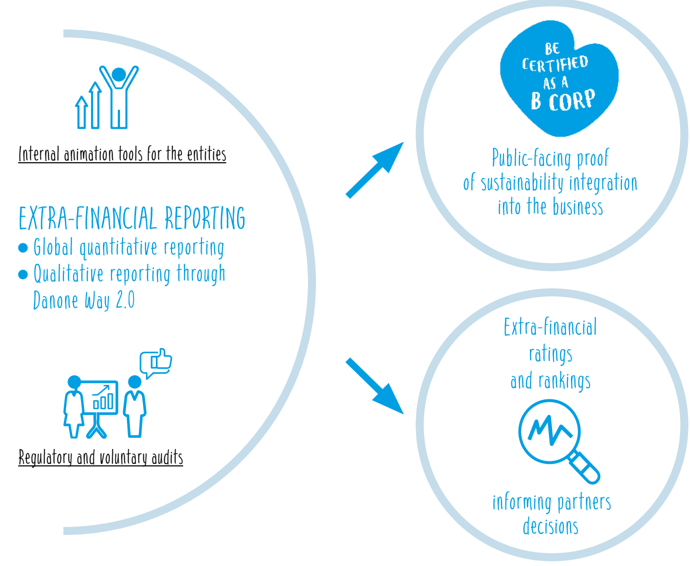
Internal organization and governance

Sustainability permeates Danone's entire organization, so all departments support the food revolution through their specific fields of expertise. Danone has put in place a sustainability governance structure to ensure global consistency and efficient decision-making in all aspects of sustainability, as described below.

Governance bodies	Key missions
Engagement Committee	• An offshoot of the Board of Directors, its missions and work are detailed in section 6.1 *Governance bodies*.
OPOH Integration and Investment Board	• Align the sustainability pillars to strengthen Danone's integrated approach to the 2030 Company Goals and monitor the journey toward B Corp™ certification ambition; • Obtain approval for investment proposals from the funds' decision-making bodies; • Better serve the brand agendas and ensure coordination with the Growth & Innovation Committee.
Danone addresses specific sustainability topics within thematic committees which are mentioned throughout section 5 *Social, Societal and Environmental Responsibility*. Additionally, topics related to sustainable finance are discussed within the ESG & Finance Committee.	
Global and local sustainability teams	
OPOH Integration team	• As part of the General Secretary, work closely with the communications and public affairs teams; • Work with its internal and external stakeholders to advance, monitor and report on Danone's sustainability performance; • Oversee global B Corp™ certification through a continuous improvement process.
Expert teams (including corporate and Reporting Entity OPOH experts)	• Environmental, social, and health and nutrition teams working to advance specific Company goals and commitments and to monitor their progress toward achieving them; • Sustainability teams, operating within the Reporting Entities and responsible for the connection with the brand agendas.
Local OPOH representatives' network	• Coordinate Danone's sustainability strategy at the regional and local levels; • Lead the local rollout of the Danone Way program and B Corp™ certification and support the global sustainability audits process.

AN INTEGRATED WAY TO TRACK AND FOSTER PROGRESS

Danone's approach to managing sustainability performance



With its internal animation tools, the Company ensures that all its entities, at all levels, progress toward the 2030 Company Goals, with a focus on the OPOH frame of action. To do so, Danone tracks and supports sustainability performance through quantitative metrics (global reporting) and a set of qualitative practices (Danone Way) whose reliability is reinforced by external audits, performed by an independent third party (see section 5.9 *Report by one of the statutory auditors, appointed as an independent third party, on the consolidated non-financial information statement included in the management report*). This integrated way to track and measure performance supports its global B Corp™ certification externally as well as its dialogue with financial and non-financial partners, notably by sustaining a high performance with the ESG rating and ranking agencies.

A COMPREHENSIVE APPROACH TO MEET EXTERNAL DEMANDS

Manifesto Brands to reflect consumers' expectations

Manifesto Brands are at the core of Danone's 2030 Company Goals. A Manifesto Brand is a brand on a mission, with a strong point of view on societal issues. These brands are committed to taking action and contribute to the food revolution. Their commitments allow them to connect with consumers around shared values and purposes, around the social, environmental, and health and nutrition topics that matter to them.

Materiality analysis to highlight main externalities

To define its approach to sustainability, Danone relies on the complementary nature of its materiality and risk analysis processes. This enables the Company to identify the issues facing its operations and value chain, on the one hand, and the expectations of its stakeholders regarding its sustainability ambitions, on the other.

Danone relies on this materiality analysis as it highlights the 14 most material issues for Danone's business success and for external stakeholders, as listed in the table below. In early 2021, Danone repeated this materiality exercise to create an updated version of its matrix, which can be found in its entirety in the 2020 Integrated Annual Report.

This matrix is the result of a global consultation with more than 380 internal and external stakeholders who shared their perspective on issues that Danone needs to prioritize as a business, today and over the next five to ten years.

Among the stakeholders consulted were:

- more than 230 external and local stakeholders, including national authorities, NGO representatives, academics/experts and sector peers, etc.
- more than 150 Danone employees whose work relates to the OPOH frame of action.

Danone also surveyed its suppliers, key accounts and investors.

Risks identified in connection with Danone's declaration of non-financial performance

In 2018 Danone identified its sustainability risks, thanks to a joint effort by the departments responsible for Sustainable Development and for Strategy and Risks. In 2020, the Company reviewed these risks internally in light of the Covid-19 crisis and the current Company transformation and concluded that they were still relevant. For some risks, additional action plans have been rolled out and are detailed throughout this section (see the *Cross-reference table* below).

Danone has adopted the following risk definition methodology:

- **identify risks through research** on risks affecting its activities and its value chain over the short, medium and long term;
- **work with its experts** to assess top risks based on its activities, probability of occurrence, and potential impacts on stakeholders (employees, shareholders, business partners and communities) and its results;
- **consolidate and identify Danone's top 13 sustainability risks;**
- **have the risks approved by three governance bodies:** the Sustainability Integration Committee, the Social Responsibility Committee (now called Engagement Committee) and the Audit Committee (see section 6.1 *Governance bodies*).

One Planet. One Health frame of action cross-reference table

The table below shows the relationship between the 13 priority themes derived from its risk analysis and the 14 material priorities. It also maps the related 2030 Company Goals.

Details on governance, policies, action plans and outcomes are presented within the chapter.

Pillar	2030 Company Goals (selected in the context of "Entreprise à Mission" status)	Sustainability risks	Material priorities	Reference within the chapter for more information
			• Integration of sustainable development within the Company (for all issues below)	
COMPLIANCE		Responsible practices: ethics and integrity	• Responsible leadership and governance	5.1 *An integrated approach of sustainable business model*
HEALTH & NUTRITION	IMPACT PEOPLE'S HEALTH LOCALLY	Unique product portfolio to impact people's health	• Product safety and quality • Portfolio improvements towards healthier products • Food and nutrition accessibility and affordability • Transparent product labeling • Diversified product portfolio in line with local needs and diets • Local economic contribution and inclusive growth	5.2 *Offering safe, healthy products*
		Responsible communication Marketing of breast milk substitutes	• Transparent product labeling • Responsible marketing and consumer awareness	
ENVIRONMENT (including the fight against climate change)	PRESERVE AND RENEW THE PLANET'S RESOURCES	Regenerative agriculture	• Diverse and locally relevant models of sustainable farming and land use	5.3 *Preserve and renew the planet's resources*
		Circular economy	• Product and packaging eco-design and circular economy	
		Preservation of water resource	• Diverse and locally relevant models of sustainable farming and land use	
SOCIAL (including workplace health and safety)	ENTRUST DANONE'S PEOPLE TO CREATE NEW FUTURES	Inclusive talent development	• Responsible leadership and governance • Local economic contribution and inclusive growth	5.4 *Building the future with Danone employees*
		Social dialogue Employee security	• Responsible leadership and governance	
RESPONSIBLE SOURCING & HUMAN RIGHTS	FOSTER INCLUSIVE GROWTH	Business practices and price fixing Responsible sourcing Human rights	• Sustainable procurement and supply chain management • Fair pricing policies and relationships with farmers and suppliers • Diverse and locally relevant models of sustainable farming and land use • Responsible leadership and governance	5.5 *Promoting sustainable, inclusive growth with suppliers*

In addition, the Company's vigilance plan is presented in section 5.7 *Vigilance plan*.

RESPONSIBLE PRACTICES: ETHICS AND INTEGRITY

Definition

Danone works actively against corruption, bribery, payments in kind, conflicts of interest, theft, embezzlement, inappropriate use of company resources and money laundering.

Policies

Danone has established policies and procedures for responsible practices that apply to all its employees, its subsidiaries, the companies controlled by the Company and, in some cases, its business partners. In 2020, Danone updated its compliance framework which sets out the most important principles with regard to standards, responsibilities, organization and processes for its policies and programs.

Code of Business Conduct	• Based on principles derived from: – the Universal Declaration of Human Rights; – the Fundamental Conventions of the International Labour Organization; – the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises; – the UN Global Compact on human rights, labor standards, environmental protection and anti-corruption. • Translated into 34 languages; • Covers a number of responsible practices-related topics, including anti-corruption, conflicts of interest, confidentiality, fraud and money laundering.
Disciplinary Code for Business Conduct Breach	• Applies to all employees to ensure that the Company appropriately and fairly sanctions any unethical behavior in general, and/or any breach of its Code of Business Conduct in particular.
Integrity Policy	• Defines the rules and responsibilities governing the conduct of every Danone employee with respect to corruption, including gifts and hospitality, sponsorships and donations, fraud, money laundering, conflicts of interest, third-party review and concerns; • Describes the expectations that must be met by specific functions, such as Executive Committee members, general managers, and directors of human resources, public affairs, medical and healthcare.
Compliance Policy for Third Party Vetting	• Refers to the due diligence that Danone performs on business partners, in order to evaluate and, if necessary, address the potential risk they may pose to the Company in relation to anti-corruption, anti-bribery and/or international trade sanction laws and regulations as well as any other criminal or unethical activity; • Applies to all third parties; • Defines the rules, responsibilities and guidance that require and enable Danone employees to follow a robust decision-making process for selecting, contracting with and monitoring third parties.
Code of Conduct for Business Partners	• Ensures that Danone's business partners comply with applicable laws on bribery and corruption, money laundering, unfair competition and international trade sanctions.
Competition Policy	• Defines Danone's commitment to engaging in fair competition on the merits in all its business activities in compliance with all applicable competition laws.
International Trade Sanctions Policy	• Defines Danone's commitment to complying with trade, financial and other restrictions imposed by national governments and international bodies on certain sanctioned countries, entities and/or individuals.
Personal Data Privacy Policy	• Recognizes individuals' fundamental right to privacy and protection of personal data; • Defines Danone's commitment to processing personal data in a fair, lawful and transparent manner. It applies to all Danone entities worldwide, including all the subsidiaries and affiliates that are majority owned or effectively controlled by the Company, and all their employees; • Establishes the rules and responsibilities that employees and any third parties that process personal data on Danone's behalf must abide by when managing personal data.
HCS (Health Care Systems) Compliance Policy	• Ensures that all interactions with health care professionals are conducted in an ethical, open, transparent and responsible manner and are in compliance with applicable laws and regulations; • Applies to all Danone employees worldwide, as well as third-party contractors who interact with the health care system.
Policy on advocacy activities (updated in 2020 and available on the website)	• Describes the Company's vision of advocacy and the way it engages with external stakeholders, including the behaviors expected of its employees. In particular: – Danone interacts with governmental and non-governmental players as part of its dialogue with stakeholders and in the regular course of business. For example, it is listed in the registers of interest representatives of the European Union and of the French High Authority for Transparency in Public Life (*Haute Autorité Française pour la Transparence de la Vie Publique*, or HATVP); – Danone does not pay any sums of money to individuals or organizations involved in politics to support their activities. As a result, no candidates or political parties receive funds or assets from the Company. • Sets out the expectation that all advocacy efforts must comply with the principles of business conduct and the integrity policy described above and also describes how Danone's advocacy activities are monitored.

Governance

Danone's worldwide compliance program is approved and supported by its Chairman and Chief Executive Officer as well as by its Executive Committee, under the supervision of the Compliance and Ethics Board, which is chaired by the Chief Compliance Officer. It is also reviewed at least once a year by the Audit Committee. The Chief Compliance Officer is the executive head of the Compliance function and, along with the regional directors, is responsible for designing and leading the compliance strategy and overseeing its implementation and execution worldwide.

At the local level, Danone has a global network of local compliance officers and local compliance committees, chaired by the local General Manager.

Responsibility for the governance of internal evaluations of alleged or suspected non-conformities lies with the Danone Ethics Line Committee, made up of the Chief Compliance Officer and the Global Integrity Director, Global Head of Internal Audit, Global HR Compliance and Labor Law Director, and the Chief Security Officer.

In 2018, Danone created a Personal Ethics Commission whose responsibilities include promoting respect and dignity for all employees and preventing issues related to harassment, violence and discrimination in the workplace. In particular, this Commission reviews the key performance indicators related to human resource alerts from the Danone Ethics Line twice a year (see hereinafter). It also reports on its work to the Board of Directors' Engagement Committee. In 2020, this Commission sponsored the development and worldwide implementation of the Company's internal anti-harassment and non-discrimination policy.

Action plans

Danone has put in place a compliance program that includes a specific section on anti-corruption. This program incorporates risk assessments and their related mitigation plans, policies, procedures, controls, trainings, communication plans and due diligence on third parties.

In conjunction with the alerts received through the Danone Ethics Line and the non-conformities identified during the Company's controls and audits, mitigation plans and sanctions are put in place under the governance of the Danone Ethics Line Committee and local management. These mitigation plans can involve process improvements, disciplinary action, training and communication, and enhanced monitoring from the compliance team in the form of a steering committee responsible for overseeing the implementation of corrective measures.

Regular internal controls and audits are conducted for major compliance risks such as: governance in place at every level of the Company, interactions with healthcare professionals and government officials, gifts and hospitality, sponsorships, grants and donations, public tenders and confidentiality of personal data.

At the start of 2020, Danone reinforced its guidance on financial and in-kind contributions to ensure any Covid-19-related donations are properly made and approved.

Danone is currently rolling out a new digital third-party due diligence solution.

Whistleblowing system: Danone Ethics Line

Danone has developed a confidential whistleblowing system for employees, suppliers and any other third parties to report their concerns, anonymously if necessary, about any violation of the Code of Business Conduct, illegal behavior, inappropriate financial practice or activity posing an environmental or human rights risk. The tool can be accessed on the internet by anyone, in any country and is available in 34 languages.

When responding to alerts, Danone enforces a clear policy, as stated in its Compliance Framework Policy (2020), of not retaliating against whistleblowers if they report a genuine concern in line with the Code of Business Conduct.

Employee training and information

In 2020, Danone rolled out a worldwide communication campaign to remind all employees of the importance of the Code of Business Conduct and their obligation to follow it.

Danone thus launched two mandatory compliance e-learning modules, one on compliance fundamentals and the other on the GDPR (General Data Protection Regulation) only for European-based employees. Both modules are in line with the OPOH frame of action which states that employees must act in an ethical way in the interest of the Company and its people.

In addition to the e-learning modules, in-person training is offered at the local level. Priority is given to the businesses deemed to be at highest risk. This approach extends coverage to every Danone employee.

Outcomes

In 2020, Danone received 469 alerts on various issues, including human resources, corruption and fraud. None of these cases had a material impact on the Company's consolidated accounts.

As part of the rollout of the new third-party due diligence solution, over 3,000 third parties have already been vetted.

Over the year 2020, 82% of Danone's total employees have been trained at least once on compliance through an in-person training or an e-learning module. The population targeted by these trainings was the 54% of Danone employees with access to a computer; other employees were nevertheless able to take part in these training sessions this year.

Focus – Fight against tax evasion

Danone's Tax Policy underscores its commitment to responsible tax management and its pledge to avoid tax schemes that are artificial, fraudulent or disconnected from actual operations. It is updated annually and can be found on Danone's website.

Danone has also implemented a code of conduct for internal use to prevent any risk of tax evasion: it defines the principles for action and the appropriate behaviors when dealing with the local authorities. Tax-related information and processes are also subject to internal audits.

Danone's tax function is supervised by the Vice-President Tax, who reports once a year to the Audit Committee on the main events of the year and on the Company's tax policy. This Vice-President is supported by a core team tasked, among other missions, with performing quarterly performance reviews with the main regions. At the regional and local level, a network of tax officers is responsible for ensuring implementation of the tax policy and entities' compliance with applicable regulations.

Lastly, Danone is involved in discussions on taxation with its external stakeholders. The Company thus supports the OECD's Base Erosion and Profit Sharing initiative. Danone has also signed on to a partnership agreement with the French government as part of the "Confiance Plus" initiative, which encourages transparency in the interactions between the government and companies.

5.2 OFFERING SAFE, HEALTHY PRODUCTS

Contents

UNIQUE PRODUCT PORTFOLIO TO IMPACT PEOPLE'S HEALTH

Food safety and nutritional value are inherent factors in consumers' choices. In addition, consumers are paying closer attention to the social and environmental footprint of the products on offer. Danone has a responsibility to provide safe products to its consumers, and commits to offering healthy and sustainable products.

Offering consumers healthy products

Definition

One of Danone's goal is to serve the food revolution with partners. The Company therefore aims to contribute to the food model transformation by focusing on nutritional needs and local food cultures and developing local routes to market. The intent of its health and nutrition strategy is thus to offer a portfolio of products that encourage a healthier and more balanced diet. To do so, the Company works to reformulate and innovate on its product range while also drawing on its in-depth knowledge of public health concerns, eating habits and local cultural traditions.

Governance

In 2020, the health and nutrition strategy is implemented by the Alimentation Science Department, which reports to the EVP, Growth & Innovation, who is a member of the Executive Committee.

Its governance is supported by:

- the OPOH Integration and Investment Board (see section 5.1 *An integrated approach of sustainable business model*);
- the Growth and Innovation Committee, which contributes in particular to the strategic discussions about consumers' brand experience.

Danone also collaborates with the Reporting Entities' management teams and ad hoc working groups to co-develop action plans on health and nutrition topics.

Policies, action plans and outcomes

The "Impact people's health locally" 2030 Company Goal has been incorporated into Danone's strategy and is structured in three pillars: (i) offer better products, (ii) encourage consumers to make better choices, and (iii) work with partners to improve diets. This breaks down into six commitments and nutritional targets for end of 2020 (see Danone's website for more information) that Danone has set for its entire product portfolio. The end-2020 outcomes are detailed below.

The Reporting Entities then translate these commitments and targets into roadmaps to ensure that the products marketed are consistent with the Company's brand model.

Commitment No. 1: continuously improve the nutritional quality of its products

In 2020, 90% of product volumes sold are in healthy categories, stable relative to 2019 (see Health and Nutrition scope, Methodology Note). The other categories are mainly low-sugar drinks and occasional "indulgence" products.

2020 TARGET	ACTION PLANS AND OUTCOMES
Danone will bring 100% of its products into compliance with its absolute nutritional target values.	Danone strives continuously to improve its recipes to optimize the profile and nutritional value of its products, but also to limit the use of certain nutrients (e.g., added salt or sugar, additives, etc.). The Company also innovates to offer healthier products (e.g. organic, local and more natural) in each of its Reporting Entities and to meet consumers' expectations. In 2020, 86% of product volumes sold comply with the nutritional targets (compared with 82% in 2019) and 82% have no added sugars (see Health and Nutrition scope, Methodology Note). The extent to which the nutritional targets were achieved increased from 67% in 2016 to 86% in 2020 due to efforts to reformulate dairy products, flavored waters – called aquadrinks – and early life nutrition. The latter achieved 98% and 97% compliance, respectively, with nutritional targets. The primary reformulation challenge is to reduce added sugar: the reduction in added sugar was 12.4% in dairy products (between 2014 and 2020), 25% in aquadrinks (between 2008 and 2020) and 78% in early life nutrition (between 2016 and 2020). These efforts brought the overall achievement of the sugar targets to 93%, while the salt and saturated fat targets were 99% achieved. Some of the subsidiaries achieved strong progress: the compliance of the EDP portfolio in Mexico increased by 69% between 2016 and 2020, the Waters Reporting Entity in France improved from 53% to 100% and the Specialized Nutrition Reporting Entity in Indonesia achieved 100% compliance in 2020.

Commitment No. 2: design healthier alternatives relevant for consumers

2020 TARGET	ACTION PLANS AND OUTCOMES
Top Danone brands will contribute to providing healthier alternatives in consumers' diet.	Danone is developing healthier products for all its Reporting Entities. For example, in early 2021 the EDP Reporting Entity in the Netherlands will launch two new products for the *Activia* and *Danoontje* brands with no added sugars and no sweeteners. To design these alternatives, Danone conducts internal studies ("Healthier choices" program) that (i) analyze eating habits, (ii) identify alternative foods and drinks, and (iii) evaluate the impact of changes in consumption on diet quality. In 2020, the Company carried out these studies, or had the data to complete them, for 50% of its top countries in terms of sales. This type of analysis requires at least four days of food consumption measurements to observe the effects of food substitutes.

Commitment No. 3: further reinforce Danone's expertise on the understanding of local nutrition practices and public health contexts

2020 TARGET	ACTION PLANS AND OUTCOMES
In its top businesses, Danone will have implemented and published outcomes of research programs supported by local experts to understand eating and drinking habits and food cultures.	Through the Nutriplanet program, Danone gains detailed knowledge of every aspect of local food cultures. In 2020, 47 countries (versus 56 in 2019) were covered (*i.e.* at least one Nutritional Situations, Food Habits or Food Cultures study) representing 94% of Danone's major markets (see Health and Nutrition scope, Methodology Note). The Company has also launched studies focused on the dietary practices of low-income populations. For example, in 2020, 33% of Danone's entities analyzed the key eating and drinking habits of these populations (*i.e.* the C2 to D1 socioeconomic groups and those below D1 or the equivalent) as well as their nutritional needs and the obstacles they face in accessing food and drinking water (price, availability, education, broken supply chain) (see Danone Way scope, Methodology Note).

Commitment No. 4: contribute to address local public health challenges on which Danone can have a most favorable impact through partnerships

2020 TARGET	ACTION PLANS AND OUTCOMES
Danone will have contributed to a local health cause with relevant actions and programs in the top 15 countries where it operates.	Danone is committed to supporting local public health causes. To do so, Danone establishes partnerships and joins forces with existing movements. Thus, in 2020, 85% of Danone's entities engaged in favor of a public health cause (see Danone Way scope, Methodology Note). In Egypt, for example, the Danone Ecosystem Fund, in partnership with several stakeholders, is financing a project to combat anemia and iron deficiency, which affect nearly 50% of the population. Worldwide, Danone is also co-developing educational services and programs that have a positive impact on the health and well-being of communities and individuals, including its employees. In 2020, Danone had 18 active education and information programs, versus 23 in 2019. These programs promote healthy diets and lifestyles within a variety of groups, such as children, young parents, pregnant women and seniors. Since their launch, these programs reached a potential audience of over 4.6 million people in 2020, versus 12 million in 2019 (see Health and Nutrition scope, Methodology Note). This decline is mainly due to the Covid-19 crisis. Since 2016, the Company has set up 53 education and information programs with varying lifespans.

Commitment No. 5: develop even more responsible marketing practices, especially to children

2020 TARGET	ACTION PLANS AND OUTCOMES
Each country in which Danone operates will have disclosed and embedded a local comprehensive policy on responsible marketing practices. This will include its commitment regarding breast milk substitutes.	In 2020, 20 Danone countries have a marketing pledge posted on their websites as part of the local implementation of the Danone Pledge (the Company's pledge to engage in responsible marketing and communication). For more information, see *Responsible communication* hereinafter.

Commitment No. 6: provide the most appropriate product labeling to encourage healthier practices

2020 TARGET	ACTION PLANS AND OUTCOMES
100% of Danone products will display comprehensive nutritional information to guide consumers, in particular regarding portion guidance.	Danone supports initiatives to better inform consumers and help them become active participants in their own health. Thus, in 2020, 82.6% of Danone products displayed comprehensive nutritional information (nutritional table on the back of the packaging; a summary of the information on the front; approximate portion size; information provided in other ways, such as the website) compared with 66.4% in 2019. In particular, in 2020, 96% of products displayed nutritional information on the front of their packaging (versus 68% in 2019) and 83% of these volumes provided approximate portion size (versus 74% in 2019). Danone also continues to support Nutri-Score and has even – alongside several players in the food chain and civil society – called on the European Union to make the Nutri-Score mandatory in all countries. This declaration, dated April 2020, was made with consumer associations, Members of the European Parliament, scientific experts, retailers and food companies. At the same time, Danone continues to gradually rolling it out to the EDP Reporting Entity's product portfolio. In 2020, this label was applied to its products in Austria, Belgium, France, Germany, Latvia, Luxembourg, Poland, Portugal, Slovenia, Spain and Switzerland.

Opportunities

Danone strives to anticipate consumers' expectations and emerging tastes and to encourage them in their day-to-day food and beverage choices. Danone continues to diversify its innovative plant-based product offering to respond to growing consumer trends such as flexitarianism (a diet that encourages more balanced consumption of animal- and plant-based proteins). It also offers new categories of products rich in probiotics, nutrients and proteins.

Focus – Accessible, affordable nutrition

As reflected in its purpose of "bringing health through food to as many people as possible," Danone believes that accessible, affordable nutrition is a fundamental component of its strategy. With its 2030 Company Goals in particular, Danone has demonstrated its commitment to fostering inclusive growth for the most vulnerable partners in its value chain in collaboration with its social innovation funds.

The Company provides healthy, affordable products to vulnerable groups based on targeted distribution models that make them more accessible; to do so, it relies mainly on its Nutriplanet program.

Danone also relies on improving its portfolio by enriching selected products with key nutrients and/or making them more affordable. For instance, its EDP subsidiary in Brazil offers a *Danonino* range, fortified with vitamins D and E, calcium, zinc and iron.

In 2020, against the backdrop of the Covid-19 crisis, which has exacerbated inequalities and market fragmentation worldwide, Danone made a commitment to support the populations most affected by the crisis through its "affordvaluity" strategy. At the local level, this strategy involves (i) studying the socioeconomic pyramid and (ii) determining the right price positioning to make safe drinking water and healthy and nutritious food accessible. The Specialized Nutrition Reporting Entity has applied this approach to its strategy with product launches in Asia (mainly in Indonesia and Malaysia) and Latin America. In 2020, 51% of Danone's entities had at least one healthy product in their portfolios targeting low-income populations or a plan to expand access (see Danone Way scope, Methodology Note).

Lastly, Danone builds its strategy on innovative investment partnerships, with support from several of its funds. These include (i) the Danone Communities Fund, which fights malnutrition and promotes access to safe drinking water, and (ii) the Livelihoods Fund for Family Farming, which helps smallholders become more resilient and develop subsistence farming strategies that improve their diets.

Ensuring food safety

Definition

Danone, because of its mission and as an active player in the food and beverage industry in many countries, must always guarantee the safety and quality of its products to its consumers.

Policies

Danone's approach to quality and food safety (QFS) encompasses the entire value chain, from product design and supply to manufacturing, distribution and sale. It is replicated for each Reporting Entity, product and technology and reflects:

- Danone's QFS commitments based on the four pillars (be trusted, be preferred, be efficient and be proud), supplemented by an implementation handbook;
- Danone's food safety policy, which was revised in 2020 and refers to a Company-wide management system rooted in the latest science and technology to enable robust risk anticipation, assessment and management.

Governance

Responsibility for implementing action plans and monitoring commitments lies with:

- the Global Food Safety Department, which reports to the Chief Human Resources Officer and General Secretary, who is a member of the Executive Committee, ensuring independence from the operational teams. The department is in charge of establishing and maintaining Danone's Food Safety Management System (FSMS), and assessing its compliance and effectiveness;
- the operational QFS departments, which are responsible for implementing the policies and standards applicable to their entities and which report to the COO End-to-End Design to Delivery, who is a member of the Executive Committee. The General Manager of each subsidiary is responsible for ensuring that the products on the market comply with applicable laws and regulations and with Danone's food safety standards.

Oversight of both these functions is exercised by the QFS and Food Safety (FS) Boards. At the global level, the Product Compliance Board is responsible for monitoring the risks identified and ensuring that the Company can manage them.

Action plans

Identifying emerging and evolving issues

Danone has developed an end-to-end process to anticipate risks affecting food safety. This process covers the safety of raw materials, ingredients, food contact materials, manufacturing processes and finished products.

In 2020, the global FS department mapped potential risks by product category and defined preventive plans with the operational departments responsible for local risk control. At the same time, it conducted a specific assessment of risks related to the Covid-19 pandemic and determined that the risk of transmission through ingredients or food packaging was negligible. This is consistent with the findings of official bodies such as the World Health Organization.

Strategic collaborations and partnerships all over the world

In 2020, the global FS department strengthened its external engagement with other stakeholders through, among others:

- the appointment of Danone's Chief Food Safety Officer (CFSO) as vice-chair of the Board of the Global Food Safety Initiative (GFSI);
- its cooperation with the Food and Agriculture Organization (FAO) of the United Nations, aiming to optimize the anticipation and prevention of emerging risks.

An integrated risk-based approach

Danone not only abides by local and international regulations, but also goes above and beyond by performing risk assessments and implementing strong internal FS standards.

In order to ensure an alignment with applicable GFSI benchmarking requirements and FSSC 22000 standards, Danone integrated directives on food fraud and food defense into its FSMS in 2017. Both topics are closely managed with the Company's Security Department and the operational QFS departments that oversee their implementation at the production site level:

- for food fraud: vulnerability studies were conducted to identify risks and launch prevention plans based on a tool developed by the Safe Secure Approaches Field Environments (SSAFE) consortium, of which Danone is a member;
- for food defense: an audit checklist has been defined and is used to help all production sites develop and deploy preventive and protective measures.

Compliance and performance evaluation

Under the responsibility of the Company Finance Department, a compliance and performance evaluation is conducted through:

- internal food safety audits aiming to check compliance with the FSMS requirements and associated internal standards, and
- external food safety certification processes: Danone's objective is to earn FSSC 22000 certification for all production sites by the end of 2021 (the target has been postponed by one year due to the Covid-19 crisis).

Strengthen the quality and food safety culture

Danone developed the iCare program to strengthen its employees' quality culture with a focus on the following priorities:

- develop a consumer-first mindset;
- engage all its employees on quality topics;
- promote visible engagement by leaders and management;
- ensure that quality-related requirements and messaging are consistent and easy to understand;
- encourage employees to get involved and share ideas to improve performance.

The Company aims for continuous improvement and conducts assessments to measure the maturity of this culture on a regular basis.

Employee training and awareness

Danone relies on numerous initiatives and training courses to raise awareness and train all its employees and thereby strengthen the food quality and safety culture within the Company. In 2020, Danone expanded its training offerings to include a new e-learning course accessible to all employees.

Listen to consumers

Being preferred means continuously improving consumer satisfaction and playing a key role in the food revolution. As consumer feedback is key to achieving the highest product quality and innovation, Danone ensures that, in each market, consumers can easily share their opinions either over the phone or online.

Outcomes

External certifications: Danone reached a site certification rate of 89% (86% in 2019). In 2020, 140 FSSC 22000 certification audits were conducted by independent certification bodies (175 in 2019). As of December 31, 2020, 170 sites were certified and 1 was in the process of certification (see Production Site Food Safety scope, Methodology Note).

Internal audits: in 2020, the Global Food Safety Audit team conducted 50 in-house food safety audits (34 in 2019) (see Production Site Food Safety scope, Methodology Note).

Opportunities

Having a robust FSMS in place, anticipating food safety and quality risks and actively listening to consumers give Danone the opportunity to honor its commitment to the quality and integrity of its products. These attributes also enable the Company to respond proactively to consumers' expectations and their need for transparency.

RESPONSIBLE COMMUNICATION

Definition

Research has shown that, for children under 12 years of age, marketing communications can influence their purchasing behavior and short-term eating habits. Danone's goal is therefore responsible marketing and communications for all. In particular, it is committed to ensuring that its communications have integrity, meet ethical standards, are verified, and are based on solid scientific claims.

Policies

As 90% of Danone's product volumes sold are food and beverages that consumers can enjoy every day, Danone spends the majority of its marketing budget on healthy products.

As a founding member of the EU Pledge (2007), and a signatory to the International Food and Beverage Alliance's (IFBA) global policy on responsible marketing, Danone has thus restricted its marketing communications to children under the age of 12, so that they are only exposed to products that meet:

- nutritional criteria set by local authorities, or defined by the industry as a whole, and to which Danone has committed regionally or locally;
- common nutritional criteria set by the EU Pledge in the absence of such standards at the local level.

In 2019, the Company strengthened its commitment to responsible marketing to children with the publication of the Danone Pledge, which provides a set of guiding principles (see *Action Plans* hereafter). Danone has also joined several local pledges that are consistent with its position on this issue. In most of the countries involved, compliance with this pledge is certified by an external agency.

Lastly, in its advertising, Danone has also pledged to apply the International Chamber of Commerce Code for Responsible Food and Beverage Marketing Communication (ICC Code) and aims for compliance across all of its communications campaigns. Corrective actions are taken if non-conformities occur.

To ensure operational monitoring of its commitments, an internal directive, applicable to all Reporting Entities, was developed to guarantee the consistency and scientific accuracy of the health and nutrition claims in Danone's communications.

Governance

Under the directive described above, the General Manager of each subsidiary is responsible for communications and their approval. He or she appoints someone to ensure that a specific process for approving communications at the local level is in place and has been properly implemented.

Action plans

Responsible communication and marketing to children

Danone uses its brands to promote healthy hydration habits and make water more appealing to children. It does not market its aquadrinks range to children under the age of 12.

More generally, Danone has established the following principles for marketing to children:

- no misleading messages;
- no undermining of parental or caregiver influence but support for their role in guiding diet and lifestyle choices;
- no suggestion of a time/sense of urgency or a price minimization pressure;
- no exploitation of a child's imagination or inexperience, in a way that could mislead him/her about the nutritional benefits of the product involved;
- no encouragement of unhealthy dietary habits;
- no blurring of the boundary between marketing and branding;
- Danone strives to ensure that marketing materials primarily appealing to children under the age of 12 promote healthy, balanced diets and lifestyles as well as positive values.

The details of the measures taken, including with respect to the use of licensed characters for marketing on packaging and at points of sale, are set out in the Danone Pledge (see Danone's website for more information).

The Danone Pledge undergoes internal and external audits conducted by independent third parties qualified to certify its implementation at the global level. Danone will publish the results of this audit on an annual basis.

Outcomes

In a 2020 audit conducted in Bulgaria, France, Germany, Italy, Poland and Spain, Danone's television advertising was found to be 99.1% compliant with the EU Pledge criteria across all six countries.

In the area of subsidiary websites (eight countries audited) and brand profiles on social networks (seven countries audited), 100% of the websites audited and one influencer profile analyzed were compliant.

Opportunities

Danone continues to strengthen its responsible communication and marketing practices by exploring digital opportunities to target consumers more accurately. The Company would like to empower consumers in this area by providing them with more information on the nutritional value of its products (see section *Unique product portfolio to impact people's health* above).

MARKETING OF BREAST MILK SUBSTITUTES

Definition

Danone offers breast milk substitutes to parents who cannot or choose not to breastfeed exclusively. Similarly, the Company is committed to complying with local law and its own policies by practicing responsible communication and marketing.

Policies

Danone supports the World Health Organization's (WHO) international public health recommendation calling for exclusive breastfeeding in the first six months of a baby's life and continued breastfeeding up to the age of two and older, in conjunction with the introduction of safe, appropriate complementary foods.

Danone also published a position paper on Health and Nutrition during the first 1,000 days of life, from the first day of pregnancy until the age of two, based on two convictions:

- breastfeeding must be protected and promoted;
- mothers, infants and young children must receive the best possible nutrition.

As part of its Policy for the Marketing of Breast-Milk Substitutes (BMS Policy), the Company has deployed strict rules at the global level: no Danone subsidiary may advertise or promote breast milk substitutes for babies under six months, even if local law allows it. In accordance with the breast milk substitutes criteria of the FTSE4Good Index, in countries classified as higher-risk, Danone has voluntarily extended its BMS policy to infants up to 12 months of age, which may go beyond local legislation.

This policy applies to all Danone employees and partners involved in the marketing, distribution, sale, or governance of the affected products and/or related education programs. Danone is the first and only company with an international policy on marketing breast milk substitutes from birth to six months of age.

In 2019, each local Danone entity created a local guide to explain the Company's commitment to local legislation and to the BMS Policy.

In 2020, together with UNICEF and several civil society organizations, WHO published a Call to Action for companies that manufacture BMS to publicly commit and take steps toward full worldwide compliance with the International Code of Marketing of Breast Milk Substitutes (WHO Code) by 2030. Danone reaffirmed its support for the aims and principles of the WHO Code by providing a response to this BMS Call to Action. In its response, Danone set out a clear program for promoting, protecting and supporting breastfeeding over the next 10 years. This program consists of actions that mainly relate to marketing, research, social investment and workplace practices.

Governance

Issues related to breast milk substitutes are under the responsibility of the Compliance Department within the Specialized Nutrition Reporting Entity. This department reports to the Legal and Compliance Department within the office of the General Secretary, ensuring independence from the operating teams. At the local level, each country director is responsible for implementing the BMS Policy and for monitoring its procedures in the relevant geographic region.

Action plans

Danone appoints an independent third party to conduct three market-based assessments of its breast milk substitute marketing practices every year; the summary report is publicly accessible. Additionally, the Company publishes an annual report on BMS Policy management and compliance which includes:

- a summary of the external audits and checks for the previous year; and
- suspected and reported non-conformities.

Danone has also rolled out e-learning training on its BMS Policy which is accessible to all employees and has been translated into 13 languages.

Outcomes

In 2020, 6,387 employees were trained on Danone's Policy for the Marketing of Breast-Milk Substitutes (versus 4,786 in 2019).

The Access to Nutrition Index (ATNI) ranked Danone in the top 3 among top-performing food and beverage companies in 2018 and first for the marketing of breast milk substitutes. At the same time, in 2020 Danone was confirmed as a member of the FTSE4Good index calculated by FTSE Russell for the fourth consecutive year.

5.3 PRESERVE AND RENEW THE PLANET'S RESOURCES

Contents

ENVIRONMENTAL STRATEGY

As part of its 2030 Company Goal, to "Preserve and renew the planet's resources", Danone's ambition is to transform its value chain by developing solutions that are positive for the planet. To achieve this, the Company has built its environmental strategy around four priority pillars:

- fight against climate change;
- transition to regenerative agriculture that includes organic agriculture;
- circular economy;
- preservation of water resources.

Governance

In 2020, Danone's environmental strategy is sponsored by the Chairman and Chief Executive Officer and the Chief Financial Officer, Technology & Data, Cycles & Procurement, a member of the Executive Committee who also sits in the Board of Directors. In coordination with the Chief Cycles & Procurement, they review its implementation, priorities and key issues on a quarterly basis.

Furthermore, the review and implementation of this strategy are among the responsibilities of the following governance bodies:

- the Engagement Committee of the Board of Directors and the OPOH Integration and Investment Board (see section 5.1 *An integrated vision of sustainable business model*);
- the Executive Committee, which oversees the annual strategic planning process establishes the operational roadmaps and action plans to achieve the Company's commitments, working with the Strategy and Risks Department;
- the Audit Committee, which oversees the Company's risk review and identifies emerging risks;
- the Cycles and Procurement Department, which ensures the long-term availability and viability of resources (milk, sugar, fruit, packaging, etc.) for the Company's operations;
- the Nature & Water Cycle Department, reporting to the Cycles and Procurement Department, which manages its performance and designs and supports environmental innovation programs through a funding mechanism in partnership with the social innovation funds. It relies on the Sustainability Department of each Reporting Entity as well as the teams of each strategic cycle (packaging, water and milk) and works with the procurement teams responsible for the main resources;
- the Reporting Entities and subsidiaries, which apply the operational, prevention and risk management action plans, and employ nearly a hundred correspondents.

Focus – Training and awareness programs

Danone raises awareness and trains its employees on environmental issues by means of online training programs (see section 5.4 *Inclusive talent development*).

In 2020, Danone launched an e-learning course on the transition to carbon neutrality. This course, facilitated on the Company's training platform, is built around a general-purpose module directed at all employees and includes more technical modules particularly intended for employees responsible for leading the environmental performance of the Company. The Nature & Water Cycle Department has also trained the employees concerned in the Reporting Entities and subsidiaries on the methodology to use to monitor environmental performance and its recent developments.

Environmental management systems and tools

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

Year ended December 31	2019	2020
ISO 14001 certification [a]		
Number of certified sites	85	82
Percentage of certified sites	46%	46%
Percentage of volumes covered	67%	65%

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

5

GREEN audit program

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

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

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

	Year ended December 31	
	2019	**2020**
Sites having undergone a GREEN audit		
Number of sites	126	121
Percentage of sites	68%	67%
Percentage of production covered by a GREEN audit	79%	79%
Compliance with GREEN standards		
Number of compliant sites	109	104
Percentage of compliant sites	87%	86%
Percentage of compliant production	95%	94%

Provisions and guarantees for environmental risks

No significant provision for environmental liabilities and risks was recognized on Danone's consolidated balance sheet as of December 31, 2020.

FIGHT AGAINST CLIMATE CHANGE

Definition

Identifying the risks relating to climate change

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

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

Furthermore, as part of the recommendations made by the Taskforce on Climate-related Financial Disclosures (TCFD), Danone has mapped the potential and existing impacts of climate change, as well as the climate-related risks and opportunities (see table hereafter). This information has enabled it to develop three climate change scenarios and assess the resilience of its activities, its strategy and the related financial impacts. This map has reinforced the Company's development strategy relating to plant-based products, its ambitious regenerative agriculture program and its circular economy approach.

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

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

Policies and action plans

Climate Policy

As part of its Climate Policy, Danone pledged in 2015 to achieve carbon neutrality throughout its entire value chain by 2050 (scopes 1, 2 and 3, *i.e.* all direct and indirect emissions, including those of suppliers and consumers) by reducing its greenhouse gas emissions and offsetting remaining emissions. In September 2019, Danone underlined its pledge by signing the "Business Ambition for 1.5°C pledge" at the UN Climate Summit, undertaking to reach its peak emissions in 2020. In order to reach its goal, Danone has developed the following strategy:

- cutting greenhouse gas emissions;
- transforming the agricultural practices of its supply chain;
- keeping more carbon in the ground;
- eliminating deforestation from its supply chain by end of 2020;
- offsetting remaining GHG emissions.

Danone has also decided to increase the speed and range of its actions to transform its value chain and place climate change at the heart of its growth model; consequently, in February 2020 it announced a multi-year investment plan amounting to around €2 billion (see section *Outcomes*).

Cutting greenhouse gas emissions

Danone's greenhouse gas emissions reduction trajectory is consistent with the 2°C warming scenario set by the United Nations Framework Convention on Climate Change (UNFCCC). To achieve this, in 2017 the Company set the following interim targets, which were also approved by the Science Based Targets initiative (SBTi):

- reduce its emissions intensity by 50% on its full scope of responsibility (scopes 1, 2 and 3) between 2015 and 2030;
- reduce its absolute emissions by 30% on scopes 1 and 2 between 2015 and 2030.

In 2019, Danone pledged to define targets for cutting greenhouse gas emissions in line with the 1.5°C climate change scenario (keeping global warming below 1.5°C), and it is working to build its new trajectory. In this context, Danone is a member of the working group led by the Science-Based Targets initiative (SBTi) to define 1.5°C industry trajectories.

Lastly, as part of the RE100 initiative, Danone has pledged to shift to 100% renewable electricity by 2030, with an interim target of 50% by 2020 (see section *Outcomes*).

Transforming agricultural practices and keeping more carbon in the ground

Danone has placed agriculture at the center of its low-carbon strategy, notably through the implementation of regenerative agriculture practices. By adopting these practices, partner producers reduce their greenhouse gas emissions, thereby improving soil quality and keeping more carbon in the ground (carbon sequestration). Danone is working to implement its strategy by participating in many actions of the Sustainable Agriculture Initiative (SAI) Platform and the "4 per 1000" international platform, which serve as a catalyst for cooperation regarding soil health and carbon sequestration (see section *Transition toward regenerative agriculture that includes organic agriculture*).

Eliminating deforestation from the supply chain

At the end of 2020, Danone took key steps towards the elimination of deforestation, notably by achieving high traceability on raw materials–palm oil, paper & board and soy.

The deforestation-related action plans of Danone are based on two general policies—its Forest Footprint Policy and its Packaging Policy—and three special policies assessed by the Global Canopy Program (Palm Oil, Soy, and Paper and Cardboard Packaging).

5

Forest Footprint Policy

In 2012, Danone launched its Forest Footprint Policy to eliminate deforestation from its supply chain by end of 2020, focusing on six main raw materials: palm oil, soy, paper and cardboard packaging, wood biomass, sugar cane, and bio-based raw materials for packaging.

Palm Oil Policy

Since 2015, Danone has pledged to ensure the traceability and provenance of the palm oil it uses. It must come from plantations whose expansion does not threaten forests rated as High Conservation Value (HCV) and High Carbon Stock (HCS) or tropical peatland, and the plantations must respect the rights of indigenous populations and local communities as well as the rights of all workers.

In 2020, Danone used approximately 65,600 metric tons of palm oil (compared with 68,000 metric tons in 2019).

Since 2014, 100% of the palm oil purchased for its early life nutrition activities is certified RSPO (Roundtable on Sustainable Palm Oil)-Segregated, guaranteeing that it can be traced back to the plantations with the support of the Earthworm Foundation (a not-for-profit that supports the creation and development of solutions that address environmental and social issues).

At the end of 2020, 95% of the palm oil purchased by Danone was certified RSPO Segregated, 3% was certified RSPO Mass Balance and the remaining 2% was "conventional" palm oil purchased in Africa. This is because in 2020, Danone worked with two of its US suppliers to build the first segregated palm oil supply chain. This major step forward was recognized by the CDP and enabled Danone to obtain the highest score possible in the CDP Forests–Palm Oil questionnaire for its transparency and its environmental performance in fighting deforestation.

In addition, the Company publishes a list of its palm oil direct suppliers and mills on its website.

Soy Policy

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

Danone's soy consumption and its use in its plant-based products is described in section 5.5 *Responsible sourcing–supplies other than milk*.

Packaging Policy and Paper and Cardboard Packaging Policy

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

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

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

In 2020, Danone used 98% of paper and board packaging made of recycled fibers or virgin certified (FSC, PEFC, SFI) fibers.

Beyond its policies and action plans, Danone is committed to continuing to work with its peers and suppliers to accelerate progress and foster systemic change on this issue. Danone will renew its commitment to the elimination of deforestation in 2021.

Offsetting emissions

Danone pledges to offset remaining greenhouse gas emissions while implementing solutions intended to improve the quality of life of the most vulnerable communities. Accordingly, Danone takes part in reforestation programs and schemes to restore natural ecosystems, notably through the Carbon Livelihoods Fund, of which Danone is a partner Company. The aim of compartments 1 and 2 of the Livelihoods Carbon Fund is to sequester or avoid 20 million metric tons of CO_2 emissions over 20 years through a dozen projects in Asia, Africa and Latin America.

Carbon neutrality of its brands and production sites

Danone also builds its commitment to carbon neutrality around its brands, whose climate action accelerated in 2020 when its *evian* and *Volvic* brands achieved carbon neutrality. More generally, the brands in the Waters Reporting Entity have pledged, via the WeActForWater collective, to achieve carbon neutrality in Europe by 2025. Furthermore, the *Horizon Organic* (EDP Reporting Entity) and *Karicare* (Specialized Nutrition Reporting Entity) brands have also committed to do so by 2025 and 2030, respectively.

In addition, the baby milk production plant in Wexford, Ireland, has been certified carbon neutral by the Carbon Trust. The actions taken by the site have reduced its CO_2 emissions by 10,000 metric tons relative to 2010, reducing its direct carbon footprint by 70% whereas its production volumes have doubled. In 2019, the site offset its remaining emissions in agreement with the Gold Standards.

Outcomes

External recognition

In 2020, CDP recognized Danone as the world's leading company in terms of its environmental performance and its transparency in fighting climate change and protecting water resources, for the second consecutive year. As a result, Danone is one of only ten companies in the world to have been awarded the "triple A" rating for its 2019 performance in the CDP Climate Change, CDP Forests and CDP Water questionnaires.

Since 2018, Danone has used an environmental performance criterion in its Group Performance Shares plans for approximately 1,600 of its senior executives, based on its CDP Climate Change score (see section 6.4 *Details of long-term incentive plans*).

CDP has also recognized the Company as a world leader for its strategy and actions to fight climate change with the suppliers in its supply chain. As a result, it has joined the CDP Supplier Engagement Board.

Greenhouse gas emissions

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

Greenhouse gas emissions on scopes 1 and 2

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

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

Its total emissions in metric tons of CO_2 equivalent for scopes 1 and 2 decreased by 12.4% between 2019 and 2020, mainly due to purchases of electricity from renewable energy sources and energy efficiency improvements. On a like-for-like basis, these emissions decreased by 11.5% compared to 2019 and 38.1% compared to 2015.

		Year ended December 31
Scope 1 and 2 emissions, market-based (in ktCO$_2$) [a]	**2019**	**2020**
Scope 1	722	668
Scope 2	588	479
Total Scopes 1 & 2	**1,310**	**1,147**
Absolute emissions reduction, scopes 1 and 2, market-based since 2015	**29.1%**	**38.1%**

(a) Greenhouse Gas scope, see Methodology Note.

Greenhouse gas emissions on scope 3

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

		Year ended December 31
(in ktCO$_2$eq)	**2019**	**2020**
Purchased goods and services	20,628	19,921
Upstream transportation and distribution of goods	382	322
Downstream transportation and distribution of goods	2,199	1,627
Use of sold products	1,922	1,886
End-of-life treatment of sold products	245	783
Fuel and energy related activities	320	284
Waste generated by operations	173	153
Total Scope 3	**25,869**	**24,974**

Greenhouse gas emissions on scopes 1, 2 and 3

		Year ended December 31
(in ktCO$_2$eq)[a]	**2019**	**2020**
Scope 1	722	668
Scope 2 [b]	588	479
Scope 3	25,869	24,974
Total Scopes 1, 2 and 3	**27,179**	**26,122**
Emissions intensity ratio scopes 1,2 and 3 *(in grams of CO$_2$ eq/kg of product sold)*	**740.1**	**755.9**
Reduction in intensity on a like-for-like basis since 2015	**24.8%**	**24.5%**

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

Danone's total emissions from its value chain in 2020 for scopes 1, 2 and 3 amount to 26.1 million metric tons of CO_2 equivalent compared with 27.2 million in 2019, mainly due to the results of the action plans relating to regenerative agriculture (-0.5 million metric tons CO_2 equivalent) and continuing to adopt energy sources that produce lower CO_2 emissions under the Company's RE100 commitment, mainly consisting of green electricity (-0.1 million metric tons CO_2 equivalent). Moreover, consumption changes resulting from Covid-19 have reduced the Company's total sales volumes as well as the share relating to sales by its Waters Reporting Entity (which has the lowest GHG emissions ratio in Danone) (-0.2 million metric tons CO_2 equivalent).

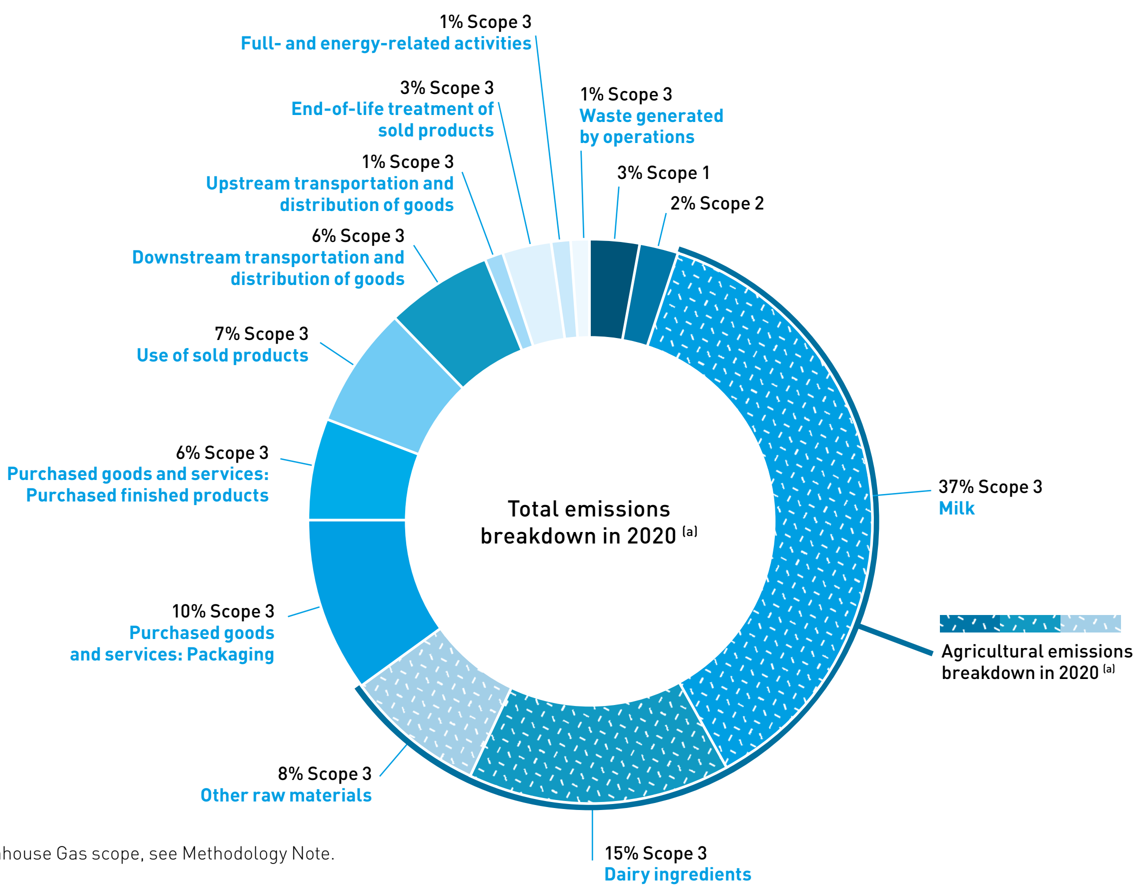
The ratio of Danone's total emissions across its value chain on scopes 1, 2 and 3 increased by 2.1% between 2019 and 2020. On a like-for-like basis, this ratio increased by 0.1% compared to 2019, due to a drop of 4% linked to regenerative agriculture projects, offset by an 4.1% increase due to the smaller share of Waters Reporting Entity volumes in total sales. On a like-for-like basis, this ratio is still decreasing by 24.5% compared to 2015, mainly as a result of productivity gains among producers from which Danone purchases its milk directly and the global milk supply chain, as well as increased purchases of electricity from renewable sources.

In 2020, Danone continued to measure the effects of its ambitious plan to shift to regenerative agriculture, particularly in the following countries:

- in Russia, due to a preferential procurement arrangement with farms producing low-carbon milk, as well as action plans on the carbon footprint of inputs;
- in Mexico, due to the installation of biodigesters to improve manure management, farm reforestation projects, and action plans to improve the performance of small farmers in the Margarita project (see Danone website for more information);
- in Brazil, due to action plans to convert manure into compost, and the traceability of animal feeds in areas with no deforestation risks.

With 95.6% of Danone's total emissions across its value chain, scope 3 represents the largest contributor, more than those from scope 1 (2.6%) and scope 2 (1.8%).

In 2019, Danone estimated that the peak of its carbon emissions on scopes 1, 2 and 3 had been reached five years ahead of its original target (2025) and one year ahead of its "1.5°C Science-Based Targets initiative" pledge.



(a) Greenhouse Gas scope, see Methodology Note.

Since last year, Danone has disclosed a 'carbon-adjusted' recurring EPS evolution that takes into account an estimated financial cost for the absolute GHG emissions on its entire value chain. Given the business context and despite the emissions reduction achieved that contributed to the -4.1% decrease of the cost of carbon per share, the 'carbon-adjusted' recurring EPS decreased in 2020 by -19%, penalized by the decrease of -13% in recurring EPS (see section 3.2 *Examination of consolidated income* and 5.8 *Methodology Note*).

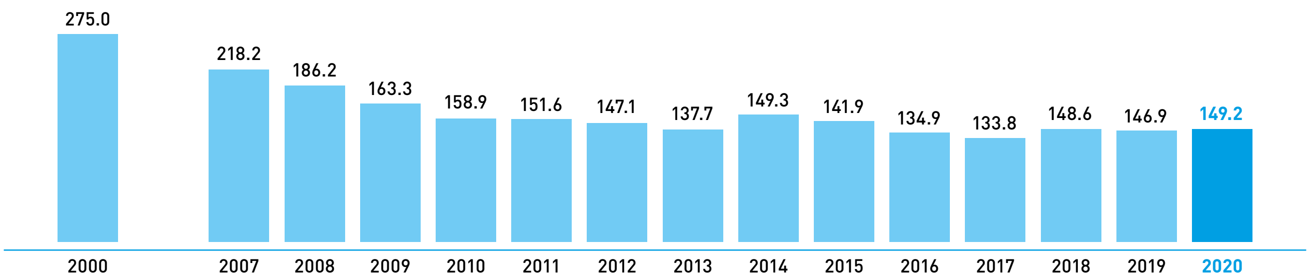
Energy efficiency and renewable energies

	Year ended December 31	
(in MWh)	**2019**	**2020**
Thermal energy [a]	3,298,502	3,223,381
Electricity [a]	2,122,809	2,015,977
Total	**5,421,311**	**5,239,358**
Energy consumption intensity *(in kWh per metric ton of product)*	146.9	149.2
Total reduction in energy intensity since 2000 *(in kWh per metric ton of product)*	**47%**	**46%**

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

Energy consumption intensity increased by 1.5% in 2020. On a like-for-like basis, this ratio increased by 0.8% between 2019 and 2020.

Intensity of total energy consumption at production sites
(in kWh per metric ton of product)



At end-2020, total energy consumption intensity at production sites declined by 46% compared to 2000 (47% in 2019).

Energy efficiency initiatives
To improve its energy efficiency, Danone makes use of two main drivers: optimization of energy production at its sites, and optimization of its energy use. This trend is further enhanced by the systematic sharing of best practices among production sites.

Renewable energy use

	Year ended December 31	
	2019	**2020**
Production sites purchasing 100% renewable electricity [a]	50	74
Percentage of renewable electricity [a]	42.4%	54.3%
Percentage of renewable energy [a]	19.7%	24.5%

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

As part of the RE100 initiative, 74 production sites purchased electricity from 100% renewable sources (wind, hydro, etc.) in 2020, representing a total of 54.3% of Danone's electricity purchases in 2020 (compared with 42.4% in 2019). Furthermore, its total energy use from renewable sources (electricity and thermal) represented 24.5% of its total energy use in 2020 (compared with 19.7% in 2019).

Opportunities

Danone works closely with all stakeholders in the value chain to strengthen the traceability of its supplies in order to increase the resilience of its producers and secure its purchases. Furthermore, its commitment in these areas in recent years enables it to anticipate the growing demand for transparency by consumers and regulators. The fight against climate change also provides a response to new consumption trends. Consequently, the Company has widened its portfolio of low-carbon, plant-based products.

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

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

	Sections
Governance	
a. Oversight by the Board of Directors of climate-related risks and opportunities	6.1
b. Management role in assessing and managing climate-related risks and opportunities	5.1, 5.3, 6.1
Strategy	
a. Climate-related risks and opportunities identified over the short, medium and long term	2.6
b. Impact of climate-related risks and opportunities on the Company's businesses, strategy and financial planning	5.1
c. Resilience of the Company's strategy, taking into consideration different climate scenarios, including a 2°C or lower scenario	5.3
Risk management	
a. Processes for identifying and assessing climate-related risks	5.1
b. Processes for managing climate-related risks	5.1
c. Integration of processes for identifying, assessing and managing climate-related risks in the Company's overall risk management	2.6, 2.7
Metrics and targets	
a. Metrics used to assess climate-related risks and opportunities, in line with the Company's risk management strategy and process	5.1, 5.3
b. Greenhouse gas emissions for scope 1, scope 2 and scope 3 and the related risks	5.3, 5.6, 5.7
c. Targets used to manage climate-related risks and/or opportunities and the Company's performance against these targets	5.3, 6.4

TRANSITION TOWARD REGENERATIVE AGRICULTURE THAT INCLUDES ORGANIC AGRICULTURE

Definition

For Danone, agriculture is the biggest source of greenhouse gas emissions (representing 61% of total emissions in 2020), and the main source of its water use. Believing that agriculture is part of the response to climate change, Danone is firmly committed to regenerative agriculture and promotes practices that protect the soil and biodiversity as well as animal welfare while also supporting farmers in the transition toward more resilient agricultural models that protect natural resources.

Policies

Danone pledged to support sustainable agriculture in 2015, with the publication of a White Paper, and then detailed it in a definition, a set of practices and a plan for the implementation of regenerative agriculture, all jointly developed with the farmers, partners and the WWF and applied through three pillars:

- protecting soils, water and biodiversity (reinforced by the Water Policy published in 2020);
- empowering new generations of farmers;
- respecting animal welfare.

Concerning the last pillar, Danone has made a number of pledges formalized in the Animal Welfare Position Paper and publishes its progress report every year. Its approach, which it developed in collaboration with the NGO Compassion in World Farming (CIWF), is based on the five freedoms internationally recognized by the Farm Animal Welfare Council.

Action plans and outcomes

In 2020, 70% of the entities developed projects in line with at least one of the three pillars of the regenerative agriculture framework regarding the main raw materials it uses (Danone Way scope, see Methodology Note), compared with 76% in 2019. For example, the Company's French subsidiaries have pledged to produce 100% of the ingredients grown in France from regenerative agriculture by 2025.

Protecting soils, water and biodiversity

With its Water Policy published in June 2020, Danone reiterates the role played by regenerative agriculture in ensuring the protection of natural ecosystems and water cycles, defines its commitments according to different time horizons and underlines its support for its upstream agricultural partners in setting up practices encouraging biodiversity as follows:

- preserve and improve the physical and biological structure of soil to enhance its organic matter content by reducing soil tillage, crop rotation, and planting permanent cover crops;
- maintain soil's natural capacity to regulate water resources;
- preserve animal and plant biodiversity by limiting the use of mineral fertilizers, pesticides and other chemical products and increasing their wildlife habitats (including the protection of water courses). In this respect, Danone pledges to increase the size of buffer zones on farms by at least 15% by 2030.

The Company works directly with farmers to develop action plans with them and help them implement these new practices.

It also works alongside many partners, NGOs, universities or agri-cultural technicians to promote the adoption of best agricultural practices. For example, Danone North America works with the researchers of Cornell University's carbon sequestration center. In the C-Sequ program, Danone works with other companies in the milk and beef industries to define guidelines for calculating carbon sequestration values. Adopting a collective action approach, the Company continues to help protect biodiversity by working on joint pilots within the One Planet Business for Biodiversity (OP2B) coalition formed in 2019, consisting of 26 companies as at December 31, 2020.

It also endeavors to raise biodiversity protection awareness among employees at its production sites.

All these measures reduce greenhouse gas emissions from farms and increase the rate of carbon sequestration in the soils, thus contributing to Danone's carbon neutrality objective.

Empowering new generations of farmers

Since farmers are the main players in the transition toward regenerative agriculture, Danone seeks to empower them by setting up several mechanisms. Cost Performance Model (CPM) contracts guarantee greater income stability for dairy farmers and encourage them to make the transition to these new practices. Danone also develops partnerships, for instance with the Miimosa participatory funding platform, in order to provide farmers with access to additional funds and to give greater visibility to their actions. It is in this context that the *Blédina* brand launched "Sauvez Williams" project in 2020 to ensure the sustainability of the Williams pear industry in France. Since 2018, Danone in France has invested €40 million in upstream agriculture to support the transition to regenerative agriculture. For its Specialized Nutrition Reporting Entity, nearly 65% of its raw materials grown in France (fruit, vegetables and cereals) is in regenerative agriculture according to the criteria defined by the Company on soil health.

The social innovation funds financed by Danone support also farmers towards a positive and sustainable transformation of agricultural chains. For example, the "Madre Tierra" project in Mexico enables 262 strawberry growers to receive technical and technological support as well as training on soil sustainability, water resource management, and fertilization. Similarly, Danone facilitates access to training, with 2,800 farmers trained on animal welfare since 2018.

These actions all contribute to the target that Danone has fixed itself: to purchase 15% of its volume of agricultural ingredients directly from farms actively committed to a regenerative agriculture approach by the end of 2021. This is an initial key step for Danone, which aims to have all its partner farmers to adopt this approach.

Respecting animal welfare

Danone views animal welfare as an essential element of its strategy since animals can bring circularity to agriculture, particularly when they eat grass, food industry by-products or crop residues inedible to humans, or thanks to the use of their manure as a natural fertilizer for the fields. In 2019, Danone reached its target initially set for 2020, consisting of assessing animal welfare for at least 80% of the volume of fresh milk collected in the scheme, using its animal welfare assessment tool for dairy cows or *via* the "Validus" certification. In 2020, this scheme had expanded to cover 87% of the volume of milk produced, and nearly 2,800 audits were carried out on farms, assigning a score of up to 100 points to them. The fact that the average score was 67 points emphasizes the best practices generally followed.

With the signature of the Broiler Chicken Act, Danone has pledged with its suppliers to improve the rearing conditions of their broiler chickens by 2026, and the animal living conditions and crowding in general. With respect to Specialized Nutrition Reporting Entity, 100% of sheep and beef cattle had access to pasture in 2020. As for eggs and egg ingredients, more than 80% come from cage-free farms. Since the beginning of 2020, 100% of Danone's contracts relating to eggs and egg ingredients comply with its "cage-free" pledge.

Opportunities

In 2020, Danone is continuing to bring together farmers, agricultural experts and public and private sector partners to advance the transition to regenerative agriculture.

In North America, Danone is leading a soil health improvement initiative actively involving experts and academic researchers to develop programs for the benefit of farms and communities through its subsidiary Danone North America. In December 2020, the program has almost tripled in three years to cover more than 33,000 hectares in the United States and Canada and now includes almond orchards in the central valley of California.

The worldwide Farming for Generations (F4G) alliance created by Danone in 2019 includes several major players in the worldwide agriculture chain and advisers to provide a forum for peer-to-peer exchanges of information. In December 2020, F4G set up programs in 33 farms in eight countries (in Europe, Russia and the United States).

The Company has also launched an information and awareness campaign using a series of online *#soiltalks*. The first edition, with speakers including farmers and representatives of the WWF, McKinsey & Company, the Ellen MacArthur Foundation, the European Commission and Kiss the Ground, attracted more than 500 participants from the public and private sectors, NGOs and the agricultural world generally.

CIRCULAR ECONOMY

Circularity of packaging

Definition

In a move designed to mitigate the challenges related to pollution from packaging, Danone works with numerous value chain stakeholders to accelerate the transition to a circular economy.

Policies, action plans and outcomes

Packaging Policy

In its Packaging Policy, Danone has pledged to ensure a transition from a linear to a circular economy for the packaging used by its Reporting Entities. This ambition was supplemented in 2020 by a series of commitments addressing environmental challenges as well as by the WeActForWater initiative by the Waters Reporting Entity (see the Danone website for more information).

All these commitments are described in detail below and applied in the form of local roadmaps.

PILLARS AND COMMITMENTS	ACTION PLANS AND OUTCOMES

Packaging designed for circularity
By 2025:
• *design all its packaging to be 100% recyclable, reusable or compostable;*
• *act to eliminate problematic or unnecessary plastic packaging;*
• *launch alternatives to plastic and single-use packaging across all major markets of the Waters Reporting Entity.*
	Danone works to increase the recyclability of its packaging by means of action plans in its brands, including the following:
	• **accelerating reuse models:** In many countries, such as Indonesia, Mexico and Turkey, Danone sells reusable water containers, as well as reusable glass packaging for the hotel, canteen and restaurant industry, particularly in France. In 2020, more than 50% of worldwide sales volumes by the Waters Reporting Entity were sold in reusable packaging;
	  • In this context, Danone is also experimenting with new delivery models, including the Loop™ platform by Terracycle, which it joined in 2019. In this scheme, French consumers are provided with returnable glass water bottles for the *evian* and *Badoit* brands. Since 2020, it also includes certain yogurts and plant-based products in France and the United Kingdom.
	• **eliminating problematic or unnecessary packaging and diversifying the use of materials:** Danone has pledged to eliminate the use of polystyrene in its packaging worldwide by 2025 (in 2024 in Europe). In 2020, the Company has already begun to sell yogurt pots produced in PET (a recyclable material) in the United Kingdom and France. It has also eliminated more than 250 million plastic drinking-straws and eliminated or replaced 8 million plastic spoons, mainly in Europe.
	  • In addition, Danone is innovating to reduce the amount of plastic it uses and/or switch to other materials; for example, it has launched no-label water bottles under the *AQUA* and *evian* brands, and also launched products sold in tin, glass and cardboard carton containers.
	• **innovating in its choice of consumption methods**, including the following:
	  • its *evian (re)new* home hydration prototype, sold in a 5-liter, 100% recycled and recyclable plastic container (consuming 66% less plastic than a 1.5-liter bottle).
	Consequently, 81% of the packaging is recyclable, reusable or compostable in 2020 (the same as in 2019), 67% of which consists of plastic packaging (as in 2019). During the year, the Company used 716,500 metric tons of plastic (compared with 800,000 in 2019).

Packaging that is reused, recycled or composted in practice *By 2025:* • *achieve or even exceed collection targets defined by the authorities (in particular, support the European Union's target of a 90% or greater plastic bottle collection rate);* • *launch or support collection and recycling initiatives in Danone's 20 largest markets, which account for approximately 90% of its sales.*	Danone is working to develop efficient and inclusive channels for collection and recycling, through a collaborative approach with its ecosystem. By participating in the Consumer Goods Forum (CGF) working group on plastic waste, Danone is actively providing a framework and recommendations for the development and implementation of Extended Producer Responsibility (EPR) programs, thereby accelerating the setting up of packaging collection and recycling programs in developed and transitional markets. In France, Danone works with the Citeo eco-organization to create a viable and sustainable yogurt pot recycling industry. The Company also invests in private initiatives, such as the Circulate Capital Ocean Fund ($15 million over five years) in 2019, to develop recycling and circular economy infrastructures in South Asia and South-East Asia. In Indonesia, it works in the PRAISE industrial coalition, a not-for-profit it jointly created with five major industrial players, supporting (i) the collection and recycling of packaging, (ii) the social inclusion of rag-pickers, and (iii) consumer awareness. Lastly, the Danone Ecosystem Fund continues to support inclusive recycling projects in seven countries. In 2020, more than 400 jobs were created and nearly 4,000 people were able to secure their income or see it increase, notably thanks to the Fund's support.

PILLARS AND COMMITMENTS	ACTION PLANS AND OUTCOMES
Preserving natural resources *By 2021:* • *market 100% recycled PET bottles in all major Danone markets;* *By 2025:* • *use 50% recycled materials in all Danone's packaging, notably plastic packaging (the initial target was fixed at 25%);* • *use 50% recycled PET (rPET) for the Waters Business (100% in Europe).*	Danone works to reintegrate recycled materials in its packaging and increase the use of renewable materials. In 2020, Danone achieved the following results: • 10.3% recycled materials on average in its plastic packaging (compared with 10.6% in 2019); • 19.8% recycled PET used on average by the Waters Reporting Entity (compared with 15.8% in 2019) and 25.5% in countries where local standards and regulations allow (compared with 20.5% in 2019); • 38.7% of rPET is used on average in the *evian* bottle range (compared with 31% in 2019). In 2020, Danone developed new, 100% rPET items in Europe, Mexico, Brazil and Indonesia. Furthermore, (i) all *Volvic* bottles in Germany, (ii) all small *evian* and *Volvic* bottles in France, and (iii) all *evian* takeaway bottles in the United Kingdom have been 100% rPET since September 2020. Lastly, in order to reduce fossil resource use further still, Danone is accelerating the development of renewable and bio-based materials. For example, the Company has launched bio-based plastic packaging for its EDP *So Delicious* brand in the United States (containing 80% bio-based PEHD) and its *Les 2 Vaches* brand yogurt pots in France, which are made in PLA. Furthermore, Danone has joined Nestlé Waters, PepsiCo and Origin Materials in the NaturAll Bottle Alliance to accelerate the development of 100% bio-PET by using biomass-based raw materials such as used cardboard, sawdust and wood chips in order not to compete with the agricultural land used to produce human foods or feed animals.

Alongside its commitments, the Company is continuing to work actively with the Ellen MacArthur Foundation as well as in other alliances to accelerate the transition toward a circular economy, including the WWF. It has also signed a call for the creation of a United Nations treaty to address the problem of plastic pollution.

Opportunities

Danone innovates with its product distribution, with, for example, the *Faire Bien* yogurt brand in France, and its partnership with the Day by Day brand to experiment with bulk distribution, a method whose wider deployment is currently under study.

Waste management

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

	2019	2020
Industrial waste		
Total quantity of industrial waste *(in ktons)*	511	433
Ratio of total quantity of industrial waste per metric ton of product *(in kg/tons)*	13.8	12.3
Proportion of industrial waste recovered	90.1%	91.2%
Packaging industrial waste		
Total quantity of packaging industrial waste *(in ktons)*	122	116
Ratio of total quantity of packaging industrial waste per metric ton of product *(in kg/tons)*	3.3	3.3
Proportion of packaging industrial waste recovered	95.3%	96.7%
Proportion of plastic packaging waste recovered	95.8%	96.6%

The amount of industrial waste generated per metric ton of product declined by 11% between 2019 and 2020, mainly due to a methodological change at an Alpro site for the waste. In 2020, the recovery rate for industrial waste increased from 90% to 91% (Production Site Environment scope, see Methodology Note).

The recovery rate for plastic packaging waste at the production sites totaled 96.6% in 2020 (compared with 95.8% in 2019). In 2020, 3.4% of post-industrial packaging waste was sent to landfill. The target is to achieve 0% by 2025.

Reducing food waste

Definition

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

Policies

One of the Company's drivers for change is the optimization of its production processes by measuring waste at all of its production sites except its Waters Reporting Entity bottling plants, in accordance with the Food Loss and Waste Protocol, the leading international guidelines for monitoring food waste, developed by the World Business Council for Sustainable Development (WBCSD).

Under the resolution against food waste adopted by the Consumer Goods Forum in 2015, Danone has pledged to reduce its non-recovered food waste by 50% between 2016 and 2025.

In 2020, the Company strengthened its ambition by aligning with Sustainable Development Goal (SDG) 12.3's 10x20x30 initiative, and beyond non-recovered waste, by committing to reduce to halve its food waste (excluding waste intended for animal feed and the processing of biomaterials) throughout its operations and distribution chain.

Action plans

Danone adopts a collaborative approach to reducing food waste—from farm to fork—across its entire product portfolio, involving its consumers, suppliers, distributors and partners in the process. The Company reduces food waste in its value chain as follows:

- **upstream**, by innovating with its brands to make use of ingredients likely to be wasted, as in the case of *Two Good* in the United States, which uses ripe fruit taken from the conventional sales circuits, or *Danone aux fruits d'ici* in France, which launched a limited edition product, "Gariguette Solidaire 2020", along with Carrefour to consume farmers' surplus strawberry production caused by the Covid-19 crisis;
- **in its production sites, warehouses and logistics centers**, by optimizing its production processes: as a result, its French plants have signed partnerships with the startups Comerço and Phenix to redirect "unfit for sale" products in conventional distribution networks to consumers (because the weight is less than that marked on the label, for example). Furthermore, the Company redistributes its surplus food to specialist charities in order to support vulnerable communities. Consequently, Danone signed an agreement with The Global FoodBanking Network in 2020. Lastly, any unavoidable food waste is sent to recovery streams recognized by Sustainable Development Goal 12.3;
- **downstream**, by acting to reduce waste through consumer education or, when the quality requirements allow, changing the product labeling to say "Best before". As a result, Danone signed a partnership with "Too Good To Go" in Europe in 2020 to change the labeling of consumption dates on some of its products in France. Beginning with *Activia* in Germany in 2019, this type of initiative was extended to other brands in Spain and the United Kingdom and then expanded to cover the rest of Europe.

Outcomes

Year ended December 31

	Production sites [a](b)		Production sites and supply chain [b](c)	
	2019	**2020**	**2019**	**2020**
Food waste management				
Total quantity of food waste generated *(in ktons)*	386	313	481	409
Ratio of total quantity of food waste per metric ton of product *(in kg/tons)*	45.0	36.3	57.3	46.8
Ratio of total quantity of food waste recovered per metric ton of product *(in kg/tons)*	39.9	32.4	47.2	38.5
Proportion of waste recovered	88.6%	89.3%	82.3%	81.2%
Ratio of total quantity of food waste non-recovered per metric ton of product *(in kg/ tons)*	–	–	10.1	8.8
Reduction in the ratio of total quantity of food waste non-recovered per metric ton of product since 2016, on a like-for-like basis	–	–	-7.0%	-15.6%

(a) Production Site Environment scope, see Methodology Note.
(b) Excludes Waters Reporting Entity sites.
(c) Production Site Environment scope and Scope 3 downstream, see Methodology Note.

The ratio of the amount of food waste generated per metric ton of product at production sites declined by 19.4% between 2019 and 2020, mainly due to a methodological change at an Alpro site. The recovery rate increased from 88.6% to 89.3%.

PRESERVATION OF THE WATER RESOURCE

Definition

Water stewardship is a key issue for the operations and supply chain of Danone but also for the planet. Consequently, the Company acts to preserve and restore natural ecosystems, wetlands and natural water cycles while also continuing its actions to make safe drinking water accessible to the most vulnerable communities. Three basic principles guide all these actions:

- rethinking the value of water by recognizing its many benefits such as protecting biodiversity, improving soil health, and carbon sequestration as well as the socioeconomic impact of preservation and conservation projects;
- building an approach based on scientific, local and concrete facts and sharing knowledge relating to territorial issues;
- thinking and acting locally and collectively as part of an integrated approach to bring concrete results and positive effects for highly water-stressed areas.

Policies

In 2020, Danone published its Water Policy for 2030, which promotes an innovative approach and integrated stewardship of the resource. It is based on a scientific diagnosis of the local water cycle and performed with the support of its hydrogeological experts deployed in identified priority geographical areas. The issue involves the mobilization of all users of water resources at the local level, the joint construction of action plans and the development of governance models supporting the action plans around the following three pillars:

- preserving water resources throughout its value chain;
- rethinking circularity within and around the production sites;
- providing access to safe drinking water for vulnerable people and communities.

In this context, the Waters Reporting Entity's brands have jointly launched WeActForWater, a series of measures, targets and investments intended to provide a response to the challenges involved in protecting watersheds, access to safe drinking water, climate neutrality and responsible packaging.

Action plans and outcomes

Danone has a dedicated team—the Water Cycle—responsible for defining and implementing the three pillars of the Company's Water Policy and the engagement of its stakeholders. In 2020, this team reviewed the water risk assessment process, taking into account the physical, regulatory and reputational risks, to provide (i) a detailed and structured picture of all watershed and production site risks, and (ii) the baseline for defining priorities and action plans. The process consists of three steps using data from the Water Risk Filter tool developed by the WWF:

- identifying watersheds located in water-stressed areas;
- identifying the water-related risks facing the operating sites;
- defining mitigation, protection and/or recovery plans.

Danone has applied this approach to its entire value chain and the main ingredients in its supply chain.

In order to apply the action plans as local roadmaps, Danone has set up a methodology (SWAN) that guides the teams in (i) defining and implementing a water stewardship project, and (ii) adopting the most suitable practices for the context and the local risks, particularly in water-stressed areas.

In addition, the Water Cycle team has developed a plan to ensure the commitment of all internal stakeholders (involving communication, awareness and training). It prioritizes a collaborative approach with the Reporting Entities and cycles other than water, by means of (i) committees for information-sharing and joint creation of action plans in production sites and watersheds, (ii) the creation of a special working group on water stewardship in the Danone supply chain (representing 89% of its water footprint), and (iii) work to implement regenerative agriculture.

Preserving and restoring water resources in agriculture and watersheds

For this first pillar, the Company pledges to do the following:

- promote regenerative agriculture that respects the natural ecosystems and the water cycles;
- protect water resources by optimizing the stewardship of the watersheds in which it operates and choosing green solutions such as protection, management and recovery.

COMMITMENTS	ACTION PLANS AND OUTCOMES
Relating to agriculture *From 2020 onwards:* • *develop, for the direct milk supply chain, plans to support farmers in five high-priority areas (the United States, Mexico, Russia, Southern Europe (including France) and North Africa);* • *ask all its suppliers to set up water stewardship plans.* *By 2025:* • *implement pilot projects using an integrated approach on a regional scale for five other key ingredients: milk powder, soy, almonds, strawberries and sugar cane.* *By 2030:* *For ingredients produced in highly water-stressed areas:* • *reduce the water use of farmers with which Danone works in high-risk areas by 25%;* • *increase the size of buffer zones by at least 15%;* • *optimize fertilizer use on farms for 75% of milk, fruit, almond and soy volumes.*	In 2020, the Water Cycle team worked with the Agriculture Cycle team and the Cycles and Procurement Department to (i) identify the main ingredients on the basis of criteria such as the volume, expenditure or environmental footprint, and (ii) assess the water-related risks for all 68 ingredients in its supply chain. Danone uses the results obtained to define its priorities and its water stewardship plans for the ingredients produced in areas with a high or extreme water risk.
Relating to watersheds *By 2030:* • *build plans for protecting and/or restoring 100% of the watersheds in which Danone operates, located in highly water-stressed areas (55 watersheds);* • *work locally to create an effective governance system with the stakeholders or integrate actions into the existing governance bodies;* • *develop a new, "open source" Danone platform on water stewardship, to share data and scientific studies and train the internal and external players concerned on integrated water stewardship.*	In 2020, Danone identified 54 at-risk watersheds based on its analysis of the water-related risks. To improve water resource stewardship and encourage biodiversity, soil health and carbon sequestration, Danone develops solutions such as agroforestry, wetland protection or agriculture optimization. Danone does so by participating in the worldwide Nature Based Solutions alliance in order to (i) define green solutions shared between companies and civil society organizations, and (ii) draw up suitable decision-making processes for the water resource stewardship programs. In 2020, Danone began to deploy 15 watershed protection plans. In addition, the Waters Reporting Entity has developed and set up its internal SPRING method, which it has operated for more than 15 years on its production sites (100% covered by SPRING audits since 2017), to ensure the stewardship and protection of its underground water resources. This method includes three main targets for production bottling plants: • providing a framework for guiding and assessing water stewardship performance and progress; • ensuring that suitable resources are allocated locally; • building awareness of the importance of proper water resource stewardship.

Rethinking circularity in and around Danone's production sites

For this second pillar, Danone continues to work to reduce its water consumption and ensure that its water discharges are of high quality while also improving water circularity in all its operations.

Danone prioritizes the development of water stewardship plans suited to sites located in water-stressed areas. In 2020, Danone found that 17% of its sites are located in high or extreme water risk areas.

COMMITMENTS	ACTION PLANS AND OUTCOMES
By 2020: • *reduce water consumption in the production processes of sites by 60% between 2000 and 2020;* • *achieve 100% compliance with Danone Clean Water Standards.* *By 2030:* • *implement a collaborative 3R Strategy (Reduce, Reuse, Recycle) on all production sites;* • *ensure that 100% of the clean water discharged directly by the sites located in highly water-stressed areas is reused to reduce the pressure on watersheds;* • *reduce the water consumption intensity of all production sites located in highly water-stressed areas by 50%.*	**Reducing water consumption** Since 2015, the action plans carried out at Danone's industrial sites have generated more than 3.6 m³ of process water savings, at constant scope and methodology. In 2020, the most significant action plans mainly concerned the Waters Reporting Entity and the Rotselaar site, where aqueous effluents are now treated and reused in industrial processes. At the end of 2020, the reduction in the intensity of water consumption since 2000 remained stable compared to 2019 at 49%, with the decline in this intensity ratio in the majority of Reporting Entities between 2019 and 2020 being notably offset by the decline in the Waters Reporting Entity's share of sales volumes. The objective of reducing the intensity of water consumption in industrial processes was not achieved in 2020, in particular due to the extension of the reporting scope in 2018, which had an adverse effect on this intensity ratio. All the results related to the performance of the production sites are reported in the Outcomes table. **Ensuring that water discharges are of high quality and increasing water circularity** In 2015, the Company developed internal standards more stringent than the applicable regulations (Clean Water Standards, or CWS). In 2020, 77% of its facilities comply with the CWS. In addition, Danone has been working for more than 20 years to make more effective use of water in its operations by prioritizing a collaborative approach. In 2020, the Company boosted this approach by adding the fourth pillar, "Reclaim", to its 3R Strategy (Reduce, Reuse, Recycle). For example, on its Rotselaar production site (Belgium, EDP), Danone has developed the Waterless project as part of its "Zero Impact Operations" program, with the goal of achieving "Zero Carbon", "Zero Water" and "Zero Waste". Through the use of two-step filtration technologies, 75% of its wastewater is treated and recovered directly in the form of clean water for reuse in its production processes. This closes the production site's water loop by reinserting and reusing 75% of its water in its operations. The deployment of this process significantly reduces the production site's overall water use and so greatly reduces the strain on local underground water reserves. Lastly, Danone has developed and launched its new tool, Drop Saver, to disseminate best practices, support the deployment of circular water stewardship and assist in the implementation of its new Water Policy.

Providing access to safe drinking water for vulnerable people and communities

For this third pillar, the Company invests through Danone Communities and its brands to support social innovation projects and supply safe drinking water to vulnerable populations.

COMMITMENTS	ACTION PLANS AND OUTCOMES
By 2030: • *sign the WBCSD WASH Pledge for access to safe water, sanitation and hygiene at the workplace;* • *create the Water Access Acceleration Fund (W2AF) to support social businesses providing water access;* • *provide daily access to safe drinking water for 50 million people.*	Danone pledges to give all its employees access to safe drinking water, sanitation and hygiene, which is consistent with the UN Sustainable Development Goal 6, "Clean Water and Sanitation", and the standard of the World Business Council for Sustainable Development. The Company has been working since 2007 in Asia, Africa and Latin America to provide safe drinking water to low-income communities *via* the Danone Communities fund. The brands of the Waters Reporting Entity play a key role, with, for example, *AQUA* in Indonesia partnering with the organization Water.org to extend access to safe drinking water (10 liters brought to local communities for each one-liter bottle purchased).In India, Danone Communities supports initiatives including the water kiosk model to help local entrepreneurs sell safe drinking water to their communities at affordable prices. The kiosks serve more than 260,000 people a day. In 2020, all of Danone Communities' investments in social businesses provided access to drinking water for more than 9 million people around the world.

Outcomes

Water use in operations

	Year ended December 31	
(in thousands of m³)	**2019**	**2020**
Water drawn from the surrounding area [a]		
River water	3,038	2,852
Municipal water	22,751	22,986
Well water	47,276	43,312
Total water drawn volume	**73,064**	**69,150**

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

In 2020, the total volume of water withdrawn decreased by 5.4% compared to 2019. The uses associated with this total volume of water withdrawn in 2020 are as follows:

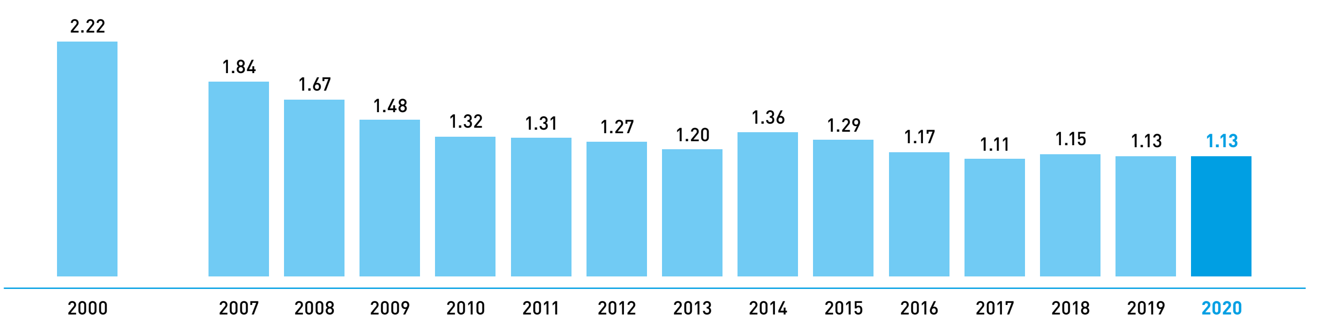
- 43% went into finished products, mainly at bottling plants, or was used for by-products;
- 57% was used in industrial processes, with details given in the table below.

	Year ended December 31	
(in thousands of m³)	**2019**	**2020**
Water related to the production process [a]		
Consumption *(in thousands of m³)*	41,773	39,714
Intensity of consumption *(in m³ per metric ton of product)*	1.13	1.13
Reduction in water consumption intensity since 2000	**49%**	**49%**

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

At the end of 2020, the reduction in water consumption intensity since 2000 has remained stable compared to 2019. The graph below shows the annual evolution.

Water use intensity in industrial processes at production sites
(in m³ per metric ton of product)



At comparable scope and methodology, the intensity of water consumption in industrial processes decreased by 0.5% between 2019 and 2020.

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

	Year ended December 31	
	2019	**2020**
Final discharge of chemical oxygen demand (COD) [a] *(in thousands of metric tons)*	6.38	5.95
Net COD ratio [a] *(in kg/ton of product)*	0.17	0.17

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

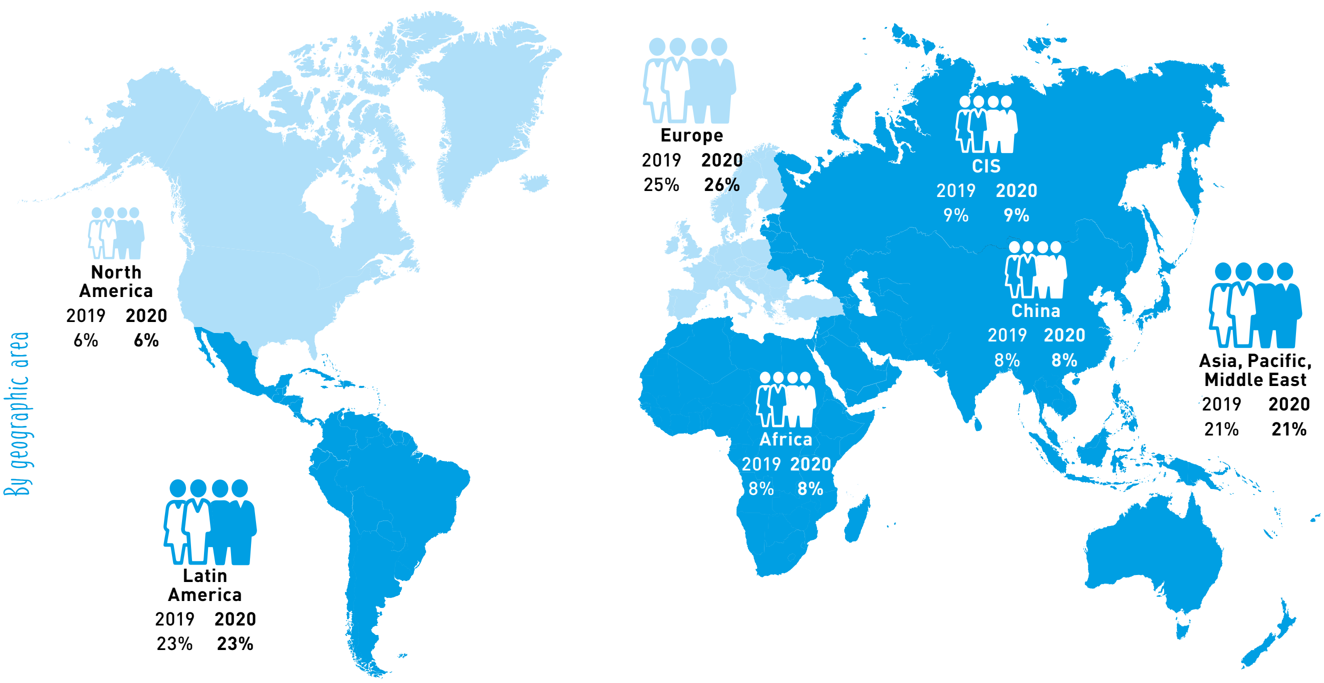
5.4 BUILDING THE FUTURE WITH DANONE EMPLOYEES

Contents

DANONE'S EMPLOYMENT APPROACH

Employees

By geographic area



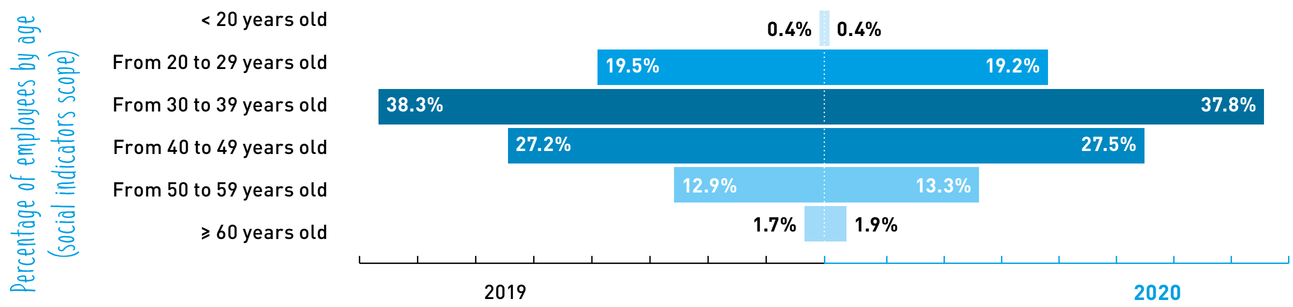
Total number of employees		Europe & North America		Rest of World	
2019	2020[(a)]	2019	2020	2019	2020
102,398	101,819	31%	32%	69%	68%

(a) This number does not include 0.09% of Danone's workforce (*i.e.* 92 employees), which corresponds to the entities having integrated the scope of social indicators in 2020 (Social indicators scope, see Methodological Note).

By Reporting Entity

	2019	2020
Essential Dairy & Plant-Based	41%	41%
Specialized Nutrition	21%	21%
Waters	35%	35%
Other: Headquarters sites, Evian Resort, Danone Research	3%	3%

5



Percentage of women in the organization

	2019		2020	
	Total	% women	Total	% women
Board of Directors	16	43%	16	43%
Executive Committee	7	43%	7	43%
Managers, directors and executives	22,699	51%	23,367	51%
Senior managers: executives (excluding Executive Committee) and directors	1,753	40%	1,792	41%
Other managers	20,946	52%	21,575	52%
Non-management employees	79,692	25%	78,452	25%
Total employees	**100%**	**31%**	**100%**	**31%**

Conditions and organization of Danone's working time

	2019	2020
New hires [a]	13,202	12,550
Dismissals [a]	6,146	6,192
Absenteeism rate [a]	2.4%	2.9%
Employee turnover rate [a]	17%	14%
Part-time employees [a]	3%	3%

(a) Social Indicators scope, see Methodology Note.

Danone enables employees to arrange their work schedules in accordance with their local environments, for example by allowing part-time work or remote work, thus contributing to their well-being at work.

INCLUSIVE TALENT DEVELOPMENT

Employee training and development

Definition

Danone is committed to providing a range of learning opportunities to all its employees. In addition to personalized managerial support, the Company offers functional and cross-functional training programs, most of which are: (i) developed in-house and (ii) delivered by Danone managers.

Governance

The issues surrounding talent management and employee training are managed by the Head of Global Human Resources, who reports to Danone's Chief Human Resources Officer and General Secretary, member of the Executive Committee.

Policies, action plans and outcomes

CODES leadership model

Danone also seeks to develop a company culture whereby each employee can develop leadership skills through its CODES (Committed, Open, Doer, Empowered, Self-awareness) leadership model.

The Company deploys this model based on five key attitudes, which support its goals over the long term and cover the leadership skills expected of its employees, at both the individual and collective level: (i) human centric (consumers, patients, employees), (ii) inclusive and collaborative, (iii) courageous with empathy, (iv) agile and (v) accountable and decisive.

Training program

Meanwhile, Danone offers managerial and functional training to enable employees to train according to their needs, notably using digital tools. In light of the Covid-19 crisis, this digitization was ramped up, with an increase in the number of e-learning modules and courses led by virtual instructors. Employee skills development is based on the following four approaches:

- the continued deployment of Campus X, Danone's digital learning platform launched in 2019, which offers personalized access to a range of in-house and external content, as an addition to classroom training. In line with its goal of providing access to all employees, in 2020 Danone extended access to an additional 15,000 employees, which represented 86,000 online learning hours for its head office staff (10 times more than in 2019). The platform also provided an opportunity to share best practices through Danone's Stay Strong Stay Safe campaign designed to help staff members tackle the new challenges brought by the crisis;
- the development of content for the One Planet. One Health platform with, in 2020, (i) more than 46,000 employees completing the Sustainable Diets training program developed together with the United Nations Institute for Training and Research (UNITAR) and (ii) training courses on responsible practices that became mandatory;
- *Learning Weeks* and other learning events, converted to virtual format amidst the Covid-19 crisis, which combine training, information sharing and networking sessions, along with conferences;
- One Learning a Day, a program that promotes learning by doing deployed at the head office and production sites.

	2019	2020
Number of permanent employees who took at least one training course [a]	81,628	98,105
Total number of training hours [a]	2,246,183	2,532,056
Percentage of employees trained [a]	83%	100%
Average number of hours per person trained [a]	23	26

(a) Social indicators scope, see Methodology Note.

In 2020, Danone reaffirmed the importance of training for its employees through the FutureSkills approach (see *Social Dialogue* section).

Career development

Danone strives to promote inclusive development of talent and career development for every employee by ensuring job mobility opportunities.

Performance review and development conversation

In addition to training, Danone supports its employees in managing their careers and building their professional future, including through mobility programs. The Company has developed a management process that allows employees to set their objectives, evaluate them fairly and define a personalized development plan through a series of meetings and discussions held throughout the year.

As part of its Danone Way program, the Company monitors the establishment of career development processes at its entities for its management and non-management personnel.

- In 2020, 76% of the entities planned a development conversation with each employee at least once every two years in order to obtain feedback on their work, establish an individual development plan and have visibility on potential future development opportunities (Danone Way Scope, see Methodology Note).
- Danone also strives to pass on competencies for its key functions. In 2020, 86% of the entities anticipated the need to pass on rare competencies specific to their activities (83% in 2019). This was reflected in the formalization of a succession plan for key functions (Danone Way scope, see Methodology Note).

Mobility

The Company offers its employees the opportunity to build a career track consistent with their own aspirations and abilities as well as the Company's needs, either in their home country or abroad.

In addition, since 2019, Danone, BNP Paribas and ENGIE have been working together to promote and develop intrapreneurship with a positive impact, thus encouraging the engagement of their employees in the development of business solutions that also meet societal and environmental expectations.

Compensation and benefits

Definition

Danone offers its employees competitive salaries and benefits, including social and personal protection measures and employee profit-sharing.

Policies

Danone offers its employees comprehensive, competitive and fair compensation based on its own system of evaluating and classifying jobs, taking into account human resources development as well as regulations, requirements and the local situations of the subsidiaries.

Action plans and outcomes

Compensation

Variable annual compensation rewards collective and individual performance based on two sets of targets:

- business targets, measuring how well Danone and its subsidiaries performed financially;
- social targets, development and effectiveness of the organizations, defined with each employee's immediate manager.

As part of an integrated vision of the Company's performance, the variable compensation of approximately 1,600 senior executives has gradually been based on social and environmental performance criteria such as carbon footprint reduction, employee health and safety and diversity (see section 6.3 *Compensation and benefits of governance bodies*).

Employee profit-sharing and share ownership

In 2019, for the first time, Danone granted each eligible employee one DANONE share, thus giving the employee the right to vote at the Shareholders' Meeting. This share grant also enables employees to participate in a global profit-sharing system indexed on the amount of the annual dividend (see section 7.8 *Share ownership structure of the Company as of December 31, 2020*).

At the local level, employees of Danone's French subsidiaries are eligible for a profit-sharing plan indexed primarily on Danone's results. Some French subsidiaries and certain foreign subsidiaries have established employee incentive and/or profit-sharing agreements indexed on their own results.

Employees of Danone's French companies can also subscribe for an annual capital increase as part of a Company Savings Plan.

Lastly, in 2019, Danone launched its first global employee share ownership plan, enabling its employees in 8 countries–mainland China and Hong Kong, Indonesia, Mexico, Netherlands, Poland, Singapore, Spain and the United Kingdom–to subscribe for new Danone shares (see section 7.3 *Authorization to issue securities that give access to the share capital*).

Retirement commitments, retirement indemnities and personal protection

Danone contributes to state-sponsored and/or private retirement funds for its employees in accordance with the laws and customs of the countries where its entities do business. The Company also has contractual commitments covering severance pay, retirement indemnities and personal protection, most of which are managed by independent fund management entities.

Commitments related to existing defined-benefit plans generate an actuarial liability, recognized as a provision in the consolidated financial statements. There is no actuarial liability for defined-contribution plans. The provision posted for these commitments as of December 31, 2020 and the expenses for the year are presented in Note 8.3 of the Notes to the consolidated financial statements.

Focus – Protective measures in response to the Covid-19 crisis

In 2020, the Company took major steps to protect its teams and its ecosystem:

- All employment contracts of Danone's 100,000 employees were secured and salaries guaranteed worldwide until June 30, 2020;
- Special bonus for employees working on site around the world to ensure the continuity of the food chain.

Inclusive Diversity

Definition

Danone strives to ensure that every employee feels included, respected and fully capable of contributing in its own unique way to the Company's mission by making inclusive diversity a key component of its 2030 Company Goals.

Policy and outcome

Inclusive Diversity Policy

When Danone signed the Global Agreement on Equal Opportunities with the International Union of Food Workers (IUF), it committed to promoting greater diversity within its corporate structure.

In 2017, as part of Danone's Inclusive Diversity roadmap, the Chairman and Chief Executive Officer and its Executive Committee pledged that, by 2020, 30% of the Company's executives would be women and 30% of its executives would be of under-represented nationalities (*i.e.* people from Africa, Americas, Asia, Eastern Europe and Oceania). In 2020, these goals were achieved, as 30% of executives were women (vs. 17% in 2016) and 32% were of under-represented nationalities (vs. 20% in 2016).

In 2019, Danone published a position paper on inclusive diversity, supplemented in 2020 by its global internal policy on the fight against harassment and discrimination, which ensures that every employee is treated with dignity and respect. Its inclusive diversity strategy focuses on three global priorities: (i) promoting inclusive behaviors, (ii) gender equality and (iii) culture and nationalities. For each of these priorities, Danone has defined commitments and action plans, which are then implemented at the local level in order to cover diversity issues specific to local cultures and contexts.

Priority	Goal by 2020	Situation in 2020
Promotion of inclusive behaviors	Score of 90% on the Inclusion index	Score of 87% on the Inclusion index [a]
Gender equality	42% female directors 30% female executives	42% female directors 30% female executives
Culture and nationalities	50% directors of under-represented nationalities 30% executives of under-represented nationalities	50% directors of under-represented nationalities 32% executives of under-represented nationalities

(a) This information is based on the results of the Danone People Survey (DPS), which is sent to each Company employee every two years.

Also, of the 10.3% positions with greater responsibility at Danone (10.4% in 2019), which include executives, directors and some other senior-level managers, 50% of these employees were women (49% in 2019).

In addition, in order to support equal opportunities and the recognition of each employee, Danone, within all of its countries, ensures equal pay for women and men with the objective of a gap within a range of equity plus or minus 3 points. The 2020 female-to-male ratio is 96.8 globally, in line with the Company's ambition.

Disability

Danone encourages its subsidiaries to share best practices regarding people with disabilities.

In France, the Company has signed specific agreements on disability and the fight against discrimination that include measures to support people with disabilities. Danone promotes the recruitment of people with disabilities by supporting events such as Tous HanScène. Danone also focuses on retaining people with disabilities by ensuring that they have the most suitable work environment.

In EDP Reporting Entity in Brazil, together with SER ESPECIAL, trains more than 500 disabled people to help them enter the labor force. It has also developed an online recruiting platform to put them in contact with Danone as well as with other companies in Brazil.

Parental policy

Danone is committed to creating the conditions every employee needs to make the most of parenthood, and to developing a family-friendly culture.

Danone's global parental policy is based on three key elements:

- pre-natal support, including modified working conditions and nutrition counseling during pregnancy;
- extended parental leave for both men and women, including 18 weeks for a birth parent, 14 weeks for a legally adoptive parent and 10 working days for a secondary caregiver;
- post-natal support, including job protection measures and return-to-work support, flexible working conditions and breastfeeding support by providing lactation rooms for mothers at all sites that employ more than 50 women.

For example, in 2020 Danone North America extended its parental policy to all its employees, including at the production sites level, enabling them to take up to 18 weeks of paid leave after the birth or adoption of their child.

Globally, Danone's goal was to deploy the parental policy in every country where it does business by 2020. At the end of the year, the Company had implemented this policy in 49 countries covering approximately 80,000 employees (vs. 18 countries in 2019). In 2021, the remaining countries will roll out action plans that will help achieve the Company's ambition.

Governance

In 2019, two Executive Committee members were named sponsors of Inclusive Diversity: the EVP, Chief Financial Officer, Technology & Data, Cycles and Procurement and the EVP, Waters and Africa. Danone also initiated a movement to encourage employees to act within their sphere of influence to help achieve inclusive diversity targets.

More than 400 inclusive diversity champions around the world are thereby driving change at the local level and in the various functions, working with the Human Resources departments and management teams.

In order to implement inclusive diversity at Danone globally, an Inclusive Diversity steering committee is working on a transformational approach based on three pillars: people, brands and partners/communities.

Action plans

In 2020, Danone also held several events:

- for International Women's Rights Day, the Company encouraged the sharing of various countries' best practices regarding gender equality;
- in Benelux, Spain and Italy, some brands and their employees joined in pride celebrations;
- during the second edition of Inclusive Diversity week, to engage and raise awareness among Danone employees, including through workshops on unconscious biases, sharing of a local roadmap for Inclusive Diversity and motivational sessions led by outside speakers;

Meanwhile, Danone is still an active member of the HeForShe movement and LEAD network.

Commitment to the HeForShe campaign

HeForShe is a global campaign by UN Women that encourages men to take an active role in empowering women.

In Brazil, Indonesia, Italy, Mexico, the Netherlands and Spain, Danone has deployed HeForShe through its Leadership Mentoring program for women, enabling newly appointed women leaders to seek advice from experienced managers.

The Company's commitment to gender equality was recognized by the United Nations, which named Emmanuel FABER, Chairman and CEO of Danone (until March 14, 2021), "Inaugural Thematic Champion".

External recognition

Danone maintained its position in the Bloomberg Gender-Equality 2021 index. The Company is ranked 39th in the Top 100 World for gender equality by Equileap.

In 2019, Danone received the GEEIS-SDG (Gender Equality European and International Standard-Sustainable Development Goals) trophy of the Arborus Foundation at the United Nations headquarters for the "Social School for Women Empowerment" project launched with the support of the Danone Ecosystem Fund and that is continuing with Danone Spain and Fundación Ana Bella. The project helps women escape domestic violence and rejoin the labor force by supporting a sales and nutrition training program. Meanwhile, Danone's headquarters in Paris and Singapore along with all the subsidiaries (including the production sites) based in Italy and Poland received GEEIS certification.

Opportunities

Danone is committed to fostering an inclusive working environment that represents all forms of diversity, both visible and invisible. The Company's aim is to create a workplace environment that promotes both personal fulfilment for employees and efficient teamwork, with a view to developing solutions that are culturally relevant to consumers.

With its Inclusive Diversity strategy, Danone seeks to leverage its brands in order to make its consumers agents for change. In Mexico, Danone's bottled water brand *Bonafont* made gender equality a centerpiece of its brand commitment and took an active stance to help advance this cause. Over the past two years, *Bonafont* joined with UN Women to launch a support program for women entrepreneurs. This partnership includes the creation of limited edition HeForShe bottles and the donation of all proceeds from this program to charity.

Focus – "One Person, One Voice, One Share"

As part of its innovative governance model and commitment "One Person, One Voice, One Share" Danone established in 2018 a new annual strategic routine. It is based on a global consultation that enables employees to share their views of the Company's priorities and on the definition of local and global roadmaps. The third edition of this consultation was held in 2020.

Also in connection with this new governance model, 26 employee volunteers are picked each year from around the world to represent all Danone employees and share ideas with members of the Company's Board of Directors and Executive Committee, so that they may better understand employee needs and expectations, promote faster decision-making, stimulate innovation and enable local teams to take action and make progress toward achieving the 2030 Company Goals.

Danone also grants one Company share to every eligible employee, which gives them the right to vote at the Shareholders' Meeting.

SOCIAL RELATIONS

Danone works to promote responsible social dialogue that takes the interests of various stakeholders into account.

Social dialogue

Definition

Danone aims to build successful relationships with its employees through continuous engagement and dialogue, the establishment of systems for reporting problems and filing complaints, and the use of responsible practices, especially during company reorganizations. Listening to union representatives regarding employee expectations and maintaining an open dialogue with them helps to limit the threat of strikes and business interruptions.

Policies

Social dialogue is a key driver for Danone at the management, trade union and employee representatives levels. It enables collective efforts to be aligned in order to improve the Company's performance. Since 1989, 10 agreements have been signed between Danone and the International Union of Food Workers (IUF), and a joint vision was established.

Subjects of Danone-IUF agreements	**1.** Agreement on economic and social information for Danone companies (1989) **2.** Agreement on gender equality in the workplace (1989) **3.** Agreement on skills training (1993) **4.** Agreement on the trade unions rights (1994) **5.** Agreement on the event of changes in business activities affecting employment or working conditions (1997) **6.** Agreement on the Fundamental Social Principles (2001) **7.** Agreement on setting up of Group social indicators (2005) **8.** Agreement on diversity (2007) **9.** Agreement on health, safety, working conditions and stress (2011) **10.** Agreement on sustainable employment and access to rights (2016)
Integration, implementation and communication of the fundamental conventions of the ILO	• Since 2003, Danone has been a member of the UN Global Compact, which incorporates the International Labour Organization (ILO) fundamental conventions. These conventions are formalized, implemented and brought to the attention of Danone employees and suppliers. • The ILO conventions formulate seven fundamental labor principles that are covered in an agreement signed between Danone and the IUF. These principles form the basis of the RESPECT program, one of the goals of which is to extend these principles to Danone's suppliers (see section 5.5 *Responsible sourcing-supplies other than milk*). • Danone communicates its commitments to all employees through its Code of Business Conduct (see 5.1 *Responsible practices: ethics and integrity*).

Governance

Social relations issues are managed by the Human Resources Department, which reports to the Chief Human Resources Officer and General Secretary, a member of the Executive Committee.

Social relations at Danone are also based on:

- the Information and Consultation Committee, supported by its own Steering Committee, whose members include representatives from Danone management and union representatives;
- the Board of Directors' Engagement Committee, which monitors the implementation of action plans and initiatives, such as the FutureSkills approach in 2020 described below;
- two Directors representing employees who sit on the Board of Directors are appointed by the Company's Social and Economic Committee and the Information and Consultation Committee. A member of the Social and Economic Committee also participates in Board of Directors' meetings in an advisory capacity (see section 6.1 *Governance bodies*);
- close relations with the IUF through a bi-annual meeting between the Human Resources Department, its managers and the managers of the main regions to build a common objective and monitor compliance with and implementation of the agreements.

In addition, ongoing dialogue between Danone's Head of Social Relations and the Human Resources department heads in the subsidiaries make it possible to report employee expectations up the line, especially with union representatives and employee representatives, and, if necessary, establish global or local action plans.

Action plans

In view of the economic and social impacts of the Covid-19 crisis, Danone is committed to supporting employees who need to acquire new skills. In 2020, the Company worked with the IUF to develop an innovative approach, "FutureSkills", which aims to better prepare employees who need new skills for the jobs of tomorrow. These cover existing jobs that will change significantly due to additional skills requirements in the future as well as new jobs that may emerge. The professional training programs will mainly target employees identified as the most exposed and the most at risk based on criteria such as qualification and salary level. Trained individuals will continue to be employees of the Company and will retain their benefits for the duration of the training.

In addition, Danone and the IUF pursue their efforts to reduce employment uncertainty by applying specific definitions, methodology and processes, as defined in the global agreement on sustainable employment and access to rights signed in 2016.

Danone also encourages its subsidiaries to apply best practices conducive to dialogue with employees. This includes recommending that they monitor: (i) the number of business and employment-related information sessions for all employees; (ii) the proportion of employees covered by employee representatives; and (iii) the annual number of meetings between site managers and employee representatives. The Company also offers social relations training programs at its subsidiaries which give the teams the resources they need to address challenges and stay ahead of critical issues.

In the United States, Danone has held an annual meeting between labor and management since 2019 and is working to define its local social dialogue roadmap.

Outcomes

In 2020, 78% of employees were covered by collective bargaining agreements (as in 2019) (see Methodology Note).

The framework agreements between Danone and the IUF are deployed in each subsidiary, and each year a joint assessment is carried out with a Danone representative and IUF representative. Between 2009 and 2020, a total of 60 site visits were made.

Opportunities

Danone views dialogue with employees as an integral part of its corporate culture and its dual economic and social project. It is also a powerful way to support employees' continuing efforts to improve the Company's performance.

Focus – Respecting and promoting human rights in Danone operations

In November 2017, as part of a Consumer Goods Forum initiative against forced labor (see section 5.5 *Responsible sourcing-supplies other than milk*), Danone pledged to adopt policies to embed the CGF's principles into its operations.

In 2018, the Company issued an internal Global External Workforce Policy aimed focusing specifically on labor agency workers and prohibiting the payment of recruitment fees by workers. In 2020, as part of its implementation, Danone piloted in Mexico a dedicated methodology for social audits of labor agencies, which was co-developed and implemented by a specialized firm. This methodology includes surveys conducted among temporary workers and their Danone colleagues and supervisors to better assess the situation of temporary workers. The Company will roll out the methodology in the priority geographic regions in 2021.

More broadly, in 2020 Danone supported the launch of the CGF's new Human Rights Coalition–Working to end forced labour and pledged to develop and deploy Human Rights Due Diligence (HRDD) systems that focus on forced labor in its own operations, with the aim of reaching 100% coverage by 2025, including for third-party labour engaged by contractors or labour agencies to carry out regular and continuous work in its own operations.

At the same time, Danone deployed its e-learning training program on human rights and the fight against forced labor, developed in 2019, available to the Procurement, Human Resources and General Secretary functions to build awareness of the local teams on the topic. More than 3,500 Danone employees had completed this training at the end of 2020.

Lastly, the Company continues to monitor its subsidiaries' human rights performance through its Danone Way program.

WORKPLACE HEALTH AND SAFETY

Workplace safety: the WISE² program

Definition

Danone is responsible for ensuring the health and safety of its employees at all its sites, providing a healthy, safe and calm working environment that reflects a long-term and respectful commitment to the life balance of its employees. In light of the risks inherent in the Covid-19 crisis, the Company's priority is to ensure the safety of all employees at its production sites and tertiary headquarters.

Policies

Workplace Health and Safety Program – WISE²

Objectives by 2020	Zero fatal accidents and 50% reduction in workplace accidents requiring medical absence relative to 2014 [a].
Application scope	Monitoring of types of accidents (fatal accidents, accidents with and without lost time): all people working at Danone sites (employees, workers from staffing agencies or other outside labor providers and subcontractors).
WISE² program operation	WISE² is a worldwide program that seeks to continuously reduce the number of workplace accidents through two approaches: • promote the culture of workplace health and safety at all Company sites; • ensure compliance with standards for the most critical risk situations. To address these situations, the Company continuously defines new standards, and in particular since 2019, those related to machine safety at the plants and those related to the specific risks of the sales activities and activities carried out at the head offices (ergonomics, remote work, hotels and travel, etc.).

(a) Following two fatal traffic accidents in 2020, Danone has reinforced the preventive measures included in its standards to mitigate the risks of road accidents and defensive driving.

Governance

Managed by the Human Resources Department, the WISE² program is deployed at each Reporting Entity, at the production sites and at the logistics warehouses for sales and distribution. Health and Safety managers at the subsidiaries and sites support the program's smooth operation.

The program is overseen at the Company level by the Safety Steering Committee, which is chaired by the Chief Human Resources Officer and General Secretary, a member of the Executive Committee. He is supported by the Chief operating officers of the Reporting Entities and the Head of health, safety and working conditions.

Action plans

The sites are responsible for conducting their own risk assessments. In Europe, in particular, the Single Risk Assessment Document (Document Unique d'Évaluation des Risques – DUER) requires companies to assess their risks and implement the necessary action plans to ensure employee safety.

Danone encourages its employees to identify and report risks and accidents through a participatory system open to (i) all Danone employees; (ii) some sites open to workers employed through agencies and trade workers; and subcontractors. In cases of major risks or accidents, special procedures and a system for reporting the information up the line have been established according to the management levels.

Meanwhile, each year approximately 50% of Danone sites, production sites and the sales force are subjected to WISE² audits covering both the safety culture and compliance with standards. Since 2018, Danone also deployed the WISE² "compliance standards" in countries where convenience store distribution is significant (Egypt, Indonesia, Mexico and Morocco). In 2020, given the Covid-19 crisis and travel restrictions, the Company performed only 5% of the originally planned WISE² audits.

WISE² audits are also performed for certain administrative headquarters.

In addition, the WISE² action plans include the management of working conditions, particularly with initiatives to assess ergonomic risks, provide training on repetitive motions and posture and workstation configurations. Danone also takes measures to reduce working hours and employee turnover in convenience store distribution. The rate of workplace illness and related absenteeism are monitored at the local level.

Outcomes

Year ended December 31

(number of accidents, except frequency rate in percentages)	2019 Fatal accidents [(a)]	2019 Accidents with at least 1 day lost time [(a)]	2019 Frequency Rate 1 (FR1) [(a)]	2020 Fatal accidents [(a)]	2020 Accidents with at least 1 day lost time [(a)]	2020 Frequency Rate 1 (FR1) [(a)]
By Reporting Entity						
Essential Dairy & Plant-Based	–	157	1.6	–	127	1.3
Waters	1	103	1.2	2	70	0.8
Specialized Nutrition	–	50	1.0	–	35	0.7
Corporate functions	–	46	2.9	–	20	1.3
Total	**1**	**356**	**1.4**	**2**	**252**	**1.0**

(a) Safety Scope, see Methodology Note.

Year ended December 31

	2019	2020
Frequency rate 2 (FR2) [(a)]	1.24	0.95
Severity rate [(a)]	0.06	0.07

(a) Safety Scope, see Methodology Note.

Focus – Promoting well-being in the workplace and stress prevention

Since 2014, Danone has included promoting health and well-being in the workplace to its WISE² program. Danone defined a systematic approach built around five pillars: (1) ensure a good work rhythm, (2) make daily work meaningful, (3) promote healthy ways of working (4) manage staff with kindness and authenticity, and (5) promote a healthy lifestyle and environment. Practical guides encourage the subsidiaries and sites to implement them. Some subsidiaries have implemented initiatives that call for:

- the right to disconnect;
- visits by psychologists and social workers and committees to detect situations of workplace isolation;
- training of management to detect and prevent employee stress.

In 2019, Danone offered a training program in Europe for the human resources function on quality of life in the workplace. In 2020, in the context of Covid-19 crisis, these measures were supplemented by:

- global and local surveys to regularly monitor and ensure the well-being of employees in order to identify their needs;
- a Stay Strong Stay Safe campaign in which employees were asked about changes in their working conditions in the following five categories: (i) effectiveness at work, (ii) mental health, (iii) physical health, (iv) managerial monitoring and support and (v) solidarity and mutual assistance;
- the creation of a psychological support unit for employees.

Health in the workplace

Definition

Access to health coverage and education regarding health challenges for all employees is a priority for Danone, which notably continues to deploy its Dan'Cares program in countries where the Company operates. In the context of the Covid-19 crisis, this became an even higher priority for all employees worldwide.

Policies

In 2009 Danone launched the Dan'Cares program, with a goal of ultimately guaranteeing quality health coverage for all employees to cover major risks while taking into account practices in the respective markets. The three main risks taken into account are hospitalization and surgery, ambulatory care and maternity care. Dan'Cares is intended to be deployed in all Danone subsidiaries, including in countries where such coverages are not offered by the healthcare systems.

Danone conducts regular market studies to assess where it stands in terms of employee health coverage relative to the market. In 2020, Danone extended the health coverage of its local programs (family health coverage, employee assistance program) in light of Covid-19.

Action plans

In addition to the Dan'Cares program, Danone has implemented several initiatives, including Health@Work, which seeks to inform and raise awareness among employees on improving their health through dietary practices and physical activity. In 2020, 94% of Danone's employees (vs. 84% in 2019) had access to at least one free offer of this program (Health & nutrition scope, see Methodology Note).

Moreover, in 2020 all Danone entities included employee health as a condition of business continuity. They implemented and monitored preventive measures such as checking for fevers, access to protective equipment and/or Covid-19 testing (Danone Way scope, see Methodology Note).

Outcomes

As of December 31, 2020, 100,109 employees (99,627 in 2019) in 53 countries (same as 2019) received health coverage meeting the criteria defined by Dan'Cares.

Most of the beneficiaries under the Dan'Cares program were able to include family members.

Opportunities

Implementing a robust workplace health and safety strategy helps strengthen employee commitment. It also represents an opportunity for the Company to address employees' new needs, such as taking workplace ergonomics into account for an ageing population at its production sites and providing extended health coverage during the Covid-19 health crisis.

EMPLOYEE SECURITY

Definition

With a presence in more than 120 countries, Danone may face numerous security challenges and it has the responsibility to protect all employees from malicious acts. To that end, Danone analyzes security risks by country, develops preventive measures adapted to each situation to implement in order to secure the workplace and, when necessary, respond effectively.

Policies

In 2018, Danone's Chairman and Chief Executive Officer signed a formal Security Policy that defines the Company's vision, missions and objectives for this area. The global security management guidelines articulate the principles of the policy, particularly in terms of protecting employees. The security and health policy for travelers rounds out the Company's corporate travel policy with a set of security guidelines.

The Security Department also published specific guidelines on international business travel in the context of the Covid-19 crisis. The latest version of these guidelines is available to all employees on the Company's internal social network.

The security operating procedures for the production sites formalized in 2019 are currently being rolled out for all Danone entities.

Governance

The Chief Security & Competitive Intelligence Officer (CSO), who reports to Danone's General Secretary, is responsible for managing security risks.

The Security Department consists of four specialized units:

- international security, responsible for (i) implementing the guidelines at the regional and local level, (ii) risks linked to business travel and related communications, and (iii) protecting the Company's tangible and intangible capital;
- operations security, responsible for protecting the supply chains and investigating suspected food fraud;
- risk analysis, responsible for drafting guidelines and forward-looking reports, country risk analysis and security watch;
- cybersecurity, responsible for centralizing Danone's policy in this area; its role was enhanced with the creation of a Cyber-Board, which reports to the Chief Security & Competitive Intelligence Officer.

In the countries where Danone is present, security experts support local Human Resource managers who are responsible for managing local staff, including security aspects.

Danone's Security Department interacts with the Danone Reporting Entities, notably through training sessions of the Reporting Entity Management Committees.

Action plans and outcomes

Security risk management is based on the following three pillars:

- anticipation and information: risk monitoring and analysis to understand the security threats facing Danone and its employees, and define action plans. Protecting employees means mapping risks on a country-by-country basis and working with local teams to refine the Company's analysis of the environment. Danone ensures that information relating to security risks is properly communicated to the employees and that security rules related to business travel are shared through regular communication and awareness actions. To this end, the security team has developed an online training module that is available on Danone's digital learning platform, Campus X.
- prevention and protection: working with internal and external experts to implement preventive measures that reduce the likelihood of incidents. This includes monitoring business travel and expatriate assignments in high-risk countries and setting up security protocols. Each Danone site conducts a self-assessment using an audit checklist, then works with security experts to continue improving security based on the results. Since 2017, 91% of the production sites have conducted security self-assessments. In 2020, in the context of the crisis, 82% of the sites conducted their self-assessment (scope: 176 production sites). In 2020, the security team established a communication plan, clarified roles and updated the assessment checklist to take into account the sector-specific characteristics of the Company's activities.
- response and incident management capabilities: positioning resources that enable the Company to respond in the event of an incident and using past experience to strengthen existing prevention and protection systems. Working with the Human Resources department, the Security Department continuously applies an outsourced monitoring system as well as a medical and security assistance program.

This security system is then adapted to security risks for each region where Danone operates.

In 2020, Danone's Security Operational Center (SOC) noted 57 important or urgent events, all of which were reported to the security team. For these events, the SOC contacted the security team 11 times (vs. 23 in 2019) given that Danone employees were close to the impacted area. On 2 occasions, the security team decided to contact all employees potentially affected by the event. The decrease in the number of events handled by the SOC is tied to the travel restrictions in 2020 due to the Covid-19 health crisis.

Opportunities

The establishment of information, communications and awareness measures contributes to employee well-being by securing their work environment.

5.5 PROMOTING SUSTAINABLE, INCLUSIVE GROWTH WITH SUPPLIERS

Danone has identified three risks linked to sourcing, namely: (i) trading and pricing practices, (ii) responsible sourcing, and (iii) human rights. These risks are addressed below, first for milk and then for all other ingredients. This section is designed to cover the steps involved in complying with the French law on Duty of Vigilance: risk mapping, regular risk map-based evaluation procedures, appropriate measures for risk mitigation and prevention of serious breaches, whistleblowing system and monitoring of measures and assessment of their efficiency (see section 5.1 *An integrated approach of sustainable business model*).

RESPONSIBLE SOURCING – MILK

Definition

Both consumers and civil society are increasingly sensitive to fairness towards suppliers and producers, in areas ranging from business practices to value-sharing and pricing. This is especially true for milk sourcing, which is the main raw material that Danone purchases.

Governance

Danone has a dedicated team—the Agriculture cycle—which oversees milk supplier relations and the rollout of the Company's roadmap. It reports to the Cycles and Procurement Department and works closely with other cycles such as the Water & Nature Cycle, mainly through the regenerative agriculture taskforce. At the local level, the milk departments in each country where Danone operates implement this roadmap with their local milk suppliers.

Policies

Sourcing strategy

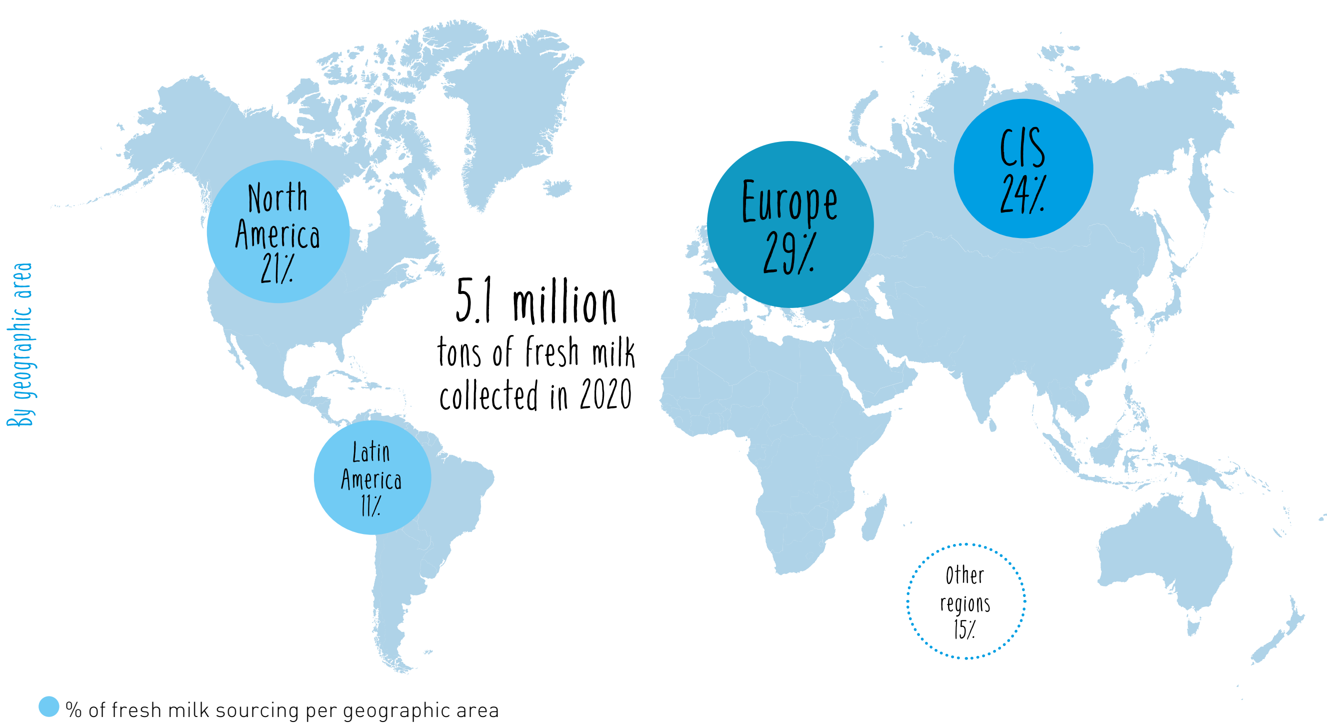
Danone sources local raw milk from more than 50,000 farms in around twenty countries, both directly and indirectly. Most of the milk sourced by the Company comes from small or family farms.

About 80% of the partner producers own small farms with fewer than ten cows and are located primarily in emerging countries in Africa and Latin America. These small farms supply about 30% of Danone's total milk volume.

Danone also works with family farms (with herds ranging from a few dozen to thousands of cows), which represent about 20% of the Company's suppliers and nearly 70% of milk volumes, the latter being generally directly collected by the Company.

In North America and some Middle Eastern countries, Danone occasionally works with larger farms to ensure reliable access to sufficient volumes of quality milk.

Danone's sourcing of fresh milk



Action plans and outcomes

Danone supports dairy farmers by providing them with training and technical support to transform their practices while ensuring the viability of their business models. For example, the Farming for Generations alliance, created in 2019 and in which Danone participates, has identified 58 best practices and innovations across various farming models, farm sizes and geographic areas. Through the Sustainable Dairy Partnership, the Company has continued to work for a more sustainable dairy industry by supporting the prevention of deforestation, the protection of human rights and animal welfare, as well as compliance with local legislation. In 2020, it also headed a regenerative agriculture assessment project with the aim of analyzing farmers' practices in the areas of soil health, biodiversity and water management and issuing recommendations. In addition to these collaborative actions, specific tools and methodologies are deployed and monitored by Danone's Agriculture cycle:

- **MilQSat**: an initiative co-developed by the EDP Reporting Entity and its partner farmers to assess the performance of farmers from which Danone purchases milk directly in terms of quality, food safety and traceability;
- **Cool Farm Tool and Cap2Er**: specific tools for calculating greenhouse gas emissions from livestock. Cool Farm Tool, implemented at 14 entities in 2020, covers most of Danone's sourcing, and Cap2Er, developed by the French Livestock Institute (Idele) is the reference tool for all Danone entities in France;
- **animal welfare tool**: launched in 2016 and now implemented in 14 countries (see section 5.3 *Transition toward regenerative agriculture that includes organic agriculture*);
- **water risk assessment in relation to milk sourcing**: updated in 2020, methodology used to identify farms or collection centers located in water-stressed areas and to determine an appropriate approach (mitigation, adaptation or relocation of the supply source).

Danone also supports the next generation of farmers, who play a leading role not only in producing the food we eat but in implementing responsible practices such as carbon sequestration, protection of water resources and biodiversity.

Cost Performance Model (CPM)

Danone works with producers in the United States, Europe and Russia to develop innovative contracts, with an average term of three to five years, to reduce milk price volatility and thereby offer farmers greater visibility and financial stability.

These long-term Cost Performance Model (CPM) contracts factor production costs into milk pricing and are developed in partnership with milk producers or their organizations.

In 2020, 43% of milk collected in Europe (41% in 2019) and 55% of milk collected in the United States (53% in 2019) came from producers with CPM contracts. Altogether, 29% of the milk Danone collects is covered by CPM contracts (28% in 2019).

Opportunities

By developing viable financial models with its dairy partners, the Company also helps encourage and maintain the transmission of agricultural expertise across generations. These actions are an opportunity for the Company to secure its supply chain while ensuring that practices evolve to address mounting social and environmental challenges. As an example, the MVP Dairy Farm (Danone North America's milk supplier), which has pledged to use farming methods that ensure land preservation and soil health improvement, obtained B Corp™ certification in 2020.

These actions also strengthen the positioning of the Company's brands and meet consumers' responsible sourcing expectations.

RESPONSIBLE SOURCING – SUPPLIES OTHER THAN MILK

Definition

The global supply chains that power the food and beverage sector carry the risk of human rights and environmental violations, both upstream of the farm sector and at the Company's direct suppliers. To limit these risks, Danone has established a set of fundamental principles and has made specific public commitments. It fulfills these commitments by working with suppliers towards more responsible practices.

Policies

Sustainability principles

Danone's responsible sourcing approach is based on the Company's Sustainability Principles, which cover its operations and supply chain and labor rights, environmental protection and business ethics topics and include:

- seven labor principles based on the criteria set by the International Labour Organization (ILO): elimination of child labor, elimination of forced labor, non-discrimination, freedom of association and the right to collective bargaining, workplace health and safety, working hours and compensation;
- five environmental principles: preservation of resources, reduction of use of chemicals, fight against climate change and reduction of greenhouse gas emissions (GHG), environmental management and animal welfare;
- principles of business ethics for fair, lawful transactions that reflect the provisions of Danone's Code of Conduct for Business Partners.

These principles are incorporated into a clause in its contracts with direct suppliers. Pursuant to this clause, the supplier warrants that the labor and ethical principles are already in place in its own organization, and that its employees, agents, suppliers and subcontractors comply with these as well. The supplier also undertakes to adopt the environmental principles.

Environmental commitments

In addition to its sustainability principles, Danone's environmental strategy covers issues that require the involvement of its value chain partners and suppliers, particularly with respect to its commitments related to elimination of deforestation, regenerative agriculture, preservation of water resources, circular economy and reduction of GHG emissions (described in detail in section 5.3 *Preserve and renew the planet's resources*).

The Company has made the following commitments:

- since the publication of its Forest Footprint Policy in 2012, to eliminate deforestation from its supply chains and to apply the principle of no deforestation, no development on peat and no exploitation of the rights of workers, indigenous people and local communities (NDPE). At the end of 2020, Danone had reached key milestones towards achieving these goals, in particular the creation of the first supply chain for RSPO-certified segregated palm oil in the United States. The Company's efforts have been recognized by the CDP, which awarded Danone the highest possible score (A) for the CDP Forests questionnaire (see section 5.3 *Preserve and renew the planet's resources*);

- to implement sustainable practices with its farmers all over the world as part of its regenerative agriculture strategy: For example, Danone has pledged that 100% of its agricultural raw materials produced in France will come from regenerative agriculture by 2025 and is helping its farmers whose farms are located in water-stressed areas reduce their water consumption by 25% by 2030;
- to work with its suppliers to (i) activate its circular economy commitment for its plastic packaging, and (ii) meet its commitment to reduce by 50% its full scope GHG emissions intensity by 2030 compared with 2015.

Human rights

In 2016, Danone joined the Consumer Goods Forum's (CGF) collective effort to eradicate forced labor from its global supply chain. To this end, in 2017 Danone incorporated the three priorities set by the CGF into its Fundamental Social Principles: (i) every worker should have freedom of movement; (ii) no worker should pay for a job, and (iii) no worker should be indebted or coerced to work. In 2018, Danone formalized this commitment in the Danone statement on forced labor (see Danone's website). The Company also supported the launch in 2020 of the CGF's new Coalition–*Working to end forced labor*, which is co-sponsored by Emmanuel FABER, Danone's Chairman and CEO (until March 14, 2021). In doing so, Danone pledged to develop and implement Human Rights Due Diligence (HRDD) systems that focus on forced labor in its operations, with the goal of achieving 100% coverage by 2025, including external workers hired by temporary work agencies or by its subcontractors to carry out regular and continuous work at its entities. In 2021, Danone will establish its roadmap based on the CGF's guidelines.

Meanwhile, in 2019 Danone participated with the OECD in the launch of the Business for Inclusive Growth coalition, which aims to scale up actions on inclusive growth, particularly as regards human rights across the value chains. In November 2020, the 40-member coalition issued a position paper reaffirming its resolve to eliminate child labor and forced labor and to respect freedom of association. To that end, the members intend to develop and mobilize tools related to (i) due diligence, (ii) helping suppliers make progress in terms of human rights, and (iii) grievance mechanisms.

Governance

In 2020, compliance with the responsible purchasing and human rights programs is monitored by the Nature & Water Cycle Department, part of the Cycles and Procurement Department, under the responsibility of the Chief Cycles & Procurement Officer.

An update on the progress of the "human rights" pillar of the vigilance plan was presented to the Board of Directors' Engagement Committee in December 2020.

Due diligence in responsible procurement

Danone implements responsible procurement due diligence towards its direct suppliers through its RESPECT program and also for the highest-risk agricultural raw materials in its supply chain.

Scope of RESPECT program

The RESPECT program applies to Danone's direct (Tier 1) suppliers in purchasing categories other than raw milk, *i.e.* processed raw materials such as fruit preparations and powdered milk, packaging, production machinery and transport and other services.

Since 2017, Danone has moved this program towards a comprehensive due diligence approach and stepped up its human rights requirements. This approach is inspired by the United Nations Guiding Principles on Business and Human Rights (UNGP).

Labor and environmental risk-mapping

In 2017, the Company updated its global materiality and risks analysis, which highlights the importance of responsible purchasing and respect for human rights. In 2021, this analysis has been reperformed (see 2020 Annual Integrated Report of Danone).

At the same time, Danone mapped major potential risks for its 20 purchasing categories with the highest exposure in terms of social and environmental impact. The Company analyzed these risks using a checklist derived from the ISO 26000, GRI G4 and SA 8000 standards, taking into account the potential impacts of purchased products mainly from the standpoint of labor rights and human rights, but also the impacts on local communities and consumers, as well as in terms of fair trade practices and environment.

This work made it possible to identify the priority categories of goods and services purchases from the standpoint of human rights, namely (i) workers employed through outside labor providers and (ii) four agricultural raw materials (palm oil, cocoa, cane sugar and fruits), for which the potential risks primarily exist at farms and plantations in the upstream end of Danone's supply chain and include, in particular, the potential risks typical of agricultural chains, such as working conditions, health and safety, forced labor and child labor. For the environment, the risk-mapping exercise confirmed the three priority categories set out in Danone's Forest Footprint Policy (palm oil, soy, paper pulp and paper and cardboard packaging).

After acquiring the WhiteWave group companies, Danone updated its risk-mapping process to include changes to its ingredient portfolio.

Agricultural supply chain transparency

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

- **palm oil**: Danone works with Earthworm Foundation (formerly The Forest Trust) to ensure traceability of palm oil. At the end of 2020, 95% of the palm oil sourced by Danone was certified RSPO segregated, 3% was certified RSPO Mass Balance and the remaining 2% was conventional palm oil sourced in Africa (see section 5.3 *Preserve and renew the planet's resources*). Since 2018, the Company has also published a list of its palm oil suppliers (direct and mill-level) on its website;
- **fruit:** in 2020, 100% of Danone's fruit supplies were traceable to the Company's Tier 2 suppliers;
- **cocoa:** in 2018, Danone reached 70% country-level traceability and sourcing of cocoa products remained unchanged in 2020;
- **sugar cane:** Danone works with the NGO ProForest to ensure traceability of sugar cane, which reached 83% in 2020, of which 41% mill-level traceability and 42% plantation-level traceability. The drop versus 2019 was linked to a decrease in purchased volumes as a result of Covid-19;
- **soy:**
  - soy used in plant-based products: in Europe (*Alpro*) and in North America, soy comes from areas with very low deforestation risk. In addition, 100% of soy used for the *Alpro* brand is ProTerra-certified.
  - soy for animal feed: Danone estimates that soy accounts for less than 5% of the feed consumed by the dairy cows in its supply chain. In North America and Brazil, its dairy farmers buy soy locally in regions with no risk of deforestation. Through research with Transparency for Sustainable Economies (TRASE), the Company estimates that 20% of the soy used for animal feed in Europe, Russia and Africa could come from regions at risk of deforestation. To mitigate this risk, it has implemented action plans consistent with its soy policy and aims to promote the use of local soy or other local alternatives. Danone also purchases RTRS (Round Table on Responsible Soy) credits – a widely recognized certification scheme – in proportion to the risk for the Company.

Direct (Tier 1) supplier risk mapping

In 2020, Danone conducted a new risk analysis that combined risks and purchase amounts for its top 50 suppliers (in terms of purchase amounts) of its representative operating units and global categories. The Company developed an in-house human rights impact score for each supplier based on (i) the inherent country social risk index as identified by the new Sedex (Supplier Ethical Data Exchange) risk tool (50%), (ii) the purchase amount (30%), and (iii) the purchase category risk (20%) based on the analysis of 892 audits conducted worldwide on Danone's suppliers in 2018 and 2019. In 2020, the Company focused on the largest purchase amounts to better understand the coverage rate of its suppliers in terms of Sedex registration and auditing (the previous 2018 risk analysis included small suppliers). As a result, 838 suppliers were measured based on this human rights impact score, representing approximately 26% of purchase amounts.

Regular risk map-based evaluation procedures for direct suppliers

Danone asks its direct suppliers to register on the Sedex collaborative platform and complete a self-assessment questionnaire evaluating their sustainability performance. At the end of 2020, 3,891 supplier sites were registered on the platform vs. 4,062 in 2019 (this drop was mainly due to tightening of the registration renewal rules), and 57% had completed the new 2020 questionnaire.

Regarding on-site assessments, Danone conducted the remaining six audits from its 2019 audit plan in the first quarter of 2020 using the SMETA (Sedex Members Ethical Trade Audit) protocol. As travel was restricted due to the Covid-19 pandemic, Danone focused mainly on (i) improving its assessment procedure to identify high-impact suppliers in regions and for the priority categories and (ii) providing resources to help suppliers improve their performance. Based on its 2020 impact analysis, the RESPECT team worked with purchasing departments around the world to co-develop the 2021 audit plan, selecting 119 potentially at-risk and commercially important sites. The Company plans to implement virtual audits in 2021 conducted by third-party organizations in accordance with the Sedex Virtual Audit (SVA) protocol.

Through the Sedex platform, the Company can also access audits of shared suppliers by peer companies and participates in mutual audit recognition through the AIM-Progress forum. As a result, in 2020 Danone had access to 309 SMETA audits carried out on its suppliers, either by the Company itself or by its peers.

With regard to continuous supplier improvement and audit closure, Danone's goal is to establish regular dialogue with its direct suppliers on their responsible purchasing processes and monitor audit effective remediation, including when audits of shared suppliers are conducted by peer companies. In 2020, in the context of the Covid-19 pandemic, Danone focused on developing new processes to increase the robustness and sustainability of its supplier remediation plans. The Company relied on dedicated experts in China and Mexico to help suppliers develop their corrective action plans. Audit closure is monitored through the RESPECT KPI 3 indicator.

Mitigating risk and preventing serious violations

Training and engagement

Danone trains its RESPECT champions and buyers on the RESPECT program and ensures that they are aware of risks related to forced labor and the CGF's three priorities. In 2020, the central team in charge of this program stepped up this training by organizing monthly training webinars and sessions regarding audits. They included more than 327 buyers, champions or purchasing managers, with one-third attending more than one session. In 2020, the RESPECT team also developed e-learning modules that will be part of the buyer skills program. These initiatives significantly strengthened buyers' engagement and fostered discussions about local requirements. They supplement the training module on human rights and forced labor already offered online (see section 5.4 *Focus – Respecting and promoting human rights in Danone operations*). At the end of 2020, more than 3,500 Danone employees had completed this training.

Certification

The Company uses certification for the following categories: RSPO for palm oil; UTZ for cocoa and for Danone North America's coffee, FSC or equivalent for paper, and RTRS or Proterra for soy.

Projects

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

- the launch in 2020 of a third phase of the Cartoneros project which supports waste pickers in Argentina, in collaboration with the Danone Ecosystem Fund and local partners, to counter forced labor and informal employment abuses in the recycling of plastic. The objective is to increase the impact of the project, by raising waste recycling rates while improving the working and living conditions of urban collectors organized into recycling cooperatives, and empower 45,000 people within 40 cooperatives in 35 cities in Argentina;

- a vanilla plantation project in Madagascar supported by the Livelihoods Fund for Family Farming. The aim of this project, which involves 3,000 family farms, is to develop solutions that improve the quality and traceability of vanilla production, boost food security for farmers and preserve biodiversity;
- participation in a multi-stakeholder holistic project in the Siak and Pelalawan districts in Indonesia to support deforestation-free palm oil and improve the livelihoods of small farmers. The aim of this initiative is to develop sustainable and inclusive production models in these regions.

Collaborative initiatives

Danone participates in several dedicated palm oil platforms such as POIG, SASPO and RSPO, as well as more generic platforms such as the Sustainable Agriculture Initiative (SAI). The Company also contributes to collaborative food and beverage sector initiatives such as AIM-Progress and the CGF.

Whistleblowing system

Since 2017, the Danone Ethics Line has also enabled whistleblowers to report suspected environmental and human rights violations (see section 5.1 *Responsible practices: ethics and integrity*). The reporting process was developed in consultation with employee representatives and ensures that whistleblowers are protected.

In 2020, 31 reports were made in the "human rights" category. This category selected by whistleblowers includes violations in the areas of child labor, forced labor, right to collective bargaining, working time and wages. The reports received in 2020 came from 14 countries and covered routine human resources matters, including in particular working time (nearly 50%) and wages and, in some cases, trade unions and unfair dismissal. None of them qualified as human rights violations, but all have been or are being pursued in thorough internally investigations. Thus, 24 cases have been closed and 7 are still under investigation.

All reports received in the "human rights" category are initially reviewed by the Human Resources function. If serious violations are identified based on a report, the Sustainability, Human Resources and General Secretary departments come together to review them and determine appropriate action plans.

In 2020, eight reports were made in the "environmental violations" category, all of which were investigated and plans for mitigation measures were developed as necessary. All cases have been closed.

All reports received in the "environmental violations" category are initially reviewed by Danone's Compliance Department and, when necessary, sent to the relevant function or department in order to investigate and, where applicable, mitigate the potential problem.

In addition, in 2019 Danone published on its website the grievance mechanism it developed, with Earthworm Foundation's support, to handle allegations of non-compliance with the palm oil policy. In 2020, the Company strengthened its process to address human rights violation allegations coming from channels other than Danone Ethics Line by formalizing a human rights grievance reporting template and following up on them through weekly grievance meetings.

Tracking and assessing the effectiveness of supplier programs

Danone tracks its RESPECT program using three indicators that measure (i) suppliers' registration on the Sedex platform (KPI 1), (ii) the audit plan completion rate (KPI 2), and (iii) on-time closure by auditors of audits that identified critical non-conformities (KPI 3). Due to the pandemic, in 2020 the latter two indicators were converted to resources indicators, which helped strengthen the involvement of the purchasing teams.

Instead of plan completion, the KPI 2 indicators measured the purchasing teams' efforts to work together to develop the 2021 audit plan combining risk and commercial significance. This indicator was 89% for the regions in 2020. Instead of audit closure, the KPI 3 indicator measured the purchasers' involvement with their suppliers in the closure of critical non-conformities, with the help of expert resources. This indicator was 74% in 2020.

These RESPECT indicators are included in the calculation of the variable compensation of the regional purchasing teams and the RESPECT team, including for their managers.

Breakdown of critical non-conformities identified

Analysis focused solely on critical non-conformities from SMETA audits (or those conducted using a similar methodology) of Danone suppliers in 2019 and 2020.

	2019	2020
Total number of critical non-conformities identified	277	126
Percentage of critical non-conformities related to:		
• forced labor	1%	1.6%
• child labor	1%	0%
• health and safety	51%	49.2%
• discrimination	0%	0%
• freedom of association and the right to collective bargaining	2%	2.4%
• working hours and compensation	27%	33.3%
• the environment	8%	4.8%
• business ethics	5%	4%
• other	5%	4.8%

The critical non-conformities identified and reported above have been resolved or are being remedied with the suppliers.

The two non-conformities related to forced labor have been resolved. One was related to mandatory overtime at a production site in the United States: corrective measures included notably implementing a new clocking system and training supervisors to manage working hours more effectively. The second was related to the lack of a reimbursement policy for employee training expenses in Indonesia: corrective measures included updating the terms of the contract.

5.6 DANONE'S SOCIAL INNOVATION FUNDS

DANONE COMMUNITIES

In 2007, Danone created the Danone Communities SICAV (Société d'Investissement à Capital Variable) and the Danone Communities FPS (Fonds Professionnel Spécialisé, or specialized professional investment fund). The SICAV invests (i) at least 90% of its assets in money market instruments, bonds and other vehicles that emphasize socially responsible investment, and (ii) no more than 10% in the FPS.

As of December 31, 2020, the Danone Communities SICAV fund had a total of €92 million in assets under management. Of that total, 16.3% was held by Danone and 41.85% was held by its employees through Danone Communities Solidaire, an employee investment fund (fonds commun de placement d'entreprise, or FCPE). As of December 31, 2020, Danone also held 71.73% of the FPS.

Danone Communities and its partners invest in businesses that have a significant social impact in line with Danone's purpose, primarily in emerging countries, of "bringing health through food to as many people as possible". In particular, Danone Communities backs social entrepreneurs who are working to reduce malnutrition and improve access to safe drinking water, two levers to reduce poverty.

FPS Danone Communities backs 12 social companies in 17 different countries. To date, Danone is also a shareholder in three of these social businesses: Grameen Danone Foods Limited in Bangladesh; La Laiterie du Berger in Senegal; and Nutrigo in China.

As of December 31, 2020, total investments in these businesses came to €14 million for the Danone Communities FPS fund (€12.8 million as of December 31, 2019).

DANONE ECOSYSTEM FUND (FONDS DANONE POUR L'ÉCOSYSTÈME)

The Company created the Danone Ecosystem Fund in 2009, with initial funding of €100 million. An endowment fund headed by a board of directors, it is tasked with strengthening and expanding community service activities within the Danone ecosystem. A guidance committee, composed of representatives of Danone and non-Company members, establishes the fund's major strategic guidelines, especially with regard to priorities and resource allocation principles. An investment committee is responsible for proposing investment projects for the endowment to the board of directors and overseeing their deployment.

Once projects are selected, they are deployed by non-profits and/or by the fund directly. Since its creation, the fund has supported projects in five key areas: sustainable sourcing, micro-distribution, recycling, personal care, and sustainable management of land and catchment areas.

The fund has no employees: Danone staff members are assigned to manage its day-to-day operations and administrative activities. Their salaries and travel expenses, which totaled €1.4 million in 2020 (€1.4 million in 2019), are charged to the fund in full by Danone.

As of December 31, 2020, the Danone Ecosystem Fund had 34 active projects worldwide, representing a total commitment of €78.6 million (€77 million as of December 31,2019).

LIVELIHOODS CARBON FUND

The Livelihoods Carbon fund (LCF) is an investment fund, SICAV-SIF (Société d'Investissement à Capital Variable-Fonds d'Investissement Spécialisé), dedicated to restoring ecosystems and carbon assets. It seeks to invest in three types of projects in Africa, Asia and Latin America: (i) restoration and preservation of natural ecosystems; (ii) agroforestry and soil restoration through sustainable agricultural practices; and (iii) access to rural energy to reduce deforestation. The carbon credits generated by the fund are certified, then allocated to its investors in proportion to their investments. As such, the Livelihoods Carbon Fund fights climate change while improving living conditions for local communities.

Building on the results achieved by the Livelihoods Carbon Fund, which was created in 2011 by ten private investors, in 2017 eight of these investors created a second compartment to step up their efforts to fight climate change and protect vulnerable people.

As of December 31, 2020, investors have pledged to invest:

- a total of €45.9 million in LCF compartment 1 (with Danone accounting for €13.8 million of that amount). This compartment 1 currently supports nine projects;
- a total of €65 million in LCF compartment 2 (with Danone accounting for €25 million of that amount). This compartment 2 had approved six projects as of December 31, 2020.

LIVELIHOODS FUND FOR FAMILY FARMING

The Livelihoods Fund for Family Farming (L3F) was launched by Danone and Mars Inc. in 2015 and joined by Veolia and Firmenich in 2016. It enables companies to secure overtime their supply, both in terms of quality and quantity by granting small farmers access to more sustainable practices and higher revenues, thanks to good connections with markets. These projects also help to preserve ecosystems through farming practices combining productivity and respect for the environment.

As of December 31, 2020, investors had pledged to invest a combined total of €36 million in the Livelihoods Fund for Family Farming, with Danone accounting for €15 million of that amount. To date the fund's investment committee has approved six projects focusing on coconut, vanilla, shea and watershed protection.

5.7 VIGILANCE PLAN

In compliance with the March 2017 French Duty of Vigilance Law, the table below summarizes Danone's Vigilance Plan, which governs its activities and those of its sub-contractors and suppliers. It was developed based on a dialogue with its stakeholders.

For its supply chain as a whole, the Company takes a continuous improvement approach and tailors the requirements to its specific challenges and risks. Danone practices the due diligence required of parent companies and ordering companies under France's Duty of Vigilance Law for a scope limited to direct suppliers with which it has long-standing business relationships.

Risk mapping

	HUMAN RIGHTS	ENVIRONMENT	HEALTH AND SAFETY OF PEOPLE
Danone activities	**Materiality analysis in 2017 and its renewal in 2021 (for more information, see the 2020 Integrated Annual Report)** **Analysis of top non-financial risks in 2018**		
	• Risk mapping has included the situation of temporary workers since 2018	• GREEN Program: identification of top environmental risks at production sites, including water risks	• WISE[2] safety standards applicable to Danone's various businesses and operations enhanced in the context of Covid-19
Activities of suppliers and sub-contractors	***Risk mapping in 2017 on the 20 purchasing categories with highest exposure***		
	Analysis of top non-financial risks in 2018		• *Direct suppliers: analysis of geographic and sector-based risks for suppliers listed on the Sedex platform* • *Danone's approach to milk procurement with historical social issues factored in*
	• *Direct suppliers: new risk analysis combined with purchase amounts for suppliers registered on the Sedex platform: development of an in-house impact score* • *Danone's approach to milk procurement with historical social issues factored in*	• *Analysis of deforestation risks under Forest Footprint Policy* • *Assessment of water risks linked to the supply chain*	

The Company used the risk mapping of the 20 purchasing categories with the highest exposure conducted in 2017 to help it identify the categories of purchased goods and services it would treat as human rights priorities. The priority categories are workers employed through outside labor providers, together with four agricultural raw materials: palm oil, cocoa, cane sugar, fruit. In the agricultural categories, potential risks identified are mainly at the upstream end of its supply chain and include, in particular, the potential risks typical of agricultural chains such as working conditions, health and safety, forced labor and child labor.

For more information, see the following sections:

- *5.3 Preserve and renew the planet's resources;*
- *5.4 Focus – Respecting and promoting human rights in Danone operations;*
- *5.5 Workplace health and safety (Action plans section);*
- *5.5 Responsible sourcing-milk (Action plans and outcomes section);*
- *5.5 Responsible sourcing-supplies other than milk (Labor and environmental risk-mapping section).*

Regular risk map-based evaluation procedures

	HUMAN RIGHTS	ENVIRONMENT	HEALTH AND SAFETY OF PEOPLE
Danone activities	• Guidelines and self-assessment tool for risks relating to temporary workers at the subsidiaries • Danone Way self-assessment including a human rights component	• GREEN program: production site audits including water risk assessment criteria	• Site-level risk assessment • Tracking of workplace accidents • Site-level WISE² audits • Survey on well-being in the workplace and creation of a psychological support unit
Activities of suppliers and sub-contractors	**Direct suppliers excluding raw milk: self-assessment by joining the Sedex platform and SMETA audits for at-risk suppliers under the RESPECT program**		
	• *Direct suppliers (excluding raw milk): co-construction of the audit plan based on the in-house impact score and support from dedicated experts to help suppliers develop their corrective action plan* • *Traceability initiative targeting five high-priority agricultural categories: palm oil, fruit, cocoa, cane sugar and soy*	• *Animal Welfare tool to support and assess direct suppliers of raw milk*	• *Direct suppliers (excluding raw milk): assessed under the audit plan for the most at-risk sites in terms of human rights*

In 2020, as part of the implementation of its in-house Global External Workforce Policy, Danone piloted in Mexico a dedicated methodology for social audits of labor agencies, which was co-developed and implemented by a specialized firm. Regarding its direct suppliers, the Company conducted the remaining six audits from its 2019 audit plan in the first quarter of 2020 using the SMETA (Sedex Members Ethical Trade Audit) protocol. As travel was restricted due to the Covid-19 health crisis, Danone focused mainly on (i) improving its assessment procedure to identify high-impact suppliers in regions and for the priority categories, which has led to the co-construction of the 2021 audit plan, and (ii) providing resources to help suppliers improve their performance. Lastly, Danone uses the results obtained from its water risk analysis to define its priorities and water management plans for ingredients produced in high or extreme water risk areas.

For more information, see the following sections:

- *5.3 Preserve and renew the planet's resources;*
- *5.4 Focus – Respecting and promoting human rights in Danone operations;*
- *5.4 Workplace health and safety (Action plans section);*
- *5.5 Responsible sourcing-milk (Action plans and outcomes section);*
- *5.5 Responsible sourcing-supplies other than milk (Labor and environmental risk-mapping and Agricultural supply chain transparency sections).*

5

Appropriate measures for risk mitigation and prevention of serious breaches

	HUMAN RIGHTS	ENVIRONMENT	HEALTH AND SAFETY OF PEOPLE
Danone activities	**Code of Business Conduct, Sustainability Principles for business partners, also applicable to employees.**		
	• Agreements between Danone and the International Union of Food Workers (IUF) • In-house Global External Workforce Policy and related guidelines • E-learning training on human rights and forced labor	• Actions taken under Danone's global environmental strategy • Appropriate mitigation plans in connection with the various tools and programs that have been rolled out (GREEN, ISO 14001, etc.)	• Appropriate mitigation plans under the WISE² program and the related audits
Activities of suppliers and sub-contractors	• *Code of Conduct for business partners, Sustainability Principles for business partners included in suppliers contract clause* • *Certifications (UTZ, FSC, RSPO, RTRS, Proterra, etc.) and implementation of appropriate action plans following SMETA audits* • *Dialogue with suppliers and interactions with partners within platforms and coalitions (POIG, SASPO, RSPO, AIM Progress, CGF, etc.) or collaborative projects, mainly sponsored by Danone's social innovation funds*		
	• *Cost Performance Model (CPM) contracts with milk suppliers* • *Training of its RESPECT champions and buyers on the RESPECT program*	• *Appropriate plans in connection with Cool Farm Tool and the Animal Welfare assessment tool*	• *WISE² program and related audits which are applicable to outside workers at Danone sites*

Danone trains its RESPECT champions and buyers on the RESPECT program and ensures that they are aware of risks related to forced labor and the CGF's three priorities. In 2020, the central team in charge of this program stepped up this training by organizing monthly training webinars and sessions regarding audits. In 2020, the RESPECT team also developed e-learning modules that will be part of the buyer skills program. These initiatives significantly strengthened buyers' engagement and fostered discussions about local requirements. They supplement the training module on human rights and forced labor already offered online.

For more information, see the following sections:

- *5.1 Responsible practices: Ethics and Integrity (Policies section);*
- *5.3 Preserve and renew the planet's resources;*
- *5.4 Social relations (Policies section);*
- *5.4 Focus – Respecting and promoting human rights in Danone operations;*
- *5.4 Workplace health and safety (Action plans section);*
- *5.5 Responsible sourcing-milk (Action plans and outcomes section);*
- *5.5 Responsible sourcing-supplies other than milk.*

Whistleblowing system

	HUMAN RIGHTS	ENVIRONMENT	HEALTH AND SAFETY OF PEOPLE
Danone activities	**Danone Ethics Line: whistleblowing system that includes, among others, reports of discrimination, issues affecting health and personal safety, human rights violations and environmental violations.**		
			• Specific procedures for escalating serious accidents or risks
Activities of suppliers and sub-contractors	• *Danone Ethics Line is accessible to third parties including suppliers*		

In 2020, Danone received 469 alerts on various issues, including human resources, corruption and fraud. None of these cases had a significant impact on the Company's consolidated accounts. Of the alerts received worldwide, 31 were in the "human rights" category. The reports received focused on routine human resources matters. None of them qualified as a human rights violation, but all have been or are being pursued in thorough internal investigations. In addition, in 2020 eight reports were made in the "environmental violations" category, all of which were investigated and plans for mitigation measures were developed as necessary. All cases have been closed.

For more information, see the following sections:

- *5.1 Responsible practices: Ethics and Integrity (Mechanism section);*
- *5.4 Workplace health and safety (Action plans section);*
- *5.5 Responsible sourcing-supplies other than milk (Whistleblowing system section).*

Monitoring of measures and assessment of their efficiency

	HUMAN RIGHTS	ENVIRONMENT	HEALTH AND SAFETY OF PEOPLE
Danone activities	• Tracking of Danone Way results, including for the human rights component	• Tracking of environmental performance indicators • More frequent audits based on the risks	• Management of safety performance and tracking of workplace accidents • Audits to measure the effectiveness of the WISE[2] program
Activities of suppliers and sub-contractors	• *Tracking of RESPECT program performance indicators* • *Increase in milk volumes covered by CPM contracts* • *Improved traceability of priority ingredients*	• *Performance monitoring using the Cool Farm Tool and the Animal Welfare tool* • *Improved traceability of priority ingredients*	• *Tracking of RESPECT program performance indicators*

In 2020, Danone increased the traceability of ingredients such as palm oil, cane sugar, cocoa and soy.

For more information, see the following sections:

- *5.3 Preserve and renew the planet's resources;*
- *5.4 Focus – Respecting and promoting human rights in Danone operations;*
- *5.4 Workplace health and safety (Outcomes section);*
- *5.5 Responsible sourcing-milk (Action plans and outcomes section);*
- *5.5 Responsible sourcing-supplies other than milk (Agricultural supply chain transparency and Tracking and assessing the effectiveness of supplier programs sections).*

5.8 METHODOLOGY NOTE

CONSOLIDATION SCOPE AND COVERAGE

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

Nevertheless, some subsidiaries do not report all social, safety, environmental, and health and nutrition indicators. These entities were consolidated for financial reporting purposes as of December 31, 2020 and action plans are planned and/or in progress to ensure the availability and reliability of the data. Lastly, the list of subsidiaries that do not report certain indicators may differ depending on the types of indicators. The coverage scope varies according to the indicator categories, as described in the sections below:

INDICATOR	SCOPE
Production Site Food Safety	In 2020, 191 production sites were included in the scope considered for FSSC 22000 certification. These sites correspond to the production sites for all of Danone's Reporting Entities and do not include the production sites of co-manufacturers and suppliers.
Total Company Headcount Social Indicators	In 2020, 161 entities representing 99.9% of Danone's total headcount reported social indicators. This rate may vary depending on the types of social indicators reported (see *Information regarding methodologies*).
Safety	In 2020, 195 entities representing approximately 99.8% of Danone's total headcount reported safety-related indicators. In addition, the safety data of subsidiaries removed from the consolidation scope as of December 31, 2020 is reported up to the date of their deconsolidation but is not included in the headcount as of December 31, 2020.
Production Site Environment	Danone monitors the environmental performance of its production sites using an operational control approach. In 2020, all 180 of Danone's production sites active at end-2020 reported environmental indicators. The environmental impact of tertiary buildings (offices, research centers, etc.) is not included in the scope of consolidation (except for certain indicators, when these buildings are adjacent to production sites). Given that their greenhouse gas emissions represent less than 5% of Danone's total scope 1 and 2 emissions, the environmental impact is considered as non-significant.
Greenhouse Gases Emissions	The Company's total emissions consist of greenhouse gas emissions within the scope of responsibility: • scope 1: these comprise direct emissions from stationary combustion facilities and refrigeration units installed at the industrial sites and warehouses under Danone's operational control, as well as the employee vehicle fleet under the Company's operational control; • scope 2: these include indirect emissions related to the production of electricity, steam, heating and cooling purchased and consumed by industrial sites and warehouses under Danone's operational control; • scope 3: these comprise indirect emissions that are not recognized in scope 2: emissions from raw materials purchasing (including agricultural upstream), packaging, production, transport and distribution, warehousing, product usage and end of useful life. Scope 1 and 2 emissions are calculated in accordance with the methodology set out in the GHG Protocol Corporate Standard. Danone has elected to consolidate scope 1 and 2 emissions in accordance with the operational control approach and to include all sources of emissions from its industrial sites (see *Production Site Environment Scope*), warehouses, distribution centers and corporate vehicle fleet. Emissions from offices and research centers are excluded as they represent less than 5% of Danone's total emissions. Scope 3 emissions are calculated in accordance with the methodology set out in the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. This approach considers emissions all along the Company's value chain. Scope 3 emissions: • upstream emissions (physical flows entering the plants) covered a scope representing approximately 96% of Danone's production volumes in 2020; • downstream emissions (physical flows exiting the plants) covered a scope representing approximately 95% of Danone's sales volumes in 2020. Only scope 1 and scope 2 emissions are calculated for the Danone Proviva AB (EDP, Sweden), Danone Iran (EDP, Iran), Sirma (Waters, Turkey), Damavand (Waters, Iran) and IBIC (Waters, Brunei) entities. Within the Specialized Nutrition Reporting Entity, scope 3 emissions for the Haps plant in the Netherlands and 12 sales entities, located mainly in South America, Europe and the Middle East, were included in scope 3 reporting in 2020. For the EDP Reporting Entity, scope 3 emissions from operations related to the *Vega* brand were excluded.
Packaging	In 2020, data on packaging was collected from all Danone production entities, representing 99% of Danone's production volumes. The % recycled PET (rPET) indicator used on average by the Waters Reporting Entity in countries where local standards and regulations allow is calculated excluding China, Iran, and Turkey, where local regulations prohibit the use of recycled materials in plastic bottles.

INDICATOR	SCOPE
Health and Nutrition	In 2011, Danone created a series of performance indicators (One Health Scorecard) to measure progress made regarding health and nutrition, particularly product composition and responsible communication. These indicators are consolidated for a scope of 32 countries covering all of Danone's Reporting Entities and geographic regions. In 2020, 85 entities representing 82% of consolidated sales reported health and nutrition indicators (74% in 2019). The health and nutrition indicators scope excludes the medical nutrition activities of Specialized Nutrition Reporting Entity in France.
Danone Way	In 2020, 144 entities conducted a Danone Way self-assessment, representing 99,5% of Danone's consolidated sales (99% in 2019). This program also covers 99% of Danone's total headcount.

LIKE-FOR-LIKE CHANGES IN SCOPE (CONSTANT SCOPE)

Danone measures changes in environmental indicators and in greenhouse gas emissions on a like-for-like basis, *i.e.* at constant consolidation scope and constant methodology. The 2020 data has been restated using the same consolidation scope and constant methodology as that of 2019.

DEFINITION OF THE REPORTING ENTITIES

Essential Dairy & Plant-Based (EDP)	Production and distribution of fresh fermented dairy products and other dairy specialties, plant-based products and drinks, and coffee creamers
Specialized Nutrition	Production and distribution of specialized food for babies and young children to complement breast-feeding and for people afflicted with certain illnesses or frail elderly people
Waters	Production and distribution of bottled water, water sold in large containers (jugs), and water sold in small containers

DATA COLLECTION

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

These reporting guidelines for social, safety, environmental, GHG, health and nutrition and Danone Way data are available on request from the One Planet. One Health Integration Department.

The social, safety, environmental, and health and nutrition indicators are transmitted by subsidiaries and/or production sites and consolidated at global level by relevant departments. Environmental data are checked at the subsidiary level and then at the Reporting Entity level when reported. Social and safety data are checked at the end of the second quarter and at the time of consolidation as of December 31, 2020. Lastly, health and nutrition data are checked at the subsidiary level and then at the Reporting Entity level when reported.

Social and safety indicators

The Human Resources Department is responsible for social and safety indicators. The subsidiaries' social data are generally derived from their payroll systems and reported via Danone's financial information consolidation software (SAP/Business Objects Financial Consolidation). Safety indicators are reported monthly by each entity in AIRSWEB, Danone's safety data consolidation system.

Environmental indicators

The Nature & Water Cycle Department is responsible for environmental indicators. Production Sites Environment indicators are reported by each production site's Environment manager using the new PURE Platform tool implemented in 2018 with UL EHS Sustainability. This is the second year that scope 3 greenhouse gas emissions data, including packaging data, were reported using this same tool.

Health and nutrition indicators

The Alimentation Science Department is responsible for health and nutrition indicators. Health and nutrition data are reported by the Scorecard Owners at each subsidiary through a system of standardized forms, which are then consolidated to calculate the global indicators. Product data are generated by Reporting Entity-specific systems (Nutripride for the EDP Reporting Entity, NutreBase for the early life nutrition activities of the Specialized Nutrition Reporting Entity, and Aquamap for the Waters Reporting Entity). Data on volumes are generated by Danone's financial information consolidation software. Lastly, training data are taken from the Human Resources reporting systems. This information and information about consumer programs are reported by Scorecard coordinators at each subsidiary using the UL PURE application.

Danone Way indicators

The One Planet. One Health Integration Department is responsible for the Danone Way, a qualitative program which guides subsidiaries toward Danone 2030 Company Goals via progressive framework of practices. Danone Way indicators correspond to the percentage of subsidiaries for which it has been determined that one or more practices are applicable and applied. They are reported by the Danone Way coordinators at each subsidiary using the UL Pure data management application. For certain entities (large entities or combinations of entities), a threshold for approving a practice (indicator) has been set at 80% of the entity's sales or headcount.

Regarding, the practice mentioned in the section 5.2 *Offering safe, healthy products* (Commitment No. 3), it was defined that in 2020, any donation to food banks including the ones as a response to Covid-19 justifies its validation.

INFORMATION REGARDING METHODOLOGIES

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

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

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

Headcount

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

Employees on long-term leave (more than 9 months) are not counted in the total headcount at the end of the reporting period.

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

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

The first year that entities are included in the reporting scope, they only report total headcount and are not consolidated in the social indicators scope until the first full fiscal year thereafter. In 2020, that was the case for Harrogate Spring Water (Waters, United Kingdom) and Real Food Blends (Specialized Nutrition, United States) for a total headcount of 92 people, *i.e.*, 0.09% of total headcount.

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

Training data for French subsidiaries includes training that is categorized as ongoing professional training, as well as other types of training.

The number of permanent employees trained takes into account all permanent employees who received at least one training course during the year, including those who were no longer employed as of December 31, 2020.

The number of training hours takes into account all courses during the year, including hours of training received by those who were no longer employed as of December 31, 2020.

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

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

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

Absenteeism

The absenteeism rate is expressed, in percentage, as the total number of hours of absence divided by the total number of theoretical hours worked. The reasons for absence taken into account by this indicator include sick leave (with or without hospitalization), absences due to work-related illness and injury, absences due to strikes and unauthorized absences. Absences due to maternity/paternity leave, other authorized leave and long-term absences (more than 9 months) are not taken into account.

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

Some subsidiaries monitor absenteeism only for employees who are paid on an hourly basis, while other employees are included in a program under which they receive a number of days that can be used for various reasons (vacation, sickness, special leave, etc.). In particular, this is the case for the activities of The Dannon Company Inc. (EDP, United States) and Danone Inc. (EDP, Canada), Danone's subsidiaries in Brazil and in Argentina, and SALUS (Waters, Uruguay). The Danone Japan (EDP, Japan), Danone Waters of America (Waters, United States), Happy Family (Specialized Nutrition, United States), Sequels Natural ULC (EDP, Canada), Vega US LLC DE (EDP, United States), Advanced Medical Nutrition (Specialized Nutrition, Argentina) and Nutricia Bago Argentina Baby (Specialized Nutrition, Argentina) subsidiaries are not included in the scope.

The scope covered represents about 95% of Danone's total headcount.

General collective agreement

A collective agreement results from collective bargaining between an employer, a group of employers or employers organizations on the one hand, and trade unions or work councils on the other hand.

It refers to a written agreement regarding working conditions and terms of employment. It includes all measures forming a minimum basis, generally more advantageous than the legal requirement, and covering diverse topics, in particular wages, social protection and working conditions.

Collective agreements can be negotiated at Company level (Danone), Region level, Country (or countries cluster) level or entity level.

Frequency rates of work accidents

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

The frequency rate of workplace accidents without medical leave (FR2) represents the number of workplace accidents without medical leave for every one million hours worked.

The severity rate (SR) represents the number of calendar days of absence due to workplace accidents with medical leave for every 1,000 hours worked.

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

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

Workplace accident indicators also cover accidents affecting temporary employees, workers employed through staffing agencies or service providers working at the sites as well as interns who have an internship agreement with Danone. Temporary employees and workers employed through staffing agencies or service providers are individuals who do not have a work contract with Danone but are under its management, work on a temporary or non-temporary basis, and for whom Danone is able to collect data on working time (in number of hours). The collection of working hours for temporary employees and workers employed through staffing agencies is under the local responsibility of the subsidiaries. The control of this data by Danone, the wide fluctuation in this population of workers and the disparity of the agencies limit the completeness of data relating to this category.

In 2020, four accidents (three with medical leave and one without) were reclassified, which had a negligible impact on the values published in 2019 in this document. Similarly, adjustments to lost days after reclassifying these accidents with medical leave increased the severity rate (SR) from 0.060 à 0.061.

Within the safety indicators scope, these changes and the improvement in time tracking methods resulted in a revision to hours worked reported in 2019 for workers employed through staffing agencies in the ELN CHINA entity (Specialized Nutrition, China), and the adjustments made to the data increased FR1 from 1.42 to 1.46.

Production

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

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

Greenhouse gases (GHG)

Results are presented in tons of carbon dioxide equivalent in order to standardize the emissions calculated for carbon dioxide, methane, nitrous oxide and hydrofluorocarbons (HFCs).

Scopes 1 and 2 greenhouse gas emissions

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

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

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

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

- the global warming potentials used for methane (CH_4) and nitrous oxide (N_2O) as well as the impact of fugitive emissions of refrigerants correspond to data in the IPCC Fifth Assessment Report (AR5), Climate Change 2013. The IPCC (Intergovernmental Panel on Climate Change) is a group of inter-governmental experts specialized in climate change;
- the emissions factors used to calculate emissions related to energy combustion correspond to data in the 2006 IPCC Guidelines (2006 IPCC Guidelines for National Greenhouse Gas Inventories);
- electricity emissions factors follow the hierarchy defined in the new scope 2 guidance document of the GHG Protocol for market-based reporting. Suppliers' specific factors must be certified by instruments that prove the origin of electricity (guarantee of origin certificates). If some of the electricity used is not of certified origin, the emissions factors used are the national residual mixes published by official bodies such as the Association of Issuing Bodies (AIB) in Europe and Green-e in North America. For countries that do not have green-electricity attribute instruments, the emissions factors used are those used for location-based reporting provided by the International Energy Agency (2019 publication of energy mixes in 2017);
- the factors used for heating and steam are from the UK Department for Environment Food & Rural Affairs' (DEFRA) 2018 publication and the factors used for cooling are from the carbon database of the French Agency for the Environment and Energy Management (ADEME, 2017);
- the emissions factors used to characterize the impact of fugitive refrigerant emissions are based on the IPCC Fifth Assessment Report (AR5), "Climate Change 2013: The Physical Science Basis" published in 2013.

Scope 3 greenhouse gas emissions

This was the second year that scope 3 emissions were measured using an entity-based organization approach.

Scope 3 emissions are calculated in accordance with the methodology set out in the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. These emissions are calculated by applying to each reporting entity's activity data the emissions factors from life-cycle analysis databases (Ecoinvent), professional federations (Plastics Europe, FEFCO, FEVE), the Food and Agriculture Organization of the United Nations (FAO), suppliers that have measured their products, and measures recorded as part of the deployment of the Cool Farm tool.

This is the third year that the Company has used the emissions factors from the Cool Farm tool to calculate emissions for milk used in products, which accounted for 37% of Danone's emissions in 2020. This tool was developed by the cross-sector Cool Farm Alliance, whose members include manufacturers, research centers and non-governmental organizations, with the aim of developing and promoting the use of measurement systems for sustainable agriculture. In France, Danone uses the emissions factors from the Cap2Er tool (automated calculation of the environmental performance of ruminant farming), developed in collaboration with the French Livestock Institute (Idele). By default, Danone uses the FAO's 2019 emissions factors for countries outside of France where the Cool Farm tool has not been implemented.

This is the third year that, in order to calculate emissions for dairy ingredients, which accounted for 15% of Danone's emissions in 2020, the Company has used specific emissions factors that are calculated by its suppliers and take into account emissions related to the milk in dairy ingredients and emissions related to processing techniques, which factor in the energy intensity of production for each ingredient, as well as transportation between the farms and Danone's suppliers. By default, the FAO's 2019 emissions factors are used for suppliers for which these emissions factors are not available.

The updated methodology and rules for calculating scope 3 emissions were documented in a report shared with all contributors to the Company's emissions reporting. An independent third party has confirmed that these carbon accounting guidelines comply with the GHG Protocol.

Danone improved its analysis of the contribution of methodological effects to the change in the ratio of its total scope 1, 2 and 3 emissions between 2019 and 2020. This improvement was also made to the analysis of the methodological effects between 2018 and 2019.

Carbon-adjusted recurring EPS

To give its stakeholders more visibility on the cost of Danone's scope 1, 2 and 3 emissions as a share of earnings, in February 2020 Danone presented carbon-adjusted recurring earnings per share (EPS). This metric takes into account the estimated financial impact of the cost of carbon on its value chain.

These carbon-adjusted recurring EPS are calculated as the difference between recurring EPS (defined in section 3.6 *Indicators not defined by IFRS*) and the cost of carbon per share. The cost of carbon per share is the product of Danone's total scope 1, 2 and 3 emissions (see section 5.3 *Preserve and Renew the Planet's Resources*) by the cost per ton of carbon, divided by the number of shares after dilution (see section 3.2 *Consolidated net income review*).

The cost per ton of carbon is estimated at €35/t, a figure that Danone has used internally since 2015 as well as in its reporting to the Carbon Disclosure Project. This estimate is corroborated by the cost per ton of carbon (i) on the regulated ETS markets, (ii) on the voluntary carbon credit market, and (iii) by a benchmark of companies that provide information on cost per ton of carbon.

Packaging

The data on packaging concern primary, secondary and tertiary packaging (excluding pallets) purchased for Danone's operations and are given in tons of material. Packaging purchased for subcontractors who manufacture finished products for Danone is excluded.

Calculations relating to the recyclability rates of Danone packaging are based on the new definition of recyclability as a proportion of the type of packaging recommended by the Ellen MacArthur Foundation (EMF) for the circular economy. According to this methodology, a packaging is recyclable if post-consumer collection, sorting, and recycling is proven to work in practice and at scale, which means it achieves a 30% post-consumer recycling rate in multiple regions, collectively representing at least 400 million inhabitants.

The calculation of recycled components for cardboard and plastic materials is based on actual volumes used.

Assumptions for the calculation of recycled components for glass and metal materials are based on the best available data as well as supplier data:

- Recycled components for glass: 50% worldwide
- Recycled components for metal and aluminum: 40% worldwide

Waste

Following the application of a new standard, the Food Loss and Waste Protocol (version 1.0 of June 2016), since 2016 Danone has consolidated the quantities of waste generated according to the following categories: treatment facilities' sludge, whey waste, food waste collected on site and food waste discharged with wastewater, packaging waste, hazardous waste and, lastly, other non-hazardous waste. In 2019 and 2020, Danone focused on the most substantial categories (food waste and packaging waste) and excluded hazardous waste and other non-hazardous waste, representing 10% of total quantities of waste produced at production sites in 2020, from the consolidation scope.

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

Food waste is consolidated for the Product Sites Environment scope with the exception of the Waters Reporting Entity plants. It includes finished product, raw material and by-product (whey not used for human consumption) losses. This waste may be collected or discharged with wastewater, or form part of the wastewater treatment plant sludge:

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

In 2020, Danone also introduced reporting that consolidates food waste from its production sites with food waste generated in the scope 3 downstream sub-scope within the Greenhouse Gas scope.

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

As a reminder, in 2018, sludge from wastewater treatment in external wastewater treatment plants started to be included in the indicator of recovered waste, when the traceability of this recovery was available. The completeness of this data was improved in 2019.

Water consumption

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

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

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

For the Waters Reporting Entity sites, volumes of water withdrawn but not consumed by the site are not taken into account due to losses or to overflow upstream from the plant (losses or overflow at the well or spring level).

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

Energy consumption

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

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

The rules for conversion between the different units used to track energy consumption (m^3, liters, Btus, etc.) and the standard reporting unit (MWh) are specified in the technical environmental guide prepared by Danone and provided to its subsidiaries. In certain cases, the subsidiaries use conversion factors provided by their suppliers.

Wastewater

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

Percentage of volumes sold corresponding to healthy categories

Volumes sold in healthy categories correspond to fresh dairy products intended for daily consumption, Specialized Nutrition Reporting Entity products (except biscuits and beverages for children under 3 years of age and foods for children over 3 years of age in the early life nutrition activities), and all waters and flavored waters with 0% sugar. This indicator is calculated in the One Health Scorecard scope.

Percentage of volumes compliant with Danone's 2020 nutritional targets

This percentage is calculated for the One Health Scorecard scope. It includes all product categories except mineral water, cooking aids and products for which a target has not yet been defined. Products must meet all the nutrient thresholds for their category in Danone's 2020 nutritional targets. Compliance is weighted by volumes of products sold. This rule applies at both the portfolio and the product (e.g., multipack) level.

If a local regulatory constraint applies to a nutrient, it is excluded from compliance. All the information on Danone's 2020 nutritional targets can be found on its website.

Percentage of product volumes with no added sugars

This percentage is calculated for all product categories in the EDP, Waters and Specialized Nutrition Reporting Entities for its early life nutrition activities; its medical nutrition products are excluded.

The products included in this indicator are those whose added sugar content is equal to zero grams.

Volumes that display on-pack nutritional information/Volumes that display off-pack nutritional information/Volumes that display information on portion size

This percentage is calculated for the health and nutrition scope for the EDP Reporting Entity (plant-based products are excluded), the Specialized Nutrition Reporting Entity and aquadrinks (not relevant for waters, which are subject to separate regulations). For medical nutrition products, 100% is applied by definition as the products are prescribed by healthcare professionals and the labeling must comply with local legislation. All volumes distributed through out-of-home distribution channels (restaurants, cafeterias, etc.) are evaluated "as is" when they leave Danone's production site, as the way the products are ultimately served to consumers is out of Danone's control and at that stage there may be no nutritional labeling: a restaurant can serve products in individual dishes without their original cardboard packaging or (for bulk products) in another container.

Volumes that display nutritional information on the front of the packaging

This percentage is calculated for the health and nutrition scope for the EDP Reporting Entity (excluding plant-based products) and aquadrinks (excluding countries where regulations prohibit the publication of this information).

Number of countries covered by Nutriplanet studies

Every year, the Alimentation Science department compiles an updated list of countries covered by Nutriplanet studies, including:

- summaries of the local nutrition/health context (Nutritional Situations);
- more detailed surveys on food and/or fluid intake (Food Habits);
- socio-anthropological studies (Food Cultures).

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

A program is any initiative that addresses a local public health cause and that has (i) defined a clear objective relating to this cause or its determinants, (ii) been developed in collaboration with the academic world and/or the government, (iii) targeted a population group and (iv) defined certain measurable impact indicators (whose initial status has been documented with a baseline and whose impact is measured). A program can be counted as such only if these criteria are met.

The impact does not have to be measured every year.

The people considered to be potentially affected are (i) consumers for the EDP and Waters Reporting Entities, and (ii) parents, patients and caregivers for the Specialized Nutrition Reporting Entity.

The subsidiaries counted the people affected by the program in 2020. If a subsidiary can prove that people are not double-counted, it can aggregate the number of people affected since the start of a program. People who are affected by several programs can be counted several times.

A person is considered to be potentially impacted if he or she has received the program's messages. Subsidiaries are thus far not required to prove that these people have actually been affected, *i.e.* that they have changed their eating and drinking consumption habits.

Number of employees trained on the WHO Code and Danone's BMS Policy in the last two years

This indicator tracks the number of unique employees working in the early life nutrition activities within the Specialized Nutrition Reporting Entity, who were trained on Danone's policy on the marketing of breast milk substitutes over a two-year period.

5.9 REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS AN INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT INCLUDED IN THE MANAGEMENT REPORT

This is a free translation into English of the Statutory Auditor's report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the year ended December 31, 2020

To the Shareholders,

In our capacity as Statutory Auditor of Danone (hereinafter the "entity"), appointed as an independent third party and accredited by Cofrac (accreditation Cofrac Inspection n°3-1060 whose scope is available at www.cofrac.fr), we hereby report to you on the non-financial information statement for the year ended December 31st, 2020 (hereinafter the "Statement"), included in the management report pursuant to the legal and regulatory provisions of articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (Code de commerce).

The entity's responsibility

Pursuant to legal and regulatory requirements, the Board of Directors is responsible for preparing the Statement, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are available on request from the company's head office.

Independence and quality control

Our independence is defined by the provisions of article L. 822-11-3 of the French Commercial Code and the French Code of Ethics (*Code de déontologie*) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional guidance and applicable legal and regulatory requirements.

Responsibility of the Statutory Auditor, appointed as an independent third party

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the provisions of article R. 225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with article R. 225-105 I, 3 and II of the French Commercial Code, *i.e.*, the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

However, it is not our responsibility to comment on:

- The entity's compliance with other applicable legal and regulatory provisions, in particular the French duty of care law and anti-corruption and tax evasion legislation;
- The compliance of products and services with the applicable regulations.

Nature and scope of our work

The work described below was performed in accordance with the provisions of articles A. 225-1 et *seq.* of the French Commercial Code determining the conditions in which the independent third party performs its engagement and with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements, as well as with ISAE 3000 – *Assurance engagements other than audits or reviews of historical financial information*.

Our procedures allowed us to assess the compliance of the Statement with regulatory provisions and the fairness of the Information:

- we obtained an understanding of all the consolidated entities' activities, the description of the social and environmental risks associated with their activities and, where applicable, the impact of these activities on compliance with human rights and anti-corruption and tax evasion legislation, as well as the resulting policies and their outcomes;
- we assessed the suitability of the Guidelines with respect to their relevance, completeness, reliability, objectivity and understandability, with due consideration of industry best practices, where appropriate;
- we verified that the Statement includes each category of social and environmental information set out in article L. 225-102-1 III, as well as information regarding compliance with human rights and anti-corruption and tax evasion legislation;
- we verified that the Statement presents the business model and the principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships and products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators;
- we verified, where relevant with respect to the principal risks or the policies presented, that the Statement provides the information required under article R. 225-105 II;

- we assessed the process used to identify and confirm the principal risks;
- we asked what internal control and risk management procedures the entity has put in place;
- we assessed the consistency of the outcomes and the key performance indicators used with respect to the principal risks and the policies presented;
- we verified that the Statement covers the scope of consolidation, *i.e.*, all the companies included in the scope of consolidation in accordance with article L. 233-16 within the limitations set out in the Statement;
- we assessed the data collection process implemented by the entity to ensure the completeness and fairness of the Information;
- for the key performance indicators and other quantitative outcomes that we considered to be the most important, we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
  - substantive tests, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities: Danone Germany (Germany), Font Vella (Spain), Danone de Mexico (Mexico), Nutricia Russia Baby (Russia), Danone Russia (Russia), Centrale Danone (Morocco), AQUA (Indonesia), Danone Japan (Japan), Fan Milk Nigeria (Nigeria), Danone Canada (Canada), Danone Djurdjura Algeria (Algeria), Blédina France Baby (France), Fan Milk Ghana (Ghana), Nutricia Wexford Supply Point Baby (Ireland), Nutricia Macroom Supply Point Baby (Ireland), Danone Spain (Spain), Zywiec Zdroj (Poland), et Danone Brazil Dairy (Brazil). This selection covers between 16% and 41% of the consolidated data relating to the key performance indicators and outcomes selected for these tests;
- we referred to documentary sources and conducted interviews to corroborate the qualitative information (measures and outcomes) that we considered to be the most important;
- we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

We believe that the work carried out, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our work was carried out by a team of 10 people between September 2020 and October 2021 and took a total of 25 weeks.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted some 15 interviews with about 20 people responsible for preparing the Statement, representing the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the non-financial information statement is not in accordance with the applicable regulatory provisions and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Neuilly-sur-Seine, March 3rd, 2021

One of the Statutory Auditors

PricewaterhouseCoopers Audit

François JAUMAIN
Partner

Sylvain LAMBERT
Sustainable Development Partner

APPENDIX: LIST OF THE INFORMATION WE CONSIDERED MOST IMPORTANT

Selection of qualitative and quantitative information, associated to the policies, actions and results relating to the main thirteen risks identified for Danone's activities, presented in the following sections of the management report:

Main risks or opportunities identified (Danone's material issues)	Sections of the management report presenting the associated policies, actions and results reviewed in the context of our work
Responsible practices: ethics and integrity	**Section 5.1 An integrated approach of sustainable business model** Including the KPIs: • % of Danone's total employees have been trained at least once on compliance
Unique product portfolio to impact people's health	**Section 5.2 Offering safe, healthy products** Including the KPIs: • % of volumes sold corresponding to healthy categories • % of volumes sold that comply with Danone nutritional targets • % of volumes sold without added sugars • % of Danone's entities engaged in favor of a public health cause • Number of active education and information programs • Potential audience reached by these active education and information programs • % of volumes sold with nutritional information on the front of the packaging • Site FSSC 22 000 certification rate
Responsible communication	**Section 5.2 Offering safe, healthy products** Including the KPIs: • Compliance rate from Danone's television advertising to the EU Pledge criteria • Compliance rate from the subsidiary websites to the EU Pledge criteria
Marketing of breast milk substitutes	**Section 5.2 Offering safe, healthy products** Including the KPIs: • Number of employees trained on Danone's policy on breast milk substitutes
Fight against climate change	**Section 5.3 Preserve and renew the planet's resources** Including the KPIs: • Total Scope 1 & 2 emissions • % of renewable energy
Transition toward regenerative agriculture that includes organic agriculture	**Section 5.3 Preserve and renew the planet's resources** Including the KPIs: • % of the entities developed concrete projects involving at least one of the three pillars of the regenerative agriculture framework and on the main commodities used • % of volume of fresh milk from farms that are assessed using the animal welfare tool developed by Danone or covered by the Validus certification
Circular economy	**Section 5.3 Preserve and renew the planet's resources** Including the KPIs: • % of entities which set up an assessment of recycling systems (collection, sorting and recycling) and identified the main participants to improve the recycling and/or regulations • Proportion of industrial waste recovered • Proportion of packaging waste recovered • Proportion of food waste recovered • % of the entities or supply points implemented at least one concrete measure to improve the food waste recovery rate
Water management	**Section 5.3 Preserve and renew the planet's resources** Including the KPIs: • Water drawn from the surrounding area • Water related to the production processes • Final discharge of chemical oxygen demand (COD) in tons

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Main risks or opportunities identified (Danone's material issues)	Sections of the management report presenting the associated policies, actions and results reviewed in the context of our work
Inclusive talent development	**Section 5.4 Building the future with Danone employees** Including the KPIs: • Total headcount and breakdown by gender, by age and by geographic regions • Hiring and dismissals • Turnover rate • Absenteeism rate • % of part-time employees • % of entities planned an annual development conference for each manager, member of the entity's management committee, senior manager or manager, making it possible to assess their functional skills and define a development plan • % of the entities planned a development conversation with each employee at least once every two years in order to provide feedback, come up with an individual development plan and provide visibility on potential future development opportunities • % of the entities anticipated the need to pass on rare competencies specific to their activities • Training hours • Gender equality Index
Social dialogue	**Section 5.4 Building the future with Danone employees** Including the KPIs: • % of employees covered by collective bargaining agreements
Employee security	**Section 5.4 Building the future with Danone employees** Including the KPIs: • Frequency and severity rate • Number of events noted by the SOC (Security Operational Center) as important or urgent • Number of important or urgent events reported to the Company's security team, since employees were identified as being in the area of the event • Number of occasions when the security team decided to contact all employees potentially affected by the event
Business practices and price fixing	**Section 5.5 Promoting sustainable, inclusive growth with suppliers** Including the KPIs: • % of milk collected by Danone which comes from producers with CPM contracts
Responsible sourcing and Human Rights	**Section 5.5 Promoting sustainable, inclusive growth with suppliers** Including the KPIs: • % of the palm oil sourced by Danone certified RSPO Segregated • % of the palm oil sourced by Danone certified RSPO Mass Balance • Number of supplier sites which joined the Sedex platform • Number and Breakdown of non-conformities identified during SMETA audits
Other indicators [a]	**Section 5.3 Preserve and renew the planet's resources** Including the KPIs: • % of ISO 14001 certified sites • % of production sites compliant with GREEN standards

(a) Indicators reviewed and linked to policies, actions and results not related to the thirteen main risks of Danone

Qualitative information (actions and results)

- Compliance: Responsible practices: ethics and integrity
- Health and Nutrition
  - Unique product portfolio to impact people's health
  - Responsible communication
  - Marketing of breast milk substitutes
- Environment
  - Fight against climate change
  - Transition toward regenerative agriculture that includes organic agriculture
  - Circular economy
  - Water management
- Social
  - Inclusive talent development
  - Social dialogue
  - Employee security
- Responsible sourcing and Human Rights
  - Responsible sourcing: Business practices and price fixing
  - Human rights

6

CORPORATE GOVERNANCE

In accordance with Articles L. 225-37, L. 225-37-4 and L. 22-10-10 of the French Commercial Code, the following section includes the Report of the Board of Directors on corporate governance, the composition of the Board of Directors and the conditions for preparation and organization of the Board's work (section 6.1 Governance Bodies).

In accordance with Article L. 22-10-10 of the French Commercial Code, the Company affirms that it voluntarily adheres to the corporate governance Code for listed companies amended in January 2020 (AFEP-MEDEF Code).

This report, inspired in particular by the comments gathered through a dialogue with Danone's shareholders throughout the year, was prepared following various efforts made by the Legal Department working closely with the Human Resources, Finance and Internal Control departments. It was initially presented to the Governance Committee on February 4, 2021 and then approved by the Board of Directors on February 18, 2021.

6.1 GOVERNANCE BODIES

Contents

BOARD OF DIRECTORS

Board of Directors in 2020

BOARD OF DIRECTORS

16 Members including:
1 Lead Independent Director – 9 Independent Directors
2 Directors representing employees

97% Attendance rate
12 Meetings

AUDIT COMMITTEE

4 Members

100% Attendance rate
7 Meetings

GOVERNANCE COMMITTEE

4 Members

100% Attendance rate
8 Meetings

ENGAGEMENT COMMITTEE

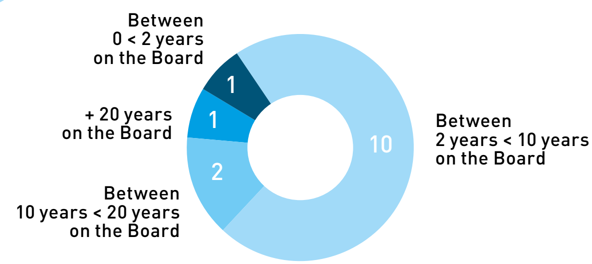
4 Members

96% Attendance rate
5 Meetings

64%
Independence rate

43%
Percentage of women

29%
Diversity/Percentage of Directors with a non-French nationality



Years on the Board

Independence rate

2020	64%
2019	57%
2018	57%
2009	43%

Average age of Directors

2020	60 years
2019	59 years
2018	58 years
2009	60 years

Average length of the terms of office

2020	8.8 years
2019	8 years
2018	7 years
2009	12 years

As the Strategy & Transformation Committee did not meet in 2020, it does not appear in the graph above.

Composition and organization of the Board of Directors

Composition as of December 31, 2020: 16 Directors

Personal information						Position on the Board			
Name	Gender	Age	Nationality	Primary function	Number of DANONE shares	Independence	Starting date of Director's term	Expiration date of Director's term [a]	Years on the Board
Corporate Officer									
Emmanuel FABER		56	French	Chairman-Chief Executive Officer of Danone [b]	122,771		2002	2022	18
Directors									
Franck RIBOUD		65	French	Honorary Chairman of Danone /Director	84,009		1992	2022	28
Guido BARILLA		62	Italian	Chairman of the Board of Barilla	4,000	•	2018	2024 [c]	2
Cécile CABANIS		49	French	Executive Vice President, Chief Financial Officer, Technology & Data, Cycles & Procurement of Danone [d]	29,324		2018	2024 [c]	2
Clara GAYMARD		60	French	Co-founder of Raise Conseil	4,256	•	2016	2022	4
Michel LANDEL		69	French	Lead Independent Director of Danone	4,000	•	2018	2024 [c]	2
Gaëlle OLIVIER		49	French	Chief Executive Officer for Société Générale Asia Pacific	4,340	•	2014	2023	6
Benoît POTIER		63	French	Chairman and Chief Executive Officer of L'Air Liquide SA	8,846		2003	2021	17
Gilles SCHNEPP		62	French	Director	5,000	•	2020	2023 [e]	< 1
Isabelle SEILLIER		60	French	Global Chairman of Investment Banking at J.P. Morgan	4,073		2011	2023	9
Jean-Michel SEVERINO		63	French	Head of I&P SARL	4,505	•	2011	2023	9
Virginia A. STALLINGS		70	American	Professor of Pediatrics at the Children's Hospital of Philadelphia	4,000	•	2012	2021	8
Serpil TIMURAY		51	Turkish	CEO Europe Cluster of Vodafone group	7,271	•	2015	2024 [c]	5
Lionel ZINSOU-DERLIN		66	French and Beninese	Chairman of SouthBridge SAS	4,369	•	2014	2023	6
Directors representing employees									
Frédéric BOUTEBBA		53	French	Director representing employees	1 [f]	N/A	2016	2023	4
Bettina THEISSIG		58	German	Director representing employees	1 [f]	N/A	2014	2023	6

(a) Date of the Shareholders' Meeting.
(b) His term of office as Chairman and Chief Executive Officer ended on March 14, 2021.
(c) Subject to renewal by Shareholders' Meeting of April 29, 2021.
(d) Until February 19, 2021.
(e) Subject to ratification of his co-opting, approved by the Board of Directors in December 2020, by the Shareholders' Meeting of April 29, 2021.
(f) Share granted under the "One Person, One Voice, One Share" program.

Pursuant to Act No. 2013-504 of June 14, 2013 and the Company's by-laws, two Directors representing employees are members of the Board and are appointed by the Group Works Council and the European Works Council, respectively. In addition, a member of the Social and Economic Committee participates in Board of Directors' meetings in an advisory capacity.

Ms. Cécile CABANIS, Director since 2018, will continue to support the Board of Directors in her new non-executive functions as Vice-Chair of the Board, as decided by the Board at its meeting of December 2020.

In 2017, Mr. Franck RIBOUD was appointed Honorary Chairman in recognition of his invaluable contribution to the Board's work. He may, therefore, at the request of the Chairman and Chief Executive Officer, share his experience, speak to Danone's teams, represent Danone, particularly among its longtime partners, and take part in major events.

The Board of Directors also includes an honorary Vice-Chairman, Mr. Michel DAVID-WEILL, who was appointed following the Shareholders' Meeting in 2011 and serves in an advisory capacity.

Governance structure

Following a period between 2014 and 2017 in which these functions were separated, in 2017 the Board of Directors, acting on the recommendation of the Governance Committee, unanimously decided to approve the principle of combining the offices of the Chairman of the Board of Directors with those of Chief Executive Officer by appointing Mr. Emmanuel FABER as Chairman and Chief Executive Officer as of December 1, 2017. The Board decided that this governance structure was the most appropriate for several reasons:

- in the past, the decision to combine the functions of Chairman and Chief Executive Officer proved to be consistent with Danone's organization, operation and activity and is in line with its governance culture;
- this simplified governance structure ensures the Company's unified and effective management. This tighter and therefore more responsive form of governance facilitates decision-making and accountability as well as the Company's strategic leadership;
- this governance structure also promotes a close relationship between the Board and executive management, allowing Danone to continue implementing its strategy while speaking with one voice and making decisions in an agile and transparent manner.

The Board agreed to discuss the relevance of the chosen governance method annually and each time the Chairman and Chief Executive Officer's term of office is renewed (as a reminder, his term of office was renewed at the Shareholders' Meeting of April 25, 2019 with 80.2% of the votes). Therefore, in 2020, the Directors discussed this matter in depth and the Board considered that this governance structure provided stability during this uncertain health and economic crisis and ensured effective governance with optimal, efficient management of operations within Danone and greater agility and effectiveness in decision-making processes. In addition, Danone has established mechanisms to ensure the balance of powers, thanks in particular to the existence of a Lead Independent Director with broader, more enhanced powers in 2017 and a Board of Directors whose members are predominantly Independent Directors.

In recent months, Danone's management and Board of Directors have conducted an open dialogue with shareholders, social partners as well as many other internal and external stakeholders, and a reflection on Danone's governance has been undertaken. Therefore, further to a decision in principle to initiate the process of separating the functions of Chairman of the Board and Chief Executive Officer on March 1, 2021, the Board of Directors, at its meeting on March 14, 2021, reviewed the company's corporate governance and decided that Mr. Emmanuel FABER will step down as Chairman and Chief Executive Officer, and appointed Mr. Gilles SCHNEPP as Chairman of the Board of Directors with immediate effect. The Board also decided to separate the functions of Chairman of the Board and Chief Executive Officer and appointed Ms. Véronique PENCHIENATI-BOSETTA (Chief Executive Officer) and Mr. Shane GRANT (Deputy Chief Executive Officer) to jointly lead the business while the search of a new Chief Executive Officer is underway.

This separation is part of a permanent objective of sustainable and reinforced governance. It enables Danone to pursue its development under the best conditions and provides the company with the most effective governance to achieve its ambition of sustainable value creation.

The immediate priority of the new Chairman, together with the Board, will be to lead the transition, including the search for a new Chief Executive Officer. Danone has appointed an international search agency to support the process. Mr. Gilles SCHNEPP and the Governance Committee will oversee the search to ensure that a world leading Chief Executive Officer is found.

Chairmanship of the Board

The Chairman of the Board of Directors organizes and directs its work and reports on it to the Shareholders' Meeting. He ensures the proper functioning of the Company's bodies and ensures in particular that directors are able to fulfill their duties by providing them with all necessary information.

Balanced distribution of powers

The Board determined that balanced governance is ensured through the presence of a Lead Independent Director, the independence and powers of the Board and its Committees, combined with the strength of the Executive Committee, and the limits imposed on the Chief Executive Officer as described below. This governance structure, subject to the Board's rules of procedure, thereby provides the necessary safeguards to ensure compliance with best governance practices in the context of unified governance.

Enhancement of the powers of the Lead Independent Director

In 2017, in order to strengthen the balanced distribution of powers, the Board amended its rules of procedure by expanding the duties, resources and responsibilities of the Lead Independent Director, particularly as regards setting the agenda for its meetings and facilitating dialogue with shareholders (see section *Lead Independent Director* hereinafter).

Independence and powers of the Board and Committees

The composition of the Board of Directors and the membership diversity policy contribute to the balance of powers, particularly through the high proportion of Independent Directors, which allows it to exercise full oversight of the Chief Executive Officer. All Committees are chaired by Independent Directors (as defined by the AFEP-MEDEF Code), with the exception of the Strategy & Transformation Committee. The balance of powers is also ensured by:

- the full involvement by Directors in the work of the Board and Committees, their diverse profiles and the regular meetings of outside Directors;
- the Directors' ability to convene the Board directly in case of emergency. This convening, which may be verbal, results from a decision made by the majority of the current Directors, or by one-third of them if the Board of Directors has not met in more than two months;
- the free and independent review of Board agenda items and the work in the Committees enables Directors to review certain matters in greater detail and work in direct contact with Danone's teams.

Limitations on the powers of the Chief Executive Officer

The Chief Executive Officer has full power to act in all circumstances in the name of the Company, within the scope of its corporate purpose and subject to the powers that the law expressly attributes to shareholders' meetings and to the Board of Directors.

The Board of Directors' rules of procedure set limits on powers that are stricter than the statutory requirements with respect to decisions that must receive prior approval from the Board of Directors (see details in the table below). Thus, the Board of Directors must approve strategic investment projects and all transactions, namely acquisitions or disposals, that may significantly impact Danone's results, balance sheet structure or risk profile.

Transactions requiring prior approval of the Board of Directors

Type of transaction	Authorization thresholds for Danone's share
Acquisitions or disposals of securities and/or assets, partnerships or joint ventures (in cash or by asset contributions, carried out in one or more transactions)	€250 million per transaction: • for acquisitions, partnerships and joint ventures; • for disposals: proceeds received.
Any off-balance sheet commitment made by Danone	€100 million
Other investments	€200 million
Internal reorganizations	Any reorganization representing an overall cost of more than €50 million.

Meetings by outside Directors

The Lead Independent Director holds regular meetings of the outside Directors, thereby promoting free and spontaneous discussions on all matters deemed relevant by the meeting participants. The content of these discussions provides input for regular dialogue between the Lead Independent Director and the Chairman and Chief Executive Officer.

Adoption of Entreprise à Mission status

On June 26, 2020, the Company's shareholders adopted the status of Entreprise à Mission. As a result, the Board, as part of its work, continues to fulfill the purpose and social, societal and environmental objectives embedded in the by-laws. Danone has created a Mission Committee which is tasked with ensuring that these objectives are achieved (see section 2.2 *Strategic priorities*).

Lead Independent Director

Presentation of the Lead Independent Director

Following the Board's decision in 2013, the appointment of a Lead Independent Director is mandatory when the functions of Chairman of the Board and Chief Executive Officer are combined.

In 2017, the Board enhanced the Lead Independent Director's powers. Specifically, the Lead Independent Director was given a greater role in relations with shareholders, enabling him/her to now be informed directly of their requests, to meet with them, when necessary without the Chairman and Chief Executive Officer, and to convey their concerns regarding governance to the Board. His/her involvement in organizing the Board's work was also enhanced, particularly by allowing him/her to be consulted on the agenda and schedule of meetings, to require that Board meetings be convened for a specific agenda and to maintain an open and regular dialogue with each Director.

Appointment by the Board of Directors

The Lead Independent Director is appointed by the Board of Directors from among the Independent Directors, upon the proposal of the Governance Committee. He/she remains in office throughout the duration of his/her term of office as Director.

On December 14, 2017, the Board of Directors appointed Mr. Michel LANDEL as Lead Independent Director. This decision took effect following his appointment as Director by the Shareholders' Meeting of April 26, 2018. At its meeting on March 1st, 2021, the Board of Directors rotated this role and appointed with immediate effect Mr. Jean-Michel SEVERINO as Lead Independent Director.

Duties and powers of the Lead Independent Director

Organization of the Board's work and relations with Directors

The Lead Independent Director:

- is consulted on the agenda and schedule of Board meetings and may propose additional agenda items to the Chairman. He/she may require that the Chairman convene a Board meeting for a specific agenda;
- chairs Board meetings in the Chairman's absence;
- participates in the Director recruitment process;
- ensures that the Directors are capable of performing their duties under the best possible conditions, and particularly that they are properly informed prior to Board meetings;
- acts as a link between the Independent Directors and the other Directors and General Management. He/she maintains a regular and open dialogue with each Director and organizes a meeting of the outside Directors at least once a year;
- prevents conflicts of interest from occurring, mainly by taking measures to raise awareness. He/she brings any conflicts of interest involving the corporate officers and other Directors that he/she has identified to the attention of the Board of Directors;
- ensures compliance with the Board's rules of procedure;
- participates in the Board's assessment process.

Lead Independent Director's relations with shareholders

The Lead Independent Director:

- receives questions from shareholders regarding governance and ensures that they are answered;
- assists the Chairman and Chief Executive Officer in answering questions from shareholders, makes himself/herself available to meet with some of them, including without the Chairman and Chief Executive Officer, and conveys their questions regarding governance to the Board.

Participation of the Lead Independent Director in the Board of Directors' Committees

The Lead Independent Director:

- may be appointed by the Board of Directors to serve as Chairman or member of one or more Board of Directors' Committees. In any case, he/she may attend Committee meetings and has access to the work of all the Committees;
- in particular, the Lead Independent Director is involved in the Governance Committee's work on the annual performance

assessment and recommendations regarding the compensation of the corporate officers, even if he/she is not the Chairman or a member of this Committee.

Resources

The Lead Independent Director:

- has access to all documents and information that he/she deems necessary to fulfill his/her duties. He/she may, in performing his/her functions, request the completion of outside research at the Company's expense;
- is regularly informed of the Company's activity. He/she may also meet with the operational or functional managers, at his/her request and after informing the Chairman and the Chief Executive Officer;
- may also request assistance from the Board secretary in order to perform his/her duties.

Report

The Lead Independent Director reports on the execution of his/her duties once a year to the Board of Directors. At Shareholders' Meetings, he/she may be asked by the Chairman to report on his/her actions.

At the end of each term of office of the Lead Independent Director, the Board conducts a study on the operation of this body and reviews its powers in order to adapt them, if necessary.

Work in 2020

In 2020, the Lead Independent Director performed the following duties:

- maintained an ongoing dialogue with the Chairman and Chief Executive Officer and with General Management staff, mainly through regular one-on-one interactions with the members of the Executive Committee and, in particular, held several meetings with the EVP, Human Resources;
- participated in the preparation of the agenda for meetings of the Board of Directors and of the Governance Committee;
- organized and chaired two meetings of the outside Directors;
- held regular discussions with the other Directors during the year;
- participated in changes to the Board's membership, notably in connection with Board term renewals, working with the Board Secretary and with the support of an independent recruitment firm;
- participated in the candidate selection and recruitment process as part of the renewal of the Board of Directors' terms of office and, in particular, met with several candidates and discussed their suitability with several Directors;
- participated in the dialogue with the Company's main shareholders: individual meeting with around 15 key Danone investors in order to discuss issues such as governance and corporate social responsibility;
- reviewed the conflict of interest surveys filled out by each Director;
- participated in the Board's assessment, which included preparing for it along with an independent consulting firm, drafting the findings of the assessment and monitoring the implementation of the recommendations;
- participated in the deliberation and discussions regarding Danone's management succession plan.

Dialogue with shareholders

Responsibility for investor relations lies with the Chairman and Chief Executive Officer, who is assisted by the Finance Department, in the framework of regular dialogue and special events, such as announcements of financial results and Investor events. The various presentations made at these dedicated meetings with investors are available on the Danone website: www.danone.com (section Investors/Publications & Events/Investor Seminars and/or Investor Conferences).

In addition, the dialogue with shareholders concerning governance matters is also carried out by the Lead Independent Director, whose powers were enhanced in 2017.

In the fall of 2020, the Lead Independent Director met with around 15 investors representing approximately 30% of Danone's share capital. The discussions focused on governance issues, particularly in terms of the organization of the Board's work in 2020, the operation of the Board including the creation of a new Strategy & Transformation Committee, changes in the Board's composition, combining the functions of Chairman and Chief Executive Officer, as well as investors' expectations in terms of capital allocation. Compensation of the corporate officers, particularly in terms of type and measurement of performance criteria, were also discussed.

These discussions were also an opportunity to further explain to shareholders the way in which Danone is implementing its new Entreprise à Mission status, the measures taken by Danone to protect its employees' health in the context of Covid-19, as well as the proposed Local First adaptation plan announced on November 23, 2020.

The Board was kept informed of these discussions. This enhanced dialogue, which was continued in early 2021 notably on governance issues, made it possible to take into account investor concerns and contributed to the discussions on corporate governance (see section *Governance structure* above).

Guiding principles for the composition of the Board of Directors and its Committees

Diversity policy of the Board of Directors and Committees

The Board of Directors pays close attention to its composition, notably in order to promote its diversity and that of its Committees, believing that it is a source of vitality, creativity and performance and ensures the quality of the Board's discussions and decisions. This approach, which has been implemented for several years, led to the noticeable change in the composition of the Board to reach balanced representation, notably in terms of the independence, gender, expertise, age and seniority of its members.

The Board's policy with respect to diversity, its composition and that of its committees aims to ensure the promotion of a variety of cultures, skills, experiences and nationalities, and to ensure that the Board's tasks are performed in a thoroughly independent and objective manner, but also in a collegial and open-minded spirit. Thus, the Board:

- seeks to combine the necessary skills for the development and implementation of Danone's long-term strategy and ensures that they are varied and that they also cover the consumer goods industry, the food and beverages industry, nutrition, governance, operational management of the companies, international experience, finance, mergers and acquisitions and corporate social and environmental responsibility;
- pays close attention to ensuring that its members' profiles are complementary and in line with Danone's strategy, and that a balance exists between more senior directors and those recently appointed, thereby promoting the Board's combination of vitality and experience;
- continuously aims to improve the representation of women and the international diversity of its members and ensures that generational balance is maintained. Moreover, the three-year

term limit and the staggering of the expiration dates of the terms of office ensure a regular review of the Board's composition in accordance with its diversity policy;

- as part of its assessment, the Board regularly reviews whether its composition and that of its Committees is consistent with its diversity policy and identifies the guidance to provide in order to ensure the best possible balance based on the objectives of this policy. To that end, it takes into account the work and recommendations of the Governance Committee.

Procedure for selecting future Directors

In accordance with the recommendations of the AFEP-MEDEF Code, the Governance Committee has implemented a policy for selecting future Directors. The Committee first determines the skills, expertise and profiles to be added to the Board in line with the Board's diversity policy. It is assisted by a firm that specializes in the recruitment of directors with international profiles to identify candidates who meet these criteria and reviews a list of candidates. It also reviews unsolicited applications and candidates recommended by the Board members. The selected candidates meet with the Lead Independent Director, the Chairman and Chief Executive Officer, several Directors and the Secretary of the Board of Directors. During these meetings, the candidates' availability is discussed in depth in order to verify that they have sufficient time to serve as Directors at Danone. Following these meetings and after reviewing the various profiles, the Governance Committee selects the candidates to be presented to the Board. The Board analyzes the various profiles and decides to submit certain nominations to the shareholders for approval.

Diversity and expertise of Directors, compatibility of their membership on the Committees

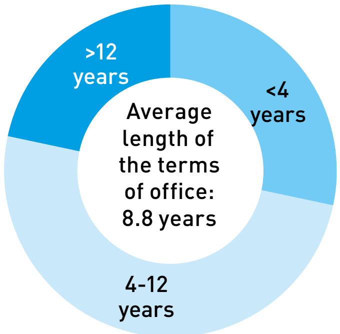
General Information		**Directors' expertise**							**Membership on Board Committees**			
		Core skills				**Sector-specific skills**						
Nom	**Number of terms in listed companies** [a]	**Operational management of large companies/governance of listed companies**	**Experience in emerging markets**	**International experience**	**Finance/Audit/M&A**	**FMCG/food and beverage industry**	**Social and environmental responsibility**	**Nutrition/Health**	**Audit Committee**	**Governance Committee**	**Engagement Committee**	**Strategy & Transformation Committee**
Emmanuel FABER	1	✓	✓	✓	✓	✓	✓	✓				
Franck RIBOUD	1	✓	✓	✓	✓	✓	✓	✓				•
Guido BARILLA	1	✓	✓	✓		✓	✓	✓				•
Frédéric BOUTEBBA	1					✓	✓		•			
Cécile CABANIS	4	✓	✓	✓	✓	✓	✓	✓				•
Clara GAYMARD	4	✓		✓	✓		✓			•		
Michel LANDEL	2	✓	✓	✓	✓	✓	✓			C		
Gaëlle OLIVIER	1	✓	✓	✓	✓		✓		•			
Benoît POTIER	3	✓	✓	✓	✓		✓	✓		•		C
Gilles SCHNEPP	4 [b]	✓	✓	✓	✓		✓					•
Isabelle SEILLIER	1	✓	✓	✓	✓							•
Jean-Michel SEVERINO	3	✓	✓	✓	✓		✓	✓	C		•	
Virginia A. STALLINGS	1			✓			✓	✓			•	
Bettina THEISSIG	1					✓	✓	✓			•	
Serpil TIMURAY	1	✓	✓	✓	✓	✓	✓	✓			C	
Lionel ZINSOU-DERLIN	3	✓	✓	✓	✓	✓	✓	✓	•	•		•
Total		13	12	14	12	9	15	10	4	4	4	7

(a) Includes DANONE SA Director's term.
(b) Excluding his term of office at Peugeot SA which ended on January 16, 2021.

Committee member: •
Committee Chairman: C

The main areas of expertise and experience are described in detail in the biographical information for each Director in section 6.2 *Positions and responsibilities of the Directors*.

Length of the terms of office as of December 31, 2020



Independence of Directors

Criteria applied by Danone

Danone strictly applies all AFEP-MEDEF Code recommendations.

When reviewing business relationships between a Director and Danone to determine whether significant business relations exist that could affect a Director's independence, the Board uses quantitative and qualitative criteria, notably the amount of sales generated between Danone and the company or Group to which the Director is associated, both in absolute and relative value, and the analysis of the nature of existing relationships.

Directors representing employees are not subject to an assessment, in accordance with the recommendations of the AFEP-MEDEF Code.

Review carried out by the Board of Directors

Acting on the recommendation of the Governance Committee, the Board of Directors reviewed, as it does each year, the independence of each Director based on the following criteria.

	Independents	Non-independents	Directors not subject to an assessment
Number	9	5	2
Independence rate	64%	36%	N/A
Directors	Guido BARILLA	Emmanuel FABER	Frédéric BOUTEBBA
	Clara GAYMARD	Franck RIBOUD	Bettina THEISSIG
	Michel LANDEL	Cécile CABANIS	
	Gaëlle OLIVIER	Benoît POTIER	
	Gilles SCHNEPP	Isabelle SEILLIER	
	Jean-Michel SEVERINO		
	Virginia A. STALLINGS		
	Serpil TIMURAY		
	Lionel ZINSOU-DERLIN		
Comments	The Board confirmed that each of these Directors satisfied all of the independence criteria of the AFEP-MEDEF Code, notably with respect to the absence of a significant business relationship with Danone, and thereby confirmed their status as Independent Directors.	The Board decided to consider them non-independent, as explained below.	

Regarding Ms. Gaëlle OLIVIER	**Chief Executive Officer for Société Générale Asia Pacific since January 2020** The Governance Committee and the Board reviewed the business relationships between Danone and Société Générale, which is among the banks used on a regular basis by Danone, notably for treasury management and financing in Europe. Upon the recommendation of the Governance Committee, the Board determined that Ms. Gaëlle OLIVIER did not bring about any significant business relationship, either directly or indirectly, with the Company. The analysis of the significant nature of the business relationship focused on several criteria: • the absence of business relationships in the geographic region for which she is responsible for Société Générale; • the pre-existing and historical nature of contractual relationships between Danone and Société Générale; • the current nature of transactions undertaken in recent years between the two companies, including the management of bank accounts, participation in bank and bond financing by Danone alongside other banks, the provision of derivative products, the management of monetary funds (excluding in particular M&A advisory); • the application of arm's length market conditions to these transactions; • the absence of economic dependency or exclusivity between these two companies; • the insignificant proportion of sales resulting from the business relationship between Société Générale and Danone. The Board therefore deemed that Ms. Gaëlle OLIVIER continued to meet all the independence criteria of the AFEP-MEDEF Code.
Regarding Mr. Jean-Michel SEVERINO and Ms. Clara GAYMARD	It is recalled that Danone invests in numerous funds to support innovation and impact investing. Some of these funds being managed, on the one hand, by I&P, a company managed by Mr. Jean-Michel SEVERINO and, on the other hand, by Raise Conseil, a company co-founded by Ms. Clara GAYMARD, the Governance Committee and the Board of Directors reviewed the business relationships between Danone and the latter. Upon the recommendation of the Governance Committee, the Board determined that both Mr. Jean-Michel SEVERINO and Ms. Clara GAYMARD did not have any significant business relationship, either directly or indirectly, with the Company. The analysis of the significant nature of the business relationship focused on several criteria: • the customary nature of the investments undertaken by Danone in the funds concerned and their arm's length market conditions; • the absence of investments by Danone in all funds managed or launched by I&P, on the one hand, and by Raise Conseil, on the other; • the amount invested by Danone in the funds concerned which are not significant on Danone's scale since they represent only 3% (for the funds managed by I&P) and 4% (for those managed by Raise Conseil) of the total amount invested by Danone in societal, social impact or innovation funds; • the absence of Danone's participation in the decision-making bodies of these funds (Danone having only (i) one representative on the advisory committee of each of the two funds managed by I&P, and (ii) one representative on the strategy committee – which has an advisory role – of one of the two funds managed by Raise Conseil); • the absence of economic dependency or exclusivity between Danone, on the one hand, and each of the funds and management companies concerned, on the other hand, since (i) the amounts of these investments represent only a very small minority stake of the share capital of each fund concerned, alongside many other public and private investors who invest under the same conditions as Danone and (ii) Danone's investments in the funds concerned represent a small proportion of the financing of all the funds and programs managed or launched by I&P on the one hand (approximately 4%) and by Raise Conseil on the other (1.5%). The Board therefore deemed that Mr. Jean-Michel SEVERINO and Ms. Clara GAYMARD continued to meet all the independence criteria of the AFEP-MEDEF Code.

Non-independent Directors

Directors	Non-independence criterion retained under the AFEP-MEDEF Code
Emmanuel FABER	**Danone corporate officer**
Franck RIBOUD	**Former Danone corporate officer**
Cécile CABANIS	**Employee of the Company over the last five years**
Isabelle SEILLIER	**Existence of significant business relationships** Because Ms. Isabelle SEILLIER is an executive manager at J.P. Morgan Group, the Governance Committee and the Board reviewed Danone's business relationships with J.P. Morgan, which is among the banks used by Danone on a regular basis, notably for financing and occasionally for M&A. Although Ms. Isabelle SEILLIER does not have any decision-making power on agreements entered into by the two companies and does not receive any compensation linked to these agreements, the Board felt that these business relationships could potentially create a conflict of interest, given the very nature of the business relationship. The Board therefore decided to consider Ms. Isabelle SEILLIER a non-independent Director.
Benoît POTIER	**Board term of office exceeding 12 years** Following a review, the Board determined that Mr. Benoît POTIER was a non-independent Director even if it considers that a Director who has sat on the Board for more than 12 years remains capable of reaching a free, informed and critical judgment, and that in the particular case of Mr. Benoît POTIER, his capacity to think and speak freely attest to his considerably independent spirit.

Measures implemented with respect to potential conflicts of interest

The Board's rules of procedure include various means to prevent conflicts of interest involving Directors, notably the obligation:

- to notify the Board Secretary in advance of any conflict of interest, including potential or future conflicts of interest, that involves or could potentially involve that Director, in order to obtain the Secretary's approval;
- to submit a sworn statement indicating any conflicts of interest (i) at the time he/she takes office, (ii) annually at the time of the preparation of Danone's Universal Registration Document or (iii) at any time upon request from the Chairman of the Board of Directors or, where applicable, the Lead Independent Director, and (iv) within 10 working days following the occurrence of any event rendering part or all of the previous sworn statement invalid;
- to provide, each year, the list of positions and responsibilities exercised at all companies during the past five years and to answer the survey on conflicts of interest prepared by the Company;
- for any Director involved in a conflict of interest situation, even a potential one, to systematically abstain from participating in the Board's deliberations and from voting on the corresponding deliberation.

Moreover, for any new agreement between Danone and another company in which a Director exercises responsibilities that might place him/her in an actual or potential conflict of interest situation, and considered a related party agreement, the following requirements apply (i) total transparency regarding the terms under which the company is compensated by Danone, (ii) prior authorization by the Board of Directors (with the corresponding Director abstaining from the deliberations and vote), (iii) disclosure of the principal terms of the agreement on the Danone website, and (iv) a vote by shareholders under a separate resolution at the next Shareholders' Meeting.

In addition, when an actual or even potential conflict of interest involves a Director considered non-independent under the AFEP-MEDEF Code, the status of the non-independent Director and the existence of an actual or potential conflict of interest is expressly mentioned in the Board of Directors' report to the Shareholders' Meeting.

To the Company's knowledge:

- there are no family ties among its corporate officers. Moreover, during the last five years, no corporate officer has been convicted of fraud, declared bankruptcy, been placed in receivership or liquidation, been officially and publicly accused and/or penalized by any statutory or regulatory authority, or been prohibited by a court from being a member of a company's administrative, management or supervisory body or from participating in the management or administration of a company's business;
- there are no potential conflicts of interest between any Director's duties to the Company and their private interests and/or other duties, with the exception of Ms. Isabelle SEILLIER and Ms. Gaëlle OLIVIER (see section *Independence of Directors* above)

On the date of this Universal Registration Document, no corporate officer is connected to the Company or one of its subsidiaries via a service contract granting any benefits whatsoever, with the exception of the two Directors representing employees bound to Danone by an employment contract.

Situation of each Director regarding the independence criteria defined by the AFEP-MEDEF Code (Appendix 3)

Name	Employee/Corporate officer during the past 5 years	Cross directorships	Significant business relationship	Family relationship	Statutory Auditors	Term of office exceeding 12 years	Non-executive corporate officer with variable compensation	Status of major shareholder
Emmanuel FABER	✘	•	•	•	•	✘	•	•
Franck RIBOUD	✘	•	•	•	•	✘	•	•
Guido BARILLA	•	•	•	•	•	•	•	•
Frédéric BOUTEBBA	✘	•	•	•	•	•	•	•
Cécile CABANIS	✘	•	•	•	•	•	•	•
Clara GAYMARD	•	•	•	•	•	•	•	•
Michel LANDEL	•	•	•	•	•	•	•	•
Gaëlle OLIVIER	•	•	•	•	•	•	•	•
Benoît POTIER	•	•	•	•	•	✘	•	•
Gilles SCHNEPP	•	•	•	•	•	•	•	•
Isabelle SEILLIER	•	•	✘	•	•	•	•	•
Jean-Michel SEVERINO	•	•	•	•	•	•	•	•
Virginia A. STALLINGS	•	•	•	•	•	•	•	•
Bettina THEISSIG	✘	•	•	•	•	•	•	•
Serpil TIMURAY	•	•	•	•	•	•	•	•
Lionel ZINSOU-DERLIN	•	•	•	•	•	•	•	•

• when the independence criterion is met, ✘ when it is not met.

Change in the composition of the Board of Directors and Committees

Changes in the composition of the Board of Directors occurring in 2020

Situation as of December 31, 2020

	Renewals [a]	Departure	Co-opting
Board of Directors	Gaëlle OLIVIER	Gregg L. ENGLES	Gilles SCHNEPP [b]
	Isabelle SEILLIER		
	Jean-Michel SEVERINO		
	Lionel ZINDOU-DERLIN		

(a) These renewals took effect on June 26, 2020 following approval by the Shareholders' Meeting held that day.
(b) Mr. Gilles SCHNEPP was co-opted as Director by the Board of Directors in December 2020, effective immediately, to replace Mr. Gregg L. ENGLES.

In view of the Board's policy on managing potential conflicts of interest, Mr. Gregg L. ENGLES resigned as Director because of his involvement in an investment fund that plans to acquire a competitor of Danone in the United States in one of its business segments.

It should be noted that the terms of office of the two Directors representing employees were renewed in 2020 by the employee representative bodies in accordance with legal and statutory provisions.

Proposals for the Shareholders' Meeting of April 29, 2021

Danone's teams maintain an ongoing dialogue with investors, notably with respect to preparations for the Shareholders' Meeting and tracking voting intentions on resolutions. Discussions are also held with the principal shareholders in order to obtain their opinions on resolutions that will be presented to the Shareholders' Meeting.

In accordance with the Director selection policy described above, Danone called on a world-renowned recruitment firm to select candidates who meet the criteria set by the Board. In addition, the Governance Committee had recommended the selection of an independent director who was an executive of an international CAC 40 group.

Upon recommendation of the Governance Committee, the Board decided to submit the renewals and ratification of the co-opting of the following persons to the Shareholders' Meeting of April 29, 2021:

	Renewals	Ratification of the co-opting
Board of Directors	Guido BARILLA	Gilles SCHNEPP [a]
	Cécile CABANIS	
	Michel LANDEL	
	Serpil TIMURAY	

(a) The Shareholders' Meeting of April 29, 2021 is asked to ratify the co-opting of Mr. Gilles SCHNEPP as Director, which was approved by the Board of Directors at its meeting in December, 2020.

Mr. Emmanuel FABER's term of office as Chairman and Chief Executive Officer ended on March 14, 2021. The Board thanked him for his leadership and significant contributions to Danone since 1997, and since 2014 as Chief Executive Officer and then Chairman and Chief Executive Officer. The Board considered that his vision and commitment to One Planet. One Health are ahead of the industry and have ensured that Danone is a world leader on sustainability. The Board thus highlighted that Mr. Emmanuel FABER leaves Danone with a strong platform from which to accelerate and grow.

In addition, after 18 years of dedicated service to the Board, Mr. Benoît POTIER decided not to seek renewal of his term of office at the Shareholders' Meeting to be held on April 29, 2021, as did Ms. Virginia A. STALLINGS, who has reached the statutory age limit for Directors.

Renewals of Directors' terms subject to the approval of the Shareholders' Meeting of April 29, 2021

Guido BARILLA	Guido BARILLA makes a valuable contribution to the Board of Directors' activities, thanks in particular to his experience as leading a worldwide food company which he contributed to turn into a world leader, his marketing expertise and his knowledge of global food issues and of the sustainable management of agricultural resources.
Cécile CABANIS	A Director since 2018, EVP, Chief Financial Officer, Technology & Data, Cycles & Procurement and a member of Danone's Executive Committee until February 19, 2021, Cécile CABANIS has worked at Danone for 16 years. Her knowledge of the company and the food and beverages industry, as well as her extensive financial expertise, including sustainable finance, and international experience make her a valuable asset for the Board and enhance the operational approach to its work.
Michel LANDEL	A former executive at Sodexo, Michel LANDEL has expertise in the food and beverages sector and significant know-how in the consumer services sector, which are valuable assets for the Board's work. His firm, pioneering commitments to diversity and his knowledge of Corporate Social Responsibility issues are fully in line with Danone's purpose and enrich the Board's discussions and work. As part of his mission as Danone's Lead Independent Director, he established a dialogue with Danone's major shareholders on governance issues.
Serpil TIMURAY	Serpil TIMURAY, of Turkish nationality, worked at Danone more than 10 years ago, when she held various management positions, including that of Chairman and Chief Executive Officer of Danone Turkey. Now a member of the Executive Committee and EVP Europe Region for the international telecommunications group Vodafone, she brings to the Board of Directors her operational knowledge of Danone and the food and beverages market as well as her experience in strategy and risk management, and strengthens its international dimension.

Ratification of the co-opting of Mr. Gilles SCHNEPP submitted to the Shareholders' Meeting of April 29, 2021

Gilles SCHNEPP	Gilles SCHNEPP, a former executive at Legrand, is a highly respected figure in the business world. Through confirmation of his co-option as Director, the Board will have an opportunity to benefit from his experience as an executive of an international listed company, and particularly his strategic, global, and operational perspective, as well as his expertise in governance. He also has a non-financial expertise thanks to his participation in market bodies that specialize in these areas.

Analysis of the composition of the Board of Directors

	Composition following the Shareholders' Meeting held in		
	2019	2020	2021
Percentage of women [a]	43%	43%	42%
Average age of Directors [a]	58.6 years	59.6 years	59.6 years
Average length of term of office [a]	7.4 years	8.4 years	8.5 years
Percentage of Directors of non-French nationality [a]	36%	36%	25%
Independence rate [a] [b]	57%	57%	67%

(a) In accordance with the recommendations of the AFEP-MEDEF Code and statutory provisions, Directors representing employees are not factored into the calculation of the Board of Directors' independence rate or the percentage of female Board members. To maintain the consistency of information presented, they are therefore not recognized in the calculations with respect to average age, average duration of terms of office or the percentage of non-French Directors.

(b) Since 2018, Danone has strictly applied all independence criteria of the AFEP-MEDEF Code, notably the one on the duration of terms of office.

The Board of Directors continues to enhance the independence of its members, in particular by proposing to the Shareholders' Meeting of April 29, 2021 the ratification of the co-opting of Gilles SCHNEPP. Therefore, subject to a favorable vote by the Shareholders' Meeting, the rate of independence, which has remained stable at 57% since 2018, would be at 67%, higher than the 50% rate required by the AFEP-MEDEF Code.

Operation of the Board of Directors

Directors' terms of office: duration and renewal

Duration under the by-laws	Under the by-laws, the term of office for a Director is three years, renewable.
Age limit	The term of office of any individual Director automatically ends at the conclusion of the Shareholders' Meeting held to approve the previous year's financial statements and held in the year in which this Director has reached or will reach age 70. If the Shareholders' Meeting so decides, this age limit is nevertheless not applicable to one or more Directors whose term of office could be maintained or renewed on one or more occasions, as long as the number of Directors affected by this provision does not exceed one-fourth of active Directors.
Staggering	Directors' terms of office are staggered over time. This staggering and the three-year limit under the by-laws facilitate their regular renewal, thereby allowing the Shareholders' Meeting to vote each year on several terms of office.

Ownership of DANONE shares by Directors

Although French law no longer requires a minimum shareholding by directors, Danone's by-laws, in accordance with the AFEP-MEDEF Code, require each Director (except for Directors representing employees) to hold a minimum of 4,000 DANONE shares (*i.e.* €215,040 based on the share closing price on December 31, 2020).

Rules of procedure

Adopted in 2002 and updated regularly, the Board of Directors' rules of procedure:

- specify the rights and obligations of Directors, as well as the Board's method of operation;
- are reviewed on a regular basis and were amended in particular following regulatory developments and certain Board of Directors' self-assessments;
- are published on the Danone website and a number of provisions are summarized below;
- were amended in 2019 so that the Board of Directors' rules of procedure include the Committees' rules of procedure and be consistent with the recommendations of the AFEP-MEDEF Code, notably those related to the requirement that Directors facing an actual or potential conflict of interest systematically abstain from participating in the deliberations and from voting on the corresponding matter;
- were amended (i) in June 2020, as part of the adoption of Entreprise à Mission status, in order to include a paragraph regarding Danone's purpose and to specify the interactions between the Mission Committee and the Engagement Committee, and (ii) at the time of the creation of the Strategy & Transformation Committee in December 2020.

Summary of the main provisions of the rules of procedure in force

Duties	The Board of Directors exercises the powers attributed to it by law and acts in all cases in the business interest of the company. It determines the strategic orientations of Danone's activity and ensures their implementation. It seeks to promote long-term value creation while taking into account the social and environmental challenges of its activities. It conducts the verifications and controls that it deems necessary.
Meetings	The Board of Directors is a collegial body that meets at least five times per year. The outside Directors meet at least once a year on the initiative of the Lead Independent Director.
Committees	The Board of Directors may decide to create one or several specialized Committees, whose composition, powers and operating rules it sets, and which conduct their activity under its responsibility. The Committees are comprised only of Directors who are designated personally and may not be represented. They are appointed by the Board of Directors, acting on the recommendation of the Governance Committee.

General principles

Directors' Code of Ethics
Each year, after reviewing the opinion of the Governance Committee, the Board of Directors considers the situation of each Director in light of the AFEP-MEDEF Code independence rules.

Market ethics
Directors are bound by a duty of care and due diligence, as well as an obligation to take special care with respect to any transactions involving DANONE shares or any financial instruments related to such shares. They must comply with regulations governing insider trading. In particular, they are required to comply with the applicable stock exchange regulations related to (i) the definition, use and disclosure of inside information, (ii) the provision of a list of persons closely associated with them, (iii) compliance with blackout periods, and (iv) the reporting of transactions involving DANONE shares.

Duty to report conflicts of interest
Each Director must, at all times, make every effort to avoid carrying out activities or completing transactions that could give rise to a conflict of interest with Danone. Each Director must inform the Board Secretary in advance of any conflict of interest, including potential or future conflicts of interest, that he/she has or is liable to have, in order to obtain the Secretary's approval. The Board Secretary may, where applicable and if he/she deems it necessary, seek the opinion of the Governance Committee prior to giving such approval.

Each Director must provide a sworn statement indicating whether or not he/she has any conflicts of interest, including potential conflicts of interest, (i) at the time he/she takes office, (ii) annually, in response to the Company's request when preparing the Registration Document, (iii) at any time, if requested by the Chairman of the Board of Directors or, where applicable, the Lead Independent Director, and (iv) within 10 business days of the occurrence of any event that causes a Director's previously filed statement to become inaccurate, in whole or in part.

A Director who has a conflict of interest, including a potential conflict of interest, must refrain from participating in discussions and voting on the matter in question.

Availability of Directors
Directors must attend Board of Directors' meetings and Shareholders' Meetings and devote the necessary time to their duties.

In particular, they must limit the number of offices held at other companies, including their participation in those companies' committees, to ensure sufficient availability. Before accepting another appointment at a French or foreign listed company, they must inform the Chairman of the Governance Committee or, where applicable, the Lead Independent Director, and executive corporate officers must also seek the opinion of the Board of Directors.

Ban on the use of any hedging instrument
Each Director and any closely related persons must refrain from using any financial instruments related to DANONE shares (including hedging instruments), in particular (i) call options or options to subscribe DANONE shares, (ii) rights to DANONE shares granted subject to performance conditions, (iii) DANONE shares issued through options or issued through shares granted subject to performance conditions, (iv) DANONE shares subject to a holding period requirement by the Board of Directors or by law, and lastly, (v) any other DANONE shares held by this Director.

Board of Directors' assessment
The Board of Directors' performance is assessed every two years. This assessment may be a self-assessment, an assessment by the Governance Committee or an assessment by a third-party organization. Once a year, the Board devotes one item on its agenda to a discussion of its operation.

Information for Directors
The Board Secretary is responsible for providing the Directors with working documents and, more generally, is available to them for any request for information regarding their rights and obligations, the Board's operation or the Company's activities. In addition, the Directors may request at any time that the Chairman provide them with all information and documents they deem necessary to perform their duties.

Training of Directors

In accordance with the rules of procedure, all Directors are entitled to the training they need to perform their duties, upon appointment and during their term of office, in particular to enable them to understand Danone's business, risks and organization, and to develop certain specific skills. This internal or external training is organized and paid for by the Company. The Directors representing employees receive suitable training to carry out their terms of office as soon as they assume their position.

In addition, upon assuming his/her duties, each new Director receives documents and information enabling him/her to know and understand Danone and its culture, as well as operational, accounting and financial specificities.

Danone offers each new Director an enhanced orientation procedure that includes individual meetings with several existing Directors and with members of General Management and the Executive Committee.

Danone also offers Directors presentation sessions by the heads of the main functions as well as regular site visits.

Directors also regularly participate in significant events organized by Danone.

Moreover, during his/her term of office, each Director regularly receives press clips comprising articles about Danone and its environment as well as analyst ratings on DANONE shares.

Procedure for related party and ordinary agreements

In accordance with the new Article L. 22-10-2 of the French Commercial Code (formerly Article L. 225-39 of this Code), and on the recommendation of the Governance Committee, the Board of Directors on December 12, 2019 approved an internal procedure related to the identification of related party agreements and the assessment of agreements entered into the ordinary course of business.

While reiterating the applicable legal and regulatory framework, this procedure formalizes the process for identifying and characterizing agreements as "related party agreements" or "agreements entered into the ordinary course of business and at arm's length", a process applied before entering into any agreement that might be characterized as a related party agreement. In particular, it includes criteria for classifying agreements, notably on the basis of transaction categories and financial thresholds. The procedure also institutes an annual assessment of its implementation by the Governance Committee, which may at that time propose to the Board of Directors that the procedure's terms be amended. Persons directly or indirectly affected by an agreement do not participate in its assessment.

The implementation of this procedure in 2020 resulted in a review by the Legal Department of the summary table prepared by the Accounting Department of financial flows during the year between the Company and the persons concerned within the meaning of the applicable regulations. A summary of this review was then presented to the Governance Committee on February 4, 2021 which, after reviewing it, presented the findings of its assessment to the Board of Directors on February 18, 2021 at the time of the annual review of related party agreements. After analysis, the Board concluded that all the agreements entered into the ordinary course of business and at arm's length continued to qualify as such.

Involvement of Directors outside of Board meetings

Directors demonstrate their commitment outside of Board meetings, particularly through discussions among themselves and with the Chairman and Chief Executive Officer, and by meeting several times informally. In particular:

- they regularly attend work days of the annual seminar in Evian held for all Danone senior executives during which Danone's strategy and those of its reporting entities are discussed in detail;
- they meet and talk informally before or after each Board meeting;
- they participate in briefings when new developments so require and meet regularly outside of Board meetings;
- they participate in site visits;
- they attend the Shareholders' Meeting.

Activity and work of the Board of Directors

Meetings and attendance

	2020	2019
Board of Directors meetings	12	6
Attendance rate	97%	95%
Average meeting duration	2:52	5:10

In the context of the Covid-19 health crisis, the Directors were heavily called on. They met 12 times during the year. Many meetings were held by videoconference because of the health crisis.

Directors were regularly informed of the impact of this crisis, from both a health standpoint and in terms of the impact on the company's activities, business lines and geographical areas, and of the measures taken to limit its effects on employees and other stakeholders, through extraordinary meetings at which the medium- and long-term strategic implications of this crisis were addressed. They also had regular discussions with top management, particularly via digital tools during the lockdown period. Directors also received detailed weekly press reviews and monthly analyst reports to keep them up-to-date. In addition, a large portion of the Board's work in 2020 was geared toward managing the health crisis and its financial and operational impacts.

Directors demonstrated their commitment through their very high attendance rate at a number of special meetings, despite the fact that these meetings were at times called on very short notice.

Attendance rates for Board members as of December 31, 2020

Name	Board of Directors	Audit Committee	Governance Committee	Engagement Committee
Emmanuel FABER	100%	–	–	–
Franck RIBOUD	100%	–	–	–
Guido BARILLA	92%	–	–	80%
Frédéric BOUTEBBA	100%	100%	–	–
Cécile CABANIS	100%	–	–	–
Gregg L. ENGLES	92%	–	–	–
Clara GAYMARD	92%	–	100%	–
Michel LANDEL	92%	–	100%	–
Gaëlle OLIVIER	100%	100%	–	–
Benoît POTIER	100%	–	100%	100%
Gilles SCHNEPP	N/A [a]			
Isabelle SEILLIER	100%	–	–	–
Jean-Michel SEVERINO	100%	100%	–	–
Virginia A. STALLINGS	100%	–	–	100%
Bettina THEISSIG	92%	–	–	100%
Serpil TIMURAY	100%	–	–	100%
Lionel ZINSOU-DERLIN	100%	100%	100%	–

(a) Gilles SCHNEPP was appointed by the Board of Directors at its last meeting of the year, in December 2020.

Matters reviewed and discussed by the Board of Directors in 2020 and February 2021

Strategy

- regular presentation by the Chairman and Chief Executive Officer of Danone's strategic priorities and main operating choices;
- annual strategic presentations of each reporting entity by the members of the Executive Committee during a special one-day event;
- in-depth review of the main business lines;
- review of Danone's new, more local organization, including reorganization and expansion of the Executive Committee and monitoring of the adaptation plan launched to optimize execution;
- monitoring of the strategic review of the portfolio of brands and assets;
- review of the strategic risk matrix;
- monitoring of implementation of Danone's 2030 Goals;
- review of the proposed adoption of Entreprise à Mission status: review of the purpose and discussion regarding the social, societal and environmental objectives to be included in the by-laws;
- monitoring of B Corp™ certification, particularly as part of the adoption of Entreprise à Mission status;
- monitoring of Danone's latest innovations, particularly in terms of products and packaging circularity;
- monitoring of Danone's digital transformation;
- monitoring of Manifesto Brands;
- informing the Social and Economic Committee on strategic orientations.

Finance, activity and results

- regular review of Danone's financial situation and debt (change, amount, composition and repayment schedules, rating agencies);
- monitoring and regular review of the activity and financial situations of the reporting entities;
- regular monitoring of the impact of the Covid-19 health crisis on Danone and of the measures taken by the Company through special meetings held on a regular basis;
- review of renewals of financial authorizations to General Management;
- monitoring of Danone's stock market performance, share capital and shareholding structure;
- proposed dividend distribution in 2020 and 2021;
- review of preparation for closing of consolidated financial statements, establishment of annual and interim consolidated and statutory financial statements and review of forward-looking management documents;
- establishment of management report and other reports to shareholders;
- review of the appointment of a new statutory auditor in 2022 to replace PricewaterhouseCoopers Audit, whose term of office has reached the authorized limit;
- monitoring of Danone's financial communications, including a review of press releases about the annual and interim consolidated financial statements, the decision to withdraw the financial targets announced to the market for 2020 and the announcement of new targets for 2020 and medium-term targets;
- regular notifications on Danone's risk management and internal control systems and review of Danone's risks;
- authorization to sell Danone's stake in the Yakult group.

Corporate governance

- review of the external assessment of the operation of the Board of Directors and Committees;
- annual review related to the relevance of the governance structure;
- discussion regarding the implementation of the management succession plan;
- review of the composition of the Board with respect to the Board's diversity policy and suitable expertise of its members;
- review of the Board Committees: responsibilities, operation, composition and decision to create the Strategy & Transformation Committee;
- preparation of the 2020 and 2021 Shareholders' Meetings: proposed renewals of Directors' terms of office and appointments; responses to written questions from shareholders; review of the draft resolutions related to governance and compensation of the corporate officers;
- review of the postponement of the 2020 Shareholders' Meeting, decision to hold it in closed session in light of the Covid-19 health crisis and to relax the rules for allowing shareholders' questions to give them an opportunity to express themselves;
- review of the draft report on corporate governance for the years 2020 and 2021;
- as part of the adoption of Entreprise à Mission status, review of the new version of the by-laws and the Board's rules of procedure;
- as part of the adoption of Entreprise à Mission status, review of the composition of the Mission Committee, the length of its members' terms of office and compensation; review of the Independent Third Party to be appointed to verify achievement of the objectives set in the by-laws;
- annual review of related party agreements and review of the internal procedure for identifying related party agreements and assessing agreements entered into the ordinary course of business;
- monitoring of the new composition of the Executive Committee.

Compensation

- development and approval of compensation policies for the corporate officer and Directors and review of disclosures relating to compensation;
- review of the corporate officer's compensation for previous years (2019 in February 2020 and 2020 in February 2021): determination of the level of attainment of the objectives, review of the balance between its components;
- determination of the principles of the corporate officer's annual compensation for 2020 and 2021, in particular: review of the balance between its components, determination of the amounts (target, maximum, minimum) and targets of annual variable compensation;
- determination of the compensation of members of the Mission Committee in connection with the adoption of Entreprise à Mission status;
- review of compensation for Directors;
- review of long-term compensation instruments (share grant plans (GPS) and GPU): determination of the performance conditions of new plans, grant decision, determination of attainment of the performance conditions of the plans;
- decision to reduce the annual compensation of the Chairman and Chief Executive Officer and Directors in light of the Covid-19 health crisis and in accordance with AFEP recommendations.

Corporate Social Responsibility (CSR)

- monitoring of Danone's investments in projects that have a positive social and environmental impact, particularly in terms of fighting climate change, protecting biodiversity and regenerative agriculture;
- monitoring of societal funds created through Danone initiatives;
- approval of Danone's annual contribution to Danone Communities and review of the projects carried out by the fund;
- review of the WeActForWater project, particularly the creation of a fund, the Water Access Acceleration Fund, aimed at accelerating and promoting access to water around the world;
- monitoring of the various business coalitions in which Danone participates (One Planet Business for Biodiversity, Business for Inclusive Growth and the Consumer Goods Forum);
- review of Danone's non-financial reporting and non-financial rating;
- annual update on the FTSE4Good index;
- update on the call to action on breast milk substitutes launched by the World Health Organization, UNICEF and several large civil society organizations, and review of Danone's response and commitments in this area.

Human resources

- review of the proposed Local First reorganization plan, particularly staff reduction at the global head offices;
- presentation to the Board of the FutureSkills project designed to help Danone employees prepare for the jobs of tomorrow;
- monitoring of the integration of the Early Life Nutrition and Medical Nutrition activities into a Specialized Nutrition Reporting Entity;
- annual review of Danone's situation and policy with respect to professional equality and equal pay for men and women;
- monitoring of "One Person, One Voice, One Share" program.

Assessment

In accordance with its rules of procedure, the Board of Directors conducts an assessment every two years (2014, 2016, 2018 and most recently in 2020), which covers the composition, organization and operation of the Board itself and of each of its Committees. The results of this assessment are reviewed by the Governance Committee. Every other assessment is performed by an outside firm that assesses in particular the individual contribution of each Director. In addition, once a year the Board devotes one item on the agenda of one of its meetings to a discussion of its operation.

Assessment in 2018

In 2018, Mr. Michel LANDEL, in his capacity as Lead Independent Director, conducted an internal assessment of the Board of Directors, together with the Board Secretary, on the basis of individual interviews with each Director and a detailed questionnaire sent beforehand to each of them. Among the topics covered were the Board's operation, structure, governance, composition and duties, as well as the information provided to Directors, the choice of matters discussed, the quality of the discussions, participation and the general operation of the Committees.

The summary of the assessment was reviewed by the Governance Committee then presented to and discussed by Board of Directors.

External assessment in 2020

In 2020, the Board was assessed by a specialized firm that assesses most French listed companies.

Each Director received a questionnaire which they were asked to complete and individual interviews were then conducted to discuss certain issues in more detail. The Lead Independent Director was actively involved in this assessment.

Findings

The firm that conducted the assessment presented its findings to the Governance Committee and to the Board of Directors so that it could respond directly to the Directors' questions. This assessment shows that:

- the context in which the assessment was conducted is very different from that of the 2016 assessment, given that the governance structure has changed (the functions of Chairman and Chief Executive Officer were combined and the Entreprise à Mission status was adopted, etc.) and that the economic environment has become much more difficult due to the current health crisis;
- although the Board of Directors' operation did not change significantly, it was more discussed as a result of the economic downturn.

The main areas of satisfaction in terms of governance involved:

- Danone's renewed image thanks to an innovative societal project promoted by the Chairman and Chief Executive Officer;
- the diversity, richness and complementarity of the Board members;
- the Directors' firm commitment and solid sense of responsibility with a strong bond of solidarity and a rich and direct dialogue;
- the effective functioning of the Committees and the Strategic Seminar; and
- high-quality information.

The Board noted the main recommendations regarding the following points:

At the governance level

- renew dialogue between the Board and the Chairman and Chief Executive Officer regarding their respective expectations; and
- discuss certain strategic matters in depth at special meetings.

Regarding the Board's operation

- allow more flexibility in terms of meeting length and hold outside Director meetings more frequently;
- increase the Executive Committee members' participation in Board meetings;
- provide the Board with a more efficient videoconferencing system; and
- structure the onboarding program for new Directors more precisely.

Regarding the Committees

- review the format of reports to facilitate discussion at Board meetings.

Measures implemented following the assessment

The Board decided to create the Strategy & Transformation Committee whose tasks include preparing the Board's work on strategic orientations, with special attention given to implementation of the adaptation plan announced in late 2020. Moreover, in December the Governance Committee discussed the combination of the functions of Chairman of the Board and Chief Executive Officer and decided to discuss this matter in depth in 2021.

The organization of Board meetings was also reviewed so that there is more flexibility in terms of meeting length and so that in-person meetings can be held once the health situation so allows.

In addition, the onboarding program for new Directors was also reviewed to meet the requirements of new and existing Directors.

Review of the individual contribution of Directors

The assessment also covered the individual evaluation of each Director's actual contribution to the Board's work, with each Director given the opportunity to express his/her view of each Board member's contribution to Board meetings.

Annual review of the Board's operation

In 2020 as in each year, the Board conducted a review of its own operation and that of each of its Committees.

AUDIT COMMITTEE

Composition as of December 31, 2020

	Date first joined the Committee
Jean-Michel SEVERINO Chairman	April 2012
Gaëlle OLIVIER	February 2015
Lionel ZINSOU-DERLIN	June 2018
Frédéric BOUTEBBA	June 2018

The four Directors who are Audit Committee members are independent (*i.e.* an independence rate of 100%); the AFEP-MEDEF Code recommends a rate of 67%. Mr. Jean-Michel SEVERINO, the Committee's "financial expert" as defined by Article L. 823-19 of the French Commercial Code, chairs the Committee. The members of the Audit Committee were chosen for their know-how and their recognized expertise in finance, accounting, internal control, internal audit and risk management. Their professional background is presented extensively in section 6.2 *Positions and responsibilities of the Directors*. It should be noted that the Audit Committee's members include a Director representing employees, who is chosen for his/her practical knowledge of Danone and operational skills and whose presence provides the Committee with a concrete approach to its work.

Duties

The Audit Committee is responsible for monitoring issues related to the preparation and control of Danone's accounting and financial information. Its principal duties include:

- reviewing the draft versions of the annual and interim consolidated and statutory financial statements and drafts of press releases;
- monitoring the effectiveness of internal control, internal audit and risk management systems as well as compliance policies; and
- monitoring the engagement, duties and independence of the Statutory auditors.

It is regularly briefed by senior management responsible for the financial statements, internal audit and internal control, risk management, treasury and financing, tax matters and compliance, and by the Statutory auditors. At the discretion of the Committee, these briefings may be held without representatives of General Management being present. The Audit Committee invites the Statutory auditors to attend each of these meetings and meets with them once a year, without any Danone representative being present.

The duties of the Audit Committee are described in the Board of Directors' rules of procedure, available on the Danone website at www.danone.com/ (Section Investors/Governance/By-laws & Rules of procedure).

Activity and work of the Audit Committee

Meetings and attendance

	AUDIT COMMITTEE MEETINGS	ATTENDANCE RATE
2020	7	100%
2019	5	95%

A report on each Audit Committee meeting is presented at the next Board of Directors' meeting and the meeting minutes are sent to the Directors, thereby enabling the Board to be fully informed and facilitating its work and proceedings. The Chief Financial Officer is regularly involved in the Audit Committee's work and participates in its meetings.

Work of the Committee in 2020 and early 2021

- review of the annual and interim statutory and consolidated financial statements. This review systematically involves: (i) presentation by the Chief Financial Officer of the principal financial results; (ii) review of financial indicators not defined by IFRS; (iii) presentation by the Statutory auditors of their audit approach for the annual and interim financial statements; (iv) joint presentation by the person responsible for the financial statements (Head of Consolidation, Reporting and Standards) and the Statutory auditors of the main accounting options chosen; (v) review of main legal disputes; (vi) hearing the findings of the Statutory auditors, including any audit adjustments; and (vii) review of draft press releases on annual and interim consolidated financial statements;
- semi-annual monitoring of Danone's financial situation (debt and rating agencies);
- regular monitoring of the impact of Covid-19 on Danone's activity, financial position and performance;
- review of risk map for Danone's principal risks (including financial) by the person responsible for risk monitoring and management, and review of the description of risk factors in the Universal Registration Document;
- monitoring of the organization and effectiveness of the internal audit and control systems, including changes to internal audit and control work in light of the Covid-19 health crisis;
- review of parts of the management report on internal control and risk management;
- annual update on compliance;
- monitoring of the call for tenders for the appointment of a new statutory auditor in 2022 to replace PricewaterhouseCoopers Audit, whose term of office has reached the authorized limit: review of its practical details (process, governance, timetable, selection criteria, etc.); monitoring of its progress; interview of candidates; analysis of candidates' proposals and recommendations to the Board of Directors;
- approval and regular monitoring of Statutory auditors' fees in connection with their certification of the financial statements and other services, and review of their independence;
- review and approval of the procedure for authorizing services, other than the certification of the financial statements, performed by the Statutory auditors and the members of their networks;
- review of the proposed dividend distribution submitted to the Shareholders' Meeting for approval;
- review of financial authorizations submitted to the Shareholders' Meeting for approval;
- review of Danone's tax situation;
- update on IS/IT issues as regards accounting and financial information;
- update on the operation of the Audit Committee.

GOVERNANCE COMMITTEE

Composition as of December 31, 2020

	Date first joined the Committee
Michel LANDEL Chairman	April 2018
Benoît POTIER	April 2012
Lionel ZINSOU-DERLIN	February 2015
Clara GAYMARD	April 2016

Duties

The Governance Committee is responsible for monitoring governance matters, notably the appointment of Board members and corporate officers, as well as matters involving their compensation, especially with respect to the AFEP-MEDEF Code on corporate governance at listed companies, which serves as a reference for the Company. It reviews the corporate governance rules applicable to the Company and monitors their implementation as well as any changes thereto.

The Governance Committee's duties are described in detail in the Board of Directors' rules of procedure, available on the Danone website at www.danone.com (Section Investors/Governance/By-laws & Rules of procedure).

Activity and work of the Governance Committee

Meetings and attendance

	GOVERNANCE COMMITTEE MEETINGS	ATTENDANCE RATE
2020	8	100%
2019	5	100%

A report on each Governance Committee meeting is presented at the next Board of Directors' meeting and activity reports enable it to be fully informed, thereby facilitating its proceedings. The Chairman and Chief Executive Officer regularly works with the Governance Committee, except on matters involving him personally.

Work of the Committee in 2020 and early 2021

Regarding governance

- detailed review of the proposal to adopt Entreprise à Mission status and discussion regarding the purpose and the social, societal and environmental objectives to be included in the by-laws;
- review of the organization and composition of the Mission Committee;
- annual review of the relevance of the governance structure, particularly in the context of the Covid-19 health crisis;
- review of the organization of Danone's General Management;
- Committee's discussion regarding the best possible organization in connection with the establishment of a long-term and short-term succession plan, with the Committee agreeing to review this matter in depth in the first half of 2021;
- review of the external assessment of the Board and its Committees conducted by a specialized firm which presented a summary of the results to the Committee; review of the findings of the assessment report and development of a process for monitoring the main areas in need of attention;
- annual review of the operation of the Board of Directors and the Committee;
- annual individual review of (i) each Director's independence and any actual or potential conflicts of interest (see section *Independence of Directors* above) and (ii) the Directors' attendance;
- review of the composition of the Board with respect to its diversity policy, and specifically the relative number of female Directors, independent Directors, international Directors and the suitability of the Directors' expertise, leading to a review for the 2020 and 2021 Shareholders' Meetings of term of office renewals and possible appointments of new Directors;
- review of draft reports on corporate governance for the years 2020 and 2021;
- review of the voting results of the June 26, 2020 Shareholders' Meeting and discussion regarding the less than 80% approval rate of the resolution on the renewal of a Director's term of office because of his/her 67% participation rate at Board meetings in 2019;
- monitoring of the capital increase reserved for employees participating in the Company Savings Plan;
- monitoring of "One Person, One Voice, One Share" program.

Regarding compensation

- review of Danone's compensation policy, notably the review of weightings of its components and coherence of performance conditions;
- review and determination of the criteria and weighting factors for annual variable compensation; in particular, definition for each criterion of the target, cap, maximum and minimum attributable;
- review of the compensation programs: (i) long-term compensation in cash, including a review of whether performance objectives were achieved and setting performance objectives for the year; and (ii) long-term compensation in shares, including the determination

of performance conditions and a review of whether they were achieved and of the obligation of the corporate officers and the members of the Executive Committee to hold their shares;

- review of the 2020 and 2021 compensation policy for the corporate officer and Directors;
- preparation of resolutions on the corporate officer's 2019 and 2020 compensation at the 2020 and 2021 Shareholders' Meetings;
- determination of the compensation of members of the Mission Committee in connection with the adoption of Entreprise à Mission status;
- review of draft resolutions regarding the grant of GPS by the 2020 and 2021 Shareholders' Meetings;
- decision to reduce the Chairman and Chief Executive Officer's annual compensation for 2020 in light of the Covid-19 health crisis;
- decision to reduce the Directors' annual compensation for 2020 in light of the Covid-19 health crisis;
- review of disclosures related to compensation: February 2020, July 2020 and February 2021.

ENGAGEMENT COMMITTEE (FORMERLY THE PURPOSE & ENGAGEMENT COMMITTEE)

Composition as of December 31, 2020

	Date first joined the Committee
Serpil TIMURAY Chair	April 2019
Virginia A. STALLINGS	April 2019
Bettina THEISSIG	April 2019
Jean-Michel SEVERINO	December 2020

Following the adoption of Entreprise à Mission status and creation of the Mission Committee, it seemed appropriate to change this Committee's name to Engagement Committee.

Duties

The Engagement Committee has the following responsibilities:

- monitoring the roll-out of policies, commitments and initiatives implemented by Danone as part of its 2030 Goals, notably in the health, environment, human resources, inclusive growth and B Corp™ certification areas;
- maintain a dialogue with employees and their representatives by consulting with them on the company's progress toward the 2030 Goals and by reporting to them on the discussions held by the Board on the long-term deployment of the "One Planet, One Health" company vision and the company's progress toward the 2030 Goals;
- review the reporting and non-financial control systems as well as the main results of non-financial information disclosed by Danone.

The Engagement Committee's duties are described in detail in the Board of Directors' rules of procedure, which are available on the Danone website at www.danone.com (Section Investors/Governance/By-laws & Rules of procedure).

Activity and work of the Engagement Committee

Meetings and attendance

	Engagement Committee meetings	Attendance rate
2020	5	96%
2019	5	92%

In 2020, the Committee held five meetings, including two in which the 26 volunteers representing Danone's 100,000 employees under the "One Person, One Voice, One Share" program participated by videoconference.

A report on each Engagement Committee meeting is presented at the Board of Directors' meeting and the meeting minutes are sent to the Directors, thereby enabling the Board to be fully informed of the issues related to social and environmental responsibility and facilitating its work and proceedings.

Work of the Committee in 2020 and early 2021

- review of the WeActForWater project launched by Danone, particularly the creation of a new fund, the Water Access Acceleration Fund;
- monitoring of Danone's initiatives in the area of regenerative agriculture;
- update on packaging;
- presentation of the "EU Call to Action for a Common Food Policy 2020-2024" launched by Danone as part of the European Green Deal;
- monitoring of the various business coalitions in which Danone participates (One Planet Business for Biodiversity and Business for Inclusive Growth);
- update on the call to action on breast milk substitutes launched by the World Health Organization, UNICEF and several large civil society organizations, and review of Danone's commitments in this area;

- monitoring of Danone's Manifesto Brands and their objectives;
- update on Danone's participation in the Access to Nutrition Index and the FTSE4Good index;
- annual review of Danone's non-financial reporting and monitoring of its non-financial rating;
- monitoring of reporting organized in connection with the social bond issued in 2018;
- review of the annual budget of societal fund Danone Communities and, in that regard, review of Danone's contribution to Danone Communities;
- review of investment projects by the Danone Communities specialized professional investment fund;
- monitoring of B Corp™ certification and implementation of Danone's 2030 Goals;
- update on the role of the Mission Committee – a result of the adoption of Entreprise à Mission status – and its interactions with the Engagement Committee;
- annual review of Danone's policy in terms of professional equality and equal pay for men and women and with respect to inclusion and diversity;
- update on due diligence with respect to human rights;
- discussions, at two Committee meetings, with Danone's 26 employee volunteers under the "One Person, One Voice, One Share" program;
- update on the impact of Covid-19: new ways of working and Danone's response vis-à-vis its employees and its ecosystem;
- presentation of reports of Personal Ethics Commission meetings examining various issues related to Human Resources.

STRATEGY & TRANSFORMATION COMMITTEE

The Strategy & Transformation Committee was created in December 2020 to prepare the Board of Directors' work on the company's strategic orientations, with special attention given to implementation of the Local First adaptation plan announced in late 2020.

As of the date of this Universal Registration Document, the Strategy & Transformation Committee consists of seven members: Mr. Benoît POTIER (Chairman of the Committee), Mr. Guido BARILLA, Mr. Franck RIBOUD, Mr. Gilles SCHNEPP, Mr. Lionel ZINSOU-DERLIN, Ms. Cécile CABANIS and Ms. Isabelle SEILLIER.

This committee is tasked with preparing and clarifying the Board of Directors' work and decisions regarding the Company's strategic orientations, including areas of development, external growth or divestment opportunities, significant agreements or partnerships and transactions on the Company's share capital. It also monitors and analyses changes in Danone's competitive environment.

As part of the implementation of the adaptation plan announced in late 2020, its primary purpose is to monitor the main aspects of the plan:

- implementation of the new regional organization (Local First project);
- progress of the overhead cost reduction plan;
- proposed changes to the business portfolio;
- shift in performance towards the announced targets.

The Strategy & Transformation Committee's duties are described in detail in the Board of Directors' rules of procedure, which are available on the Danone website at www.danone.com (Section Investors/Governance/By-laws & Rules of procedure).

As the Strategy & Transformation Committee was created in December 2020, its work began in 2021.

EXECUTIVE COMMITTEE

Role

The Executive Committee is responsible for Danone's operational management. It implements the strategy defined by the Board of Directors, reviews and approves resource allocation, ensures the consistency of the actions taken by all the reporting entities and, depending on the results achieved, decides on action plans to be implemented. The Executive Committee meets at least once a month.

In late 2020, Danone announced the expansion of its Executive Committee, which will enable it to be more agile at the local level and support its transformation. The establishment of this new organization resulted in:

- the appointment of two macro-regional CEOs (Danone International and Danone North America) and the creation of a new strategic function that combines local and global expertise in Research & Innovation, Cycles & Procurement, Operations (manufacturing and supply chain) and Quality;
- more decision-making at the local level with the implementation of a Danone International organization centered around five zones (Europe, Asia/Africa & Middle East, Greater China & Oceania, CIS & Turkey and Latin America) and the appointment to the Executive Committee of five Presidents responsible for these areas and a Specialized Nutrition Unit President. These six new members joined the Executive Committee in November 2020, keeping their titles and responsibilities as of the date of their appointment, and the functions of Zone President and Specialized Nutrition Unit President will become effective in 2021 following the information-consultation processes. These six new members will report to the International CEO.

Thus, Danone's Executive Committee consists of 12 members with varied and complementary expertise who are familiar with the Company's business and challenges.

It is also a very international committee, with more than half its members of foreign nationality.

Danone's goal is to have balanced representation of men and women at each level of its organization. The Board of Directors ensures that a policy of non-discrimination and diversity is implemented in its management bodies. At the proposal of General Management and in accordance with the recommendations of the AFEP-MEDEF Code, it ensures that General Management sets ambitious gender diversity goals for the Executive Committee and senior management, and is kept informed of the resources deployed and results obtained (see Section 5.4 *Building the future with Danone employees* above).

Composition as of March 15, 2021: 12 members

Name	Age	Principal function at Danone	Date first joined the Executive Committee
Véronique PENCHIENATI-BOSETTA	54	Co-Chief Executive Officer [a] and Chief Executive Officer International	2018
Shane GRANT	46	Co-Chief Executive Officer [a] and Chief Executive Officer North America	2020
Bertrand AUSTRUY	47	Chief Human Resources Officer and General Secretary	2015
Henri BRUXELLES	55	Chief Operating Officer, End-to-End Design to Delivery	2017
Charlie CAPPETTI	56	President CIS and Turkey [b]	2020
Bruno CHEVOT	54	President Greater China and Oceania [b]	2020
Silvia DAVILA	50	President Latin America [b]	2020
Juergen ESSER	49	Chief Financial, Technology and Data Officer [c]	2020
Jean-Marc MAGNAUDET	53	President Specialized Nutrition [b]	2020
Nigyar MAKHMUDOVA	53	Chief Growth Officer	2019
Corine TAP	48	President Asia, Africa and Middle East [b]	2020
Floris WESSELING	49	President Europe [b]	2020

(a) Véronique PENCHIENATI-BOSETTA and Shane GRANT have been appointed by the Board of Directors as of March 14, 2021, to jointly lead the business while the search for a new Chief Executive Officer is underway.

(b) The functions of Zone Presidents and Specialized Nutrition Unit President will be effective at the end of the information-consultation period in 2021. In the meantime, they will keep their titles and responsibilities as of the date of their appointment and act as Study Leaders for the new organization as follows:
- Floris WESSELING, SVP, EDPI Europe & Europe Zone Study Leader
- Corine TAP, SVP Waters Indonesia and SEA, SVP Africa & Asia, Africa and Middle East Zone Study Leader
- Bruno CHEVOT, SVP, ELN Greater China & Greater China, Oceania Zone Study Leader
- Charlie CAPPETTI, SVP, EDPI CIS, Turkey & Middle East & Turkey Zone Study Leader
- Silvia DAVILA, SVP, EDPI Latam, Waters Latam & Latam Zone Study Leader
- Jean-Marc MAGNAUDET, SVP SN Asia, Middle East, Americas, CIS and Exports & SN Unit Study Leader.

(c) As of February 19, 2021.

APPLICATION OF AFEP-MEDEF CORPORATE GOVERNANCE CODE FOR LISTED COMPANIES

In 2008, Danone decided to refer to the AFEP-MEDEF Code and applies its recommendations, with the exception of the following points:

Recommendations	Danone's practice and justification
Presence of a Director representing employees on the Governance Committee (section 18.1 of the AFEP-MEDEF Code) *"It is recommended […] that an employee-director be a member of it."*	The Board, working with the Directors representing employees, did not deem it useful to appoint a Director representing employees to the Governance Committee. The Board, having determined that the profile of Mrs. Bettina THEISSIG, Director representing employees, as well as her experience and in-depth knowledge of Danone are assets for the work of the Engagement Committee, appointed her a member of this Committee. In addition, in order to provide the Audit Committee with a concrete approach of its work, the Board appointed Mr. Frédéric BOUTEBBA, Director representing employees, to that Committee. It should be noted that the Governance Committee consists of three-fourths Directors deemed independent, in accordance with the AFEP-MEDEF Code, and exercises its activity under the responsibility of the Board. Its work, recommendations and opinions are the subject of detailed reports and are discussed during Board meetings by all the Directors, including the Directors representing employees.
Scope of the ratios used to measure differences between the compensation of corporate officers and that of the company's employees (section 26.2 of the AFEP-MEDEF Code) *"80% of the workforce in France can be considered a significant scope."*	The ratios published by the Company were calculated based on the compensation of Danone SA employees. To supplement these ratios for more than 90% of Danone's workforce in France, compensation differences by quintile are presented in section 6.3 *Compensation and benefits of governance bodies* below.

6.2 POSITIONS AND RESPONSIBILITIES OF THE DIRECTORS

(Article R. 225-83 of the French Commercial Code)

Information regarding the Directors:

- *the terms of office in italics are not governed by Article L. 225-21 of the French Commercial Code concerning multiple directorships;*
- *unless otherwise indicated:*
  - *the companies are in France;*
  - *current terms of office correspond to terms of office held as of December 31, 2020;*
  - *DANONE shares correspond to the number of DANONE shares held as of December 31, 2020;*
  - *the terms of office followed by the symbol SM are subject to approval by the Shareholders' Meeting of April 29, 2021.*

Directors whose renewal of office is proposed

Guido BARILLA

Cécile CABANIS

Michel LANDEL

Serpil TIMURAY

Ratification of co-opting proposed

Gilles SCHNEPP

Current Directors

Emmanuel FABER

Clara GAYMARD

Gaëlle OLIVIER

Franck RIBOUD

Isabelle SEILLIER

Jean-Michel SEVERINO

Lionel ZINSOU-DERLIN

Directors whose term of office is not being renewed

Benoît POTIER

Virginia A. STALLINGS

Directors representing employees

Frédéric BOUTEBBA

Bettina THEISSIG

Operating management of large companies / governance of listed companies

Experience in emerging markets

International experiences

Finance / Audit / M&A

FMCG / Food and beverage industry

Social and environmental responsibility

Nutrition / Health

GUIDO BARILLA

Chairman of the Board of Directors of BARILLA

SM Independent Director

Age 62 – Italian nationality
First appointed to the Board: 2018 Shareholders' Meeting
End of term: 2024 Shareholders' Meeting [a]
DANONE shares: 4,000

Expertise – Experience – Main activities

Guido BARILLA spent two years studying in the United States, including one year at Boston College, before returning to Italy to study philosophy at the University of Milan. He began his career in 1982 with a two-year experience abroad in the Sales Department at Barilla France, a subsidiary of the Barilla group. He then worked at several food companies in the United States. In 1986, upon returning to the Barilla group's headquarters in Parma, he became a company executive responsible primarily for the group's international expansion. That same year, he was appointed to the board of directors of Barilla G. e R. F.lli S.p.A., and subsequently named Vice Chairman in 1988. Following his father's death in 1993, he became Chairman of the board of directors of Barilla G. e R. F.lli S.p.A. and group Chairman as of 2003. In 2009, he became Chairman of the advisory board of the Barilla Center for Food and Nutrition (BCFN), now known as the BCFN Foundation.

Current terms of office

Danone companies

- Director and member of the Strategy & Transformation Committee of DANONE SA

Other companies

Foreign unlisted companies

- Director and Chairman of the board of *CO.FI.BA. S.R.L* [b] (Italy), *GELP - S.P.A.* (Italy), *BARILLA G. E R. FRATELLI S.P.A* [b] (Italy), *BARILLA INIZIATIVE S.P.A* [b] (Italy)
- Director of *ARLANDA LIMITED* (New Zealand), *BARBROS S.R.L.* (Italy), *GAZZETTA DI PARMA FINANZIARIA S.P.A.* (Italy), *GAZZETTA DI PARMA S.R.L.* (Italy), *PUBLIEDI - S.R.L.* (Italy), *RADIO TV PARMA S.R.L.* (Italy), *GUIDO M. BARILLA E F.LLI S.R.L.* (Italy)
- Special representative of *BARILLA SERVIZI FINANZIARI S.P.A* [b] (Italy), *F.I.R.S.T. COMMERCIALE S.R.L* [b] (Italy), *F.I.R.S.T. RETAILING S.P.A.* [b] (Italy)

Terms of office expired over the past five years

- Member of the Social Responsibility Committee and the Engagement Committee of *DANONE SA*

(a) Subject to the renewal of his term of office by the Shareholders' Meeting of April 29, 2021.
(b) Barilla group company.

FRÉDÉRIC BOUTEBBA

Political and Social Project Manager of DANONE SA

Director representing employees

Age 53 – French nationality
First appointed to the Board: 2016 Shareholders' Meeting
End of term: 2023 Shareholders' Meeting
DANONE shares: 1 [a]

Expertise – Experience – Main activities

With an Advanced Commercial Technician's Certificate, Frédéric BOUTEBBA joined Danone in 1992 where he held a number of responsibilities in the Sales Department. In 2006, he changed course and began to represent and defend employees' interests, joining various employee representative bodies both at the head office of Danone Eaux France S.A.E.M.E. and at the national level. In January 2018, he became an advisor and urgent applications judge for the Industrial Tribunal (*Conseil de Prud'hommes*) of Bergerac. In 2020, he was appointed Vice President of the Industrial Tribunal of Bergerac and Assessor-Judge at the Labour Division of the Court (*Tribunal Judiciaire*) of Périgueux.

Current terms of office

Danone companies

- Director representing employees and member of the Audit Committee of DANONE SA

Other companies

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Terms of office expired over the past five years

- Member of the *DANONE* Group-level Works Council
- Shop Steward, Member and Union Representative of the Works Council of *DANONE EAUX FRANCE S.A.E.M.E.*
- Member representing employees of *BRANCHE EAUX, BIÈRES ET B.R.S.A.*

(a) Share granted under the "One Person, One Voice, One Share" program.

6

CÉCILE CABANIS

Executive Vice President, Chief Financial Officer, Technology & Data, Cycles and Procurement of DANONE SA [a]

SM Non-independent Director

Age 49 – French nationality
First appointed to the Board: 2018 Shareholders' Meeting
End of term: 2024 Shareholders' Meeting [b]
DANONE shares: 29,324

Expertise – Experience – Main activities

With an engineering degree from Institut National Agronomique Paris-Grignon, Cécile CABANIS began her career in 1995 at L'Oréal in South Africa, where she worked as logistics manager and head of management control, then in France as an internal auditor. In 2000, she joined Orange as Deputy Director of the group's Mergers-Acquisitions department. She came to Danone in 2004 as Corporate Financial Officer, then Head of Development. In 2010, she was appointed Chief Financial Officer of the Fresh Dairy Products Division. In February 2015, she became Danone's Chief Financial Officer and a member of the Executive Committee. In 2017, she was also appointed Head of Information Systems and Technologies and of Cycles, Procurement and Sustainable Resources Development. Since 2018, she has been the Chair of the board of directors of Livelihoods Fund SICAV SIF, the fund created by Danone in 2011 with other companies to accelerate their initiatives on behalf of the climate and the most vulnerable populations. In February 2021, she left her executive functions at Danone while remaining a Director and the Vice-Chairman of the Board of Directors.

Current terms of office

Danone companies

- Director, Vice-Chair of the Board of Directors and member of the Strategy & Transformation Committee of DANONE SA

Other companies

French listed companies

- Director and Chair of the audit and risks committee of SCHNEIDER ELECTRIC SE
- Director of 2MX ORGANIC [c]
- Member of the supervisory board and Chair of the audit committee of UNIBAIL-RODAMCO-WESTFIELD

French unlisted companies

- Member of the supervisory board of SOCIÉTÉ ÉDITRICE DU MONDE

Terms of office expired over the past five years

- Director of *MICHEL ET AUGUSTIN SAS* [d], *DANONE S.A.* [d] (Spain), *DANONE DJURDJURA* [d] (Algeria), *PRODUITS LAITIERS FRAIS IBERIA* [d] (Spain), *CENTRALE DANONE* [d] (Morocco), *DAN TRADE B.V.* [d] (Netherlands), *DANONE LIMITED* [d] (United Kingdom), *DANONE RUSSIA* [d] (Russia), *DANONE INDUSTRIA LLC* [d] (Russia), *DANONEWAVE PUBLIC BENEFIT CORPORATION* [d] (United States), *COMPAGNIE GERVAIS DANONE* [d]
- Director and Chair of the board of directors of *LIVELIHOODS FUND SICAV SIF* [d] (Luxembourg)
- Member of the supervisory board of *TOECA INTERNATIONAL COMPANY B.V.* [d] (Netherlands), *DANONE SP. Z.O.O.* [d] (Poland)
- Chief Executive Officer of *DANONE CIS HOLDINGS B.V.* [d] (Netherlands)
- Vice-President of the supervisory board, Chair of the nomination and compensation committee and member of the audit committee of MEDIAWAN

(a) Until February 19, 2021.
(b) Subject to the renewal of her term of office by the Shareholders' Meeting of April 29, 2021.
(c) Her term of office as Chair of the board ended on February 1, 2021.
(d) Company affiliated with Danone.

EMMANUEL FABER

Chairman and Chief Executive Officer of DANONE SA [a]

Non-independent Director

Age 56 – French nationality
First appointed to the Board: 2002 Shareholders' Meeting
End of term: 2022 Shareholders' Meeting
DANONE shares: 122,771

Expertise – Experience – Main activities

Graduated from HEC Business School, Emmanuel FABER began his career as a consultant at Bain & Company before working as an investment banker at Baring Brothers. He moved to Legris Industries, where he was named Chief Executive Officer in 1996. Emmanuel FABER joined Danone in 1997 as Chief Financial Officer, Strategy and Information Systems, and became member of the company's Executive Committee in 2000. In 2005, he took up the position of Vice-President for the Asia-Pacific region. In 2008, Emmanuel FABER was appointed Deputy General Manager and, in 2011, he became Vice-Chairman of the Board of Directors. In October 2014, he became Danone's Chief Executive Officer and in 2017, he became also Chairman of the Board. Since 2019, Emmanuel FABER is Co-Chair of the Consumer Goods Forum, a CEO-led organization that helps the world's retailers and consumer goods manufacturers to collaborate, alongside other key stakeholders, to secure consumer trust and drive positive change. Emmanuel FABER is strongly committed to promoting innovative inclusive business models. In 2005, he supervised the first social business experiments conducted in Bangladesh with Grameen Bank and the creation of Danone Communities in 2006, in close collaboration with Nobel Peace Prize-Winner Muhammad YUNUS. With Martin HIRSCH, Emmanuel FABER is also a founder and co-chair of the Business and Poverty Action Tank, a social-business incubator based at HEC in Paris which contributes to reduce poverty and social exclusion in France. In 2013, upon the request of the French Government, Emmanuel FABER co-wrote with Jay NAIDOO the report "Innovating by mobilizing stakeholders: 10 proposals for a new approach to Official Development Assistance". Since 2019, Emmanuel FABER spearheads the Business for Inclusive Growth (B4IG) initiative. Launched in August 2019, in connection with the G7 Leaders' Summit in Biarritz (France), B4IG is a first-of-its kind coalition of 40 leading global companies and partners committed to tackling inequalities and promoting inclusive growth, sponsored by French President Emmanuel MACRON and coordinated by the OECD. In parallel, Emmanuel FABER actively contributes to building a global business movement for biodiversity. Launched in September 2019 at the United Nations Climate Action Summit in New York, the "One Planet Business for Biodiversity" (OP2B) coalition, hosted by the World Business Council for Sustainable Development (WBCSD), gathers 21 leading companies joining forces to step up regenerative farming practices and to protect biodiversity.

Current terms of office

Companies affiliated with Danone

- Chairman and Chief Executive Officer of DANONE SA
- Chairman of the board of directors of *DANONE NORTH AMERICA PUBLIC BENEFIT CORPORATION* (United States), *DANONE COMMUNITIES* (SICAV)
- Member of the board of directors of *LIVELIHOODS FUND FOR FAMILY FARMING SAS*
- Director of *COFCO DAIRY INVESTMENTS LIMITED* (Hong Kong), *PROMINENT ACHIEVER LIMITED* (Hong Kong)
- Director and Vice-President of *NAANDI COMMUNITY WATER SERVICES PRIVATE LTD* (India)
- Director of *GRAMEEN DANONE FOODS LIMITED* (Bangladesh)

Other companies

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Terms of office expired over the past five years

- Member of the Strategy Committee and the Social Responsibility Committee of *DANONE SA*
- Deputy General Manager of DANONE SA
- Member of the steering committee of *LIVELIHOODS FUND SICAV SIF* [b] (Luxembourg)

(a) His term of office as Chairman and Chief Executive Officer ended on March 14, 2021.
(b) Company affiliated with Danone.

CLARA GAYMARD

Co-founder of RAISE CONSEIL

Independent Director

Age 60 – French nationality
First appointed to the Board: 2016 Shareholders' Meeting
End of term: 2022 Shareholders' Meeting
DANONE shares: 4,256

Expertise – Experience – Main activities

Clara GAYMARD, a graduate of the École Nationale d'Administration (ENA), held various positions within the senior civil service from 1982 to 2006, including that of President of the French Agency for International Investments. From 2006 to 2016 she was Chair and Chief Executive Officer of General Electric France. In 2013, she cofounded the Raise group with Gonzague DE BLIGNIERES, and, in April 2018, they launched together the *Mouvement pour une Économie Bienveillante* (Movement for a Benevolent Economy) aimed at bringing companies and citizens together to reconcile performance and social impact. Clara GAYMARD was also Chair of the Women's Forum For the Economy and Society from 2014 to 2018.

Current terms of office

Danone companies

- Director and member of the Governance Committee of DANONE SA

Other companies

French listed companies

- Director and member of the audit committee of BOUYGUES
- Director and member of the performance audit committee of LVMH
- Director and member of the research, innovation and sustainable development committee of VEOLIA ENVIRONNEMENT

French unlisted companies

- Director of SAGES
- Chair of *PABAFAJAMET, RAISE CARAS SAS, RAISELAB SAS, RAISESHERPAS*
- Chief Executive Officer of *RAISE CONSEIL, LE PONTON SAS*

Terms of office expired over the past five years

- Chair and Chief Executive Officer of *GENERAL ELECTRIC FRANCE*
- Representative in France of *GENERAL ELECTRIC INTERNATIONAL INC.* (United States)
- Chair of *WOMEN'S FORUM FOR THE ECONOMY AND SOCIETY*
- Member of the compensation committee of *VEOLIA ENVIRONNEMENT*

MICHEL LANDEL

Lead Independent Director of DANONE SA [a]

SM **Independent Director**

Age 69 – French nationality
First appointed to the Board: 2018 Shareholders' Meeting
End of term: 2024 Shareholders' Meeting [b]
DANONE shares: 4,000

Expertise – Experience – Main activities

A graduate of the European Business School of Paris, Michel LANDEL began his career in 1977 at Chase Manhattan Bank. In 1980, he became Director of a civil engineering products factory with the Poliet group. He was recruited by Sodexo in 1984 as Operations Manager for East and North Africa, then promoted to Director Africa for the Remote Sites activities and took over responsibility for the North American businesses in 1989. He contributed in particular to the 1998 merger with Marriott Management Services and the creation of Sodexho Marriott Services. In 1999, he became Chief Executive Officer of Sodexho Marriott Services, later Sodexo, Inc. In 2000, he was appointed Vice-Chairman of the Sodexo executive committee. From June 2003 to August 2005, he served as Group Deputy General Manager in charge of North America, the United Kingdom and Ireland, as well as Remote Sites. From 2005 to 2018, he served as Chief Executive Officer of Sodexo and Chairman of the executive committee. He also received numerous awards for his efforts on behalf of diversity and inclusion, notably the CEO Leadership Award for Diversity Best Practices and CEO Advocate of the Year by Asian Enterprise Magazine. In 2016, at the United Nations annual meeting on women's empowerment principles, Michel LANDEL received the CEO Leadership Award. For three years in a row (2015-2017), he was ranked among the Best-Performing CEOs in the World by the Harvard Business Review.

Current terms of office

Danone companies

- Lead Independent Director and Chairman of the Governance Committee of DANONE SA

Other companies

French listed companies

- Lead Director and Chairman of the nomination and governance committee of LEGRAND

French unlisted companies

- Chairman of *ASTROLABE SERVICES*

Terms of office expired over the past five years

- Chief Executive Officer and Director of SODEXO
- Member of the supervisory board of *ONE SCA*
- Member of the management board of *SODEXO PASS INTERNATIONAL SAS, ONE SAS*
- Director of *SODEXO INC.* (United States)
- Chairman of the board of directors of *LOUIS DELHAIZE – COMPAGNIE FRANCO-BELGE D'ALIMENTATION* (Belgium)

(a) Until March 1, 2021.
(b) Subject to the renewal of his term of office by the Shareholders' Meeting of April 29, 2021.

GAËLLE OLIVIER

Chief Executive Officer for SOCIÉTÉ GÉNÉRALE Asia Pacific

Independent Director

Age 49 – French nationality
First appointed to the Board: 2014 Shareholders' Meeting
End of term: 2023 Shareholders' Meeting
DANONE shares: 4,340

Expertise – Experience – Main activities

A graduate of the École Polytechnique, ENSAE, and a Chartered Actuary from the Institut des Actuaires, Gaëlle OLIVIER began her career at Crédit Lyonnais in the equity derivatives trading room. In 1998, she joined the AXA Group where she held various senior executive roles in France and Asia, in the areas of assets management, insurance and corporate social responsibility. In particular, she became Chief Executive Officer of AXA Global P&C and joined the AXA Group's management committee in 2016. At the end of 2017, Gaëlle OLIVIER left the AXA Group to develop other business projects, notably in the new technologies sector. She joined the Société Générale group in January 2020 as Head of the Asia Pacific region.

Current terms of office

Danone companies

- Director and member of the Audit Committee of DANONE SA

Other companies

French unlisted companies

- Manager of *KYOUKO* (SASU)

Terms of office expired over the past five years

- Chief Executive Officer and Chair of *AXA GLOBAL P&C*
- Chief Executive Officer of *AXA ENTREPRISES*
- Chair of the board of *AXA GLOBAL DIRECT SA*
- Chair of the board of *GALYTIX LTD* (United Kingdom)
- Chair of the board and of the compensation committee of *AXA CORPORATE SOLUTIONS ASSURANCE*
- Chair and member of the board of *AXA ART* (Germany), *AXA THAILAND PUBLIC COMPANY LIMITED* (Thailand)
- Director of *AXA UK* (United Kingdom), *AXA GENERAL INSURANCE HONG KONG LIMITED* (China), *AXA GENERAL INSURANCE CHINA LIMITED* (China), *AXA INSURANCE SINGAPORE PTE LTD* (Singapore), *AXA AFFIN GENERAL INSURANCE BERHAD* (Malaysia), *BHARTI – AXA GENERAL INSURANCE COMPANY LIMITED* (India)

BENOÎT POTIER

Chairman and Chief Executive Officer of L'AIR LIQUIDE SA

Non-independent Director

Age 63 – French nationality
First appointed to the Board: 2003 Shareholders' Meeting
End of term: 2021 Shareholders' Meeting
DANONE shares: 8,846

Expertise – Experience – Main activities

A graduate of the École Centrale de Paris, Benoît POTIER joined Air Liquide in 1981 as a Research and Development engineer. He then held positions as Project Manager in the Engineering and Construction Department and Head of Energy Development within the Large Industry segment. In 1993, he was named Head of Strategy-Organization and in 1994, he was appointed Head of Chemicals, Steel, Refining and Energy Markets. He became Deputy General Manager in 1995 and added to the aforementioned responsibilities that of Head of Construction Engineering and Large Industry for Europe. He was appointed Chief Executive Officer in 1997, Director of Air Liquide in 2000 and Chairman of the management board in November 2001. In 2006, he was named Chairman and Chief Executive Officer of L'Air Liquide SA. In addition, he was named Vice Chairman of the European Round Table of Industrialists in 2010 and then Chairman in 2014. He held this position until May 2018. Since 2018, he has been the Co-Chair of the Hydrogen Council. In October 2020, he was appointed member of the Paris-Saclay University strategic orientation committee.

Current terms of office

Danone companies

- Director, Chairman of the Strategy & Transformation Committee and member of the Governance Committee of DANONE SA

Other companies

French listed companies

- Chairman and Chief Executive Officer of L'AIR LIQUIDE SA

Foreign listed companies

- Member of the supervisory board and member of the nominating committee of *SIEMENS AG* (Germany)

French unlisted companies

- Chairman and Chief Executive Officer of *AIR LIQUIDE INTERNATIONAL* [a]
- Director of *THE HYDROGEN COMPANY* [a]

Foreign unlisted companies

- Chairman and Chief Executive Officer of *AIR LIQUIDE INTERNATIONAL CORPORATION* [a] (United States)
- Director of *AMERICAN AIR LIQUIDE HOLDINGS INC.* [a] (United States)
- Co-Chair of *THE HYDROGEN COUNCIL* (Belgium)

Terms of office expired over the past five years

- Chairman of the Strategy Committee and the Engagement Committee of *DANONE SA*
- Director of *CENTRALESUPELEC*

(a) Air Liquide group company.

FRANCK RIBOUD

Honorary Chairman of DANONE SA

Non-independent Director

Age 65 – French nationality
First appointed to the Board: 1992 Shareholders' Meeting
End of term: 2022 Shareholders' Meeting
DANONE shares: 84,009

Expertise – Experience – Main activities

A graduate of the École Polytechnique Fédérale de Lausanne, Franck RIBOUD joined Danone in 1981 and held successive positions through 1989 in Management Control, Sales and Marketing. After serving as Head of Sales at Heudebert, in September 1989, he was appointed to head up the department responsible for the integration and development of new companies in the Biscuits Division. He was involved in the largest acquisition, at the time, by a French company in the United States, namely the acquisition of Nabisco's European activities by BSN. In 1990, he was appointed Chief Executive Officer of Société des Eaux Minérales d'Évian. In 1992, he became Head of Danone's Development Department. Danone then launched its international diversification marked by increased development in Asia and Latin America and the creation of an Export Department. He served as Chairman and Chief Executive Officer of Danone from May 1996 to October 2014, at which time he became Chairman of the Board of Directors. From 2003 to 2017, he was Danone's representative to the French Council on Sustainable Development. He was also Chairman of the steering committee of the Danone Ecosystem Fund (2009-2017) and Chairman of the board of the Livelihoods Fund for Family Farming (2015-2017). Since December 2017, he has been the Honorary Chairman of Danone.

Current terms of office

Danone companies

- Honorary Chairman, Director and member of the Strategy & Transformation Committee of DANONE SA

Other companies

French unlisted companies

- Chairman of *ROLEX FRANCE SAS*

Foreign unlisted companies

- Director of *ROLEX SA* (Switzerland), *ROLEX HOLDING SA* (Switzerland), *BOARDRIDERS, INC.* (United States)

Terms of office expired over the past five years

- Chairman of the Board, Chief Executive Officer, Chairman of the Strategy Committee of DANONE SA
- Director of RENAULT SA and *RENAULT SAS*
- Member of the steering committee of *LIVELIHOODS FUND SICAV SIF* [a] (Luxembourg)
- Chairman of the board of *LIVELIHOODS FUND FOR FAMILY FARMING SAS* [a]
- Chairman of the board of *DANONE COMMUNITIES (SICAV)* [a]
- Director of *DANONE S.A.* [a] (Spain), *BAGLEY LATINOAMERICA SA* [a] (Spain)

(a) Company affiliated with Danone.

GILLES SCHNEPP

Chairman of the Board of Directors of DANONE SA [a]

SM Director whose co-opting is proposed to the Shareholders' Meeting for ratification

Age 62 – French nationality
First appointed to the Board: Board of Directors of December 2020 [b]
DANONE shares: 5,000

Expertise – Experience – Main activities

Upon graduating from the Ecole des Hautes Etudes Commerciales (HEC) in 1981, Gilles SCHNEPP started his career in 1983 at Merrill Lynch France where he became Vice-President in 1986. He then joined Legrand in 1989, holding various positions, in particular that of group Chief Financial Officer, before being appointed Chief Operating Officer in 2000. He was appointed to the executive committee and the board of directors in 2001 and Vice-Chairman and Chief Executive Officer in 2004. Between 2006 and 2018 he has been Legrand Chairman and Chief Executive Officer and Chairman of the board between 2018 and 2020. He is also since 2018 Chairman of MEDEF's Ecological and Economic Transition Commission and a member of the executive committee. He was awarded the titles of *Chevalier de la Légion d'honneur* in 2007 and of *Officier de l'Ordre National du Mérite* in 2012. Since 2020, he has been an operating advisor of Clayton, Dubilier & Rice. Gilles SCHNEPP has been appointed Chairman of Danone's Board of Directors on March 14, 2021.

Current terms of office

Danone companies

- Director and member of the Strategy & Transformation Committee of DANONE SA

Other companies

French listed companies

- Director and member of the strategy and social responsibility Committee of LEGRAND
- Vice-Chairman and Senior Independent Member of the supervisory board, Chairman of the appointments, compensation and governance committee and member of the finance and audit committee of PEUGEOT S.A. [c]
- Director and member of the audit and risk committee of COMPAGNIE SAINT-GOBAIN
- Director and member of the audit committee of SANOFI

French unlisted companies

- Chairman of *GS CONSEILS* (SASU)

Terms of office expired over the past five years

- Chairman and Chief Executive Officer of LEGRAND
- Various positions and functions within subsidiaries of *LEGRAND*

(a) As of March 14, 2021.
(b) The ratification of his co-opting will be submitted to approval by the Shareholders' Meeting of April 29, 2021.
(c) Until January 16, 2021.

ISABELLE SEILLIER

Global Chairman of Investment Banking at J.P. MORGAN

Non-independent Director

Age 60 – French nationality
First appointed to the Board: 2011 Shareholders' Meeting
End of term: 2023 Shareholders' Meeting
DANONE shares: 4,073

Expertise – Experience – Main activities

Isabelle SEILLIER is a graduate of the Institut d'Etudes Politiques of Paris in Economics and Finance and holds a master's degree in business law. In 1987, Isabelle SEILLIER began her career in the options division of Société Générale in Paris, where she headed the Sales Department for options products in Europe until 1993. She joined J.P. Morgan in Paris in 1993 as head of the sales department for derivative products in France for industrial companies. In 1997, she became an investment banker at J.P. Morgan & Cie SA as a banking advisor providing coverage for large industrial clients. In March 2005, she was appointed joint head of investment banking before being named sole head of this activity in June 2006. In 2008, she became President of J.P. Morgan for France while remaining in charge of investment banking for France and North Africa. In January 2016, she was appointed Vice-President of Investment Banking for J.P. Morgan for Europe, the Middle East and Africa. Since 2019, she has been Global Chairman Investment Banking for J.P. Morgan. Isabelle SEILLIER is involved in philanthropic activities, in particular children's support associations. Under her direction, J.P. Morgan France developed a philanthropic program that supports these associations.

Current terms of office

Danone companies

- Director and member of the Strategy & Transformation Committee of DANONE SA

Other companies

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Terms of office expired over the past five years

- Member of the Strategy Committee of *DANONE SA*

JEAN-MICHEL SEVERINO

Manager of I&P SARL (INVESTISSEURS & PARTENAIRES)

Independent Director

Age 63 – French nationality
First appointed to the Board: 2011 Shareholders' Meeting
End of term: 2023 Shareholders' Meeting
DANONE shares: 4,505

Expertise – Experience – Main activities

Jean-Michel SEVERINO is a graduate of the École Supérieure de Commerce de Paris, the Institut d'études politiques of Paris, of the École Nationale d'Administration and holds a Bachelor of Laws from the Panthéon-Assas University and master's degree in Economics from Paris-Dauphine University. He began his career at the Inspection générale des finances (French General Inspection of Finance) (1984-1988). He was then named technical advisor for economic and financial affairs at the French Ministry of Cooperation (1988-1989). He later became the head of that Ministry's Department of Economic and Financial Affairs and then its Development Director. In 1996, he was recruited by the World Bank as Director for Central Europe at a time when this region was marked by the end of the Balkans conflict and reconstruction. He became the World Bank's Vice- President in charge of East Asia from 1997 to 2001 and focused on the management of the macroeconomic and financial crisis in these countries. Then, he was named Chief Executive Officer of the Agence Française de Développement, where from 2001 to 2010, he led the expansion efforts to cover the entire emerging and developing world. In 2010, at the end of his third term of office, he returned to the Inspection Générale des Finances, where he was responsible for the French Water Partnership. In 2011, he left the civil service to head up I&P (Investisseurs & Partenaires), a B Corp™ certified fund management company specializing in financing African small and medium-sized businesses. In addition to his professional duties, he has significant experience in the educational and research areas, notably as an associate professor at Centre for Studies and Research on International Development (CERDI). He was elected as a member of the National Academy of Technologies of France in 2010 and is currently a senior fellow and director of the Foundation for Studies and Research on International Development (FERDI). He is also actively involved in several non-profit foundations and associations focusing on ethics and development. Since March 1st, 2021, he has been the Lead Independent Director of Danone.

Current terms of office

Danone companies

- Director, Chairman of the Audit Committee and member of the Engagement Committee of DANONE SA

Other companies

French listed companies

- Director and member of the audit committee of ORANGE
- Member of the supervisory board and the corporate social responsibility committee of COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN

French unlisted companies

- Chairman of the board of directors of EBI SA (ECOBANK INTERNATIONAL)
- Director of PHITRUST IMPACT INVESTORS SA
- Chairman of *ÉMERGENCES DÉVELOPPEMENT*
- Manager of *I&P SARL* and *I&P CONSEIL*

Foreign unlisted companies

- Chairman of the board of directors of *I&P AFRIQUE ENTREPRENEURS* (Mauritius)
- Director of *I&P GESTION* (Mauritius)

Terms of office expired over the past five years

- Member of the Strategy Committee and the Social Responsibility Committee of *DANONE SA*
- Director of *ADENIA PARTNERS* (Mauritius)

VIRGINIA A. STALLINGS

Professor of Pediatric Medicine at THE CHILDREN'S HOSPITAL OF PHILADELPHIA

Independent Director

Age 70 – American nationality
First appointed to the Board: 2012 Shareholders' Meeting
End of term: 2021 Shareholders' Meeting
DANONE shares: 4,000

Expertise – Experience – Main activities

Virginia A. STALLINGS holds a Bachelor of Science in Nutrition and Foods from Auburn University, a Master of Science in Nutrition and Biochemistry from Cornell University and a Doctor of Medicine degree from the University of Alabama-Birmingham. She is a Professor of Pediatrics at the University of Pennsylvania Perelman School of Medicine and holds a Chair in Gastroenterology and Nutrition. She is also Director of the Nutrition Center at Children's Hospital of Philadelphia. She is a pediatrician and a clinical and research specialist focused on nutrition and health in children and adults, as well as on growth in children with chronic illnesses. Her research interests are in nutrition-related growth in healthy children and those with chronic illnesses. She recently founded a company, Medical Nutrition Innovation, LLC, to develop new nutrition products for infants, children and adults. Virginia A. STALLINGS plays a significant role in the community of nutrition scientists and physicians as a member of the U.S. National Academy of Medicine, the Food and Nutrition Board of the US National Academy of Sciences and the Council of the American Society for Nutrition. She has received research and teaching awards from the American Society of Nutrition, the American Academy of Pediatrics and the National Academy of Medicine. In 2020, she joined the board of the Pincus Fund for Hunger Relief.

Current terms of office

Danone companies

- Director and member of the Engagement Committee of DANONE SA

Other companies

Foreign unlisted companies

- Director of *FITLY, INC.* (United States)
- Founder and member of the scientific advisory board of *MEDICAL NUTRITION INNOVATION, LLC* (United States)

Terms of office expired over the past five years

- Chair of the Social Responsibility Committee of *DANONE SA*

BETTINA THEISSIG

Member of the European Works Council of DANONE and Chair of the Works Council of MILUPA NUTRICIA GMBH

Director representing employees

Age 58 – German nationality
First appointed to the Board: 2014 Shareholders' Meeting
End of term: 2023 Shareholders' Meeting
DANONE shares: 1 [a]

Expertise – Experience – Main activities

Bettina THEISSIG began her career in the industrial sector in 1978 at Milupa GmbH, a baby food and formula manufacturer that has been part of Danone's Specialized Nutrition Division since the acquisition of the Numico Group in 2007. During this period, she received a training in industrial business. After acquiring her first professional experience in Milupa's advertising department, she held various positions in several departments, including marketing, sales, human resources and medical, which enabled her to gain further knowledge of the Company. In 2002, her unwavering interest in the condition of employees and the protection of their rights prompted her to join the Works Council of Milupa. She is currently Chair of Milupa's Works Council, Chair of Milupa's Central Works Council, Health Officer and Representative to the Works Council of Danone's sites in Germany. She is also a member of Danone's European Works Council and of the Steering Committee. She has also represented employees with disabilities since 1998. She has been an accredited Training Business Coach since 2015.

Current terms of office

Danone companies

- Director representing employees and member of the Engagement Committee of DANONE SA
- Chair of the works council and central works council of *MILUPA GMBH* (Germany)

Other companies

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Terms of office expired over the past five years

- Member of the Social Responsibility Committee of *DANONE SA*

(a) Share granted under the "One Person, One Voice, One Share" program.

SERPIL TIMURAY

CEO Europe Cluster and Member of the Executive Committee of VODAFONE Group

Independent Director

Age 51 – Turkish nationality
First appointed to the Board: 2015 Shareholders' Meeting
End of term: 2024 Shareholders' Meeting [a]
DANONE shares: 7,271

Expertise – Experience – Main activities

Serpil TIMURAY holds a degree in Business Administration from Bogazici University in Istanbul. She began her career in 1991 at Procter & Gamble, where she assumed several marketing roles and was subsequently appointed to the Executive Committee for Turkey. In 1999, she moved to Danone as Marketing Director and a member of the Executive Committee for its Fresh Dairy Products subsidiary in Turkey. From 2002 to the end of 2008, she served as General Manager of Danone Turkey, overseeing the acquisition and integration of several companies. In 2009, she joined the Vodafone group as Chair and Chief Executive Officer of Vodafone Turkey, leading the turnaround and substantial growth of the company. In 2014, she joined the executive committee of Vodafone Group and was appointed as the Regional CEO of Africa, Middle East and Asia-Pacific. In October 2016, she was appointed as the Group Chief Commercial Operations and Strategy Officer of Vodafone Group. She has been CEO Europe Cluster of Vodafone since October 2018 and continues to be a member of the group's executive committee.

Current terms of office

Danone companies

- Director and Chair of the Engagement Committee of DANONE SA

Other companies

Foreign unlisted companies

- Chair of the board of directors of *VODAFONE TURKEY* [b] (Turkey)
- Chair of the supervisory board and member of the remuneration and nomination committee of *VODAFONE ZIGGO* [b] (Netherlands)

Terms of office expired over the past five years

- Member of the Social Responsibility Committee of *DANONE SA*
- Vice-President of the supervisory board and Chair of the remuneration and nomination committee of *VODAFONE ZIGGO* [b] (Netherlands)
- Director of *GSMA* (United Kingdom)
- Director, member of the nomination committee and of the compensation committee of *VODACOM GROUP* [b] (South Africa), *SAFARICOM KENYA* [b] (Kenya), *VODAFONE HUTCHISON AUSTRALIA* [b] (Australia)
- Director, Chair of the social responsibility committee, member of the nomination committee and of the compensation committee of *VODAFONE INDIA* [b] (India)
- Director of *VODAFONE EGYPT* (Egypt) [b], *VODAFONE QATAR* [b] (Qatar)
- Chair of *VODAFONE* [b] and *QATAR FOUNDATION LLC* (Qatar)

(a) Subject to the renewal of her term of office by the Shareholders' Meeting of April 29, 2021.
(b) Vodafone group company.

LIONEL ZINSOU-DERLIN

Chairman of SOUTHBRIDGE SAS

Independent Director

Age 66 – French and Beninese nationality
First appointed to the Board: 2014 Shareholders' Meeting
End of term: 2023 Shareholders' Meeting
DANONE shares: 4,369

Expertise – Experience – Main activities

Lionel ZINSOU-DERLIN is a graduate of the École Normale Supérieure, the London School of Economics and the Intitut d'études politiques of Paris. He holds a master's degree in Economic History and is an Associate Professor of Economics. He started his career as a Senior Lecturer and Professor of Economics at Université Paris XIII. Between 1984 and 1986, he was an Adviser to the Minister of Industry and to the Prime Minister of the French Republic. In 1986, he joined Danone where he held various positions, including Group Corporate Development Director and then Chief Executive Officer of HP Foods and Lea & Perrins. In 1997, he joined Rothschild & Cie bank as managing partner where he was Head of the Consumer Products Group, Head of Middle East and Africa region and a member of the Global Investment Bank committee. In 2008, he joined PAI Partners SAS, where he served as Chairman from 2009 to 2015 and was Chairman of the executive committee from 2010 to 2015. Since 2015, he has held the position of Vice Chairman of the supervisory board of PAI Partners SAS. From June 2015 to April 2016, he was the Prime Minister of Benin. In 2017, he was appointed President of the Terra Nova think tank and he co-founded Southbridge, a financial and strategic consulting firm focusing on Africa. He was appointed member of the advisory committee of Eurazeo in November 2020. He was also a consultant for the United Nations Development Program.

Current terms of office

Danone companies

- Director and member of the Audit Committee, the Governance Committee and the Strategy & Transformation Committee of DANONE SA

Other companies

Foreign listed companies

- Director of *AMERICANA* (United Arab Emirates)
- Director of *ATTIJARIWAFA BANK* (Morocco)

French unlisted companies

- Vice-Chairman of the supervisory board of *PAI PARTNERS SAS*
- Chairman of *SOUTHBRIDGE SAS*
- Chairman of the supervisory board of *LES DOMAINES BARONS DE ROTHSCHILD (LAFITE) SCA*, EFFICIENCE AFRICA FUND SA
- Member of the supervisory board of *AP-HP INTERNATIONAL (SASU)*

Foreign unlisted companies

- Chairman of the board of directors of *SOUTHBRIDGE HOLDING* (Mauritius)
- Director of *I&P AFRIQUE ENTREPRENEURS* (Mauritius), *SOUTHBRIDGE PARTNERS* (Ivory Coast)

Terms of office expired over the past five years

- Director of KAUFMAN & BROAD SA
- Chairman and Chief Executive Officer of *SOUTHBRIDGE FRANCE*
- Manager of *SOFIA – SOCIÉTÉ FINANCIÈRE AFRICAINE SARL*

6.3 COMPENSATION AND BENEFITS OF GOVERNANCE BODIES

Contents

COMPENSATION POLICY FOR CORPORATE OFFICERS FOR 2021

The compensation policy for corporate officers is drawn up by the Board of Directors pursuant to Articles L.22-10-8 and *seq.* of the French Commercial Code and is subject to approval by the Shareholders' Meeting. It defines all components of the fixed and variable compensation of the corporate officers and the decision-making process followed for its determination, revision and implementation.

This policy does the following:

- it complies with Danone's corporate purpose: (i) the variable component of this compensation, most of which is paid in the form of shares, aligns the interests of the corporate officers with those of the shareholders, and (ii) the performance factors taken into consideration include the long-term strategy of Danone as well as the relevant ESG criteria including criteria that reflect the Company's social and environmental objectives as an Entreprise à Mission;
- it contributes to its sustainability, insofar as it both encourages talent retention within the Company and fits into its long-term vision thanks to its variable component governed by targets assessed over time;
- it forms an integral part of Danone's strategy, thanks to performance objectives based on economic, financial, social and environmental indicators such as sales, recurring operating margin or its environmental commitments and achievements.

General principles

Principles for determining the compensation of corporate officers

The compensation paid to Danone's corporate officers is:

- tied to the Company's stated targets and performance;
- balanced and in line with investors' and shareholders' expectations and the circumstances of Danone's employees;
- subject to stringent conditions, aligned with shareholder interests and in line with best market practices;
- consistent with the principles that Danone applies to its 1,600 senior executives worldwide;
- determined by the Board of Directors on the basis of the Governance Committee's recommendations and in compliance with the AFEP-MEDEF Code;
- representative of the manager's responsibilities;
- determined in a general way, including, where applicable, all types of commitments such as indemnities or benefits due or likely to be due as a result of the officers assuming, terminating or changing their duties or after they perform these duties, such as severance pay and a non-compete indemnity for example;
- fixed by taking into consideration the compensation and employment terms of Danone's employees.

The application of these principles results in:

- the preponderance of the component of officers' compensation being subject to performance conditions;
- a long-term shareholding compensation component in the form of Group performance shares (GPS);
- the obligation requiring corporate officers and Executive Committee members to hold DANONE shares resulting from the allotment of GPS, thereby aligning their interests with those of shareholders;
- the capping of overall compensation.

Role of the Governance Committee

Danone's compensation policy is regularly reviewed by the Governance Committee (three-quarters of which is composed of independent Directors in 2020 and which is chaired by the Lead Independent Director).

The Governance Committee reviews the best market practices, based on (i) a benchmark prepared by a specialized and objective firm and including large international companies listed in France (CAC 40), and (ii) a peer group (or "panel") of leading global food and beverage groups. This panel is also used to determine the performance conditions for Group performance shares (GPS). At the date of this Universal Registration Document, it includes Unilever, Nestlé, PepsiCo, The Coca-Cola Company, General Mills, Kellogg Company, The Kraft Heinz Company and Mondelez International Inc. Danone is aiming to position the compensation for these officers between the median compensation and the third superior quartile of the benchmark CAC 40 index companies. The Governance Committee takes particular care to ensure that:

- the compensation is such as to attract, retain and motivate talented individuals while remaining consistent with Danone's employee compensation and employment terms and current market practices;
- long-term performance-based compensation is sufficiently high relative to annual compensation, to encourage corporate officers to achieve high performance over the long term;
- the performance criteria are stringent, complementary and stable such that they compensate long-term performance and ensure the alignment of shareholders' interests, in line with the targets announced by Danone to the financial markets, with those of the management. In addition, these performance conditions reflect best compensation practices, such as "no payment under

guidance" and "no payment below the median" for the external performance conditions;

- all components of the compensation of corporate officers and members of the Executive Committee are taken into account, including the potential benefit of a supplementary retirement plan, and their balance is ensured.

Compensation policy for the Chairman of the Board of Directors (a non-executive corporate officer) for 2021

The principles presented below apply in the event of the duties of the Chairman of the Board and the Chief Executive Officer being separated. These principles are subject to the approval of the shareholders as part of the vote on the compensation policy.

Director's compensation

The Chairman of the Board may receive compensation for his/her directorship if he/she does not receive fixed compensation, under the terms of the compensation policy for Directors described below.

Fixed compensation and other benefits

Fixed compensation	• decided by the Board of Directors on the basis of the Governance Committee's opinion; • in accordance with the principles presented above, and notably consistent with the Chairman's responsibilities and experience and with market practices and is determined in line with the average compensation of non-executive chairmen of CAC 40 companies with comparable responsibilities; • may be reviewed at relatively long intervals.
Benefits in kind	• benefits in kind may be granted only if they comply with Danone's policy (such as access to the car and driver pool).
Social security benefits	• Group insurance, healthcare and pension benefits identical to those of all of the Company's executives.

Variable compensation

The Chairman of the Board cannot receive any variable compensation whatsoever, whether annual or in the form of long-term cash or long-term shareholding.

Extraordinary compensation

If a new Chairman of the Board is appointed further to an external recruitment, the Board may, upon recommendation of the Governance Committee, decide to grant this person extraordinary compensation in order to offset, in whole or part, the potential loss of compensation resulting from the acceptance of his/her new duties. Pursuant to Article L.22-10-34 II of the French Commercial Code, this compensation may be paid only after it has been approved by the Shareholders' Meeting.

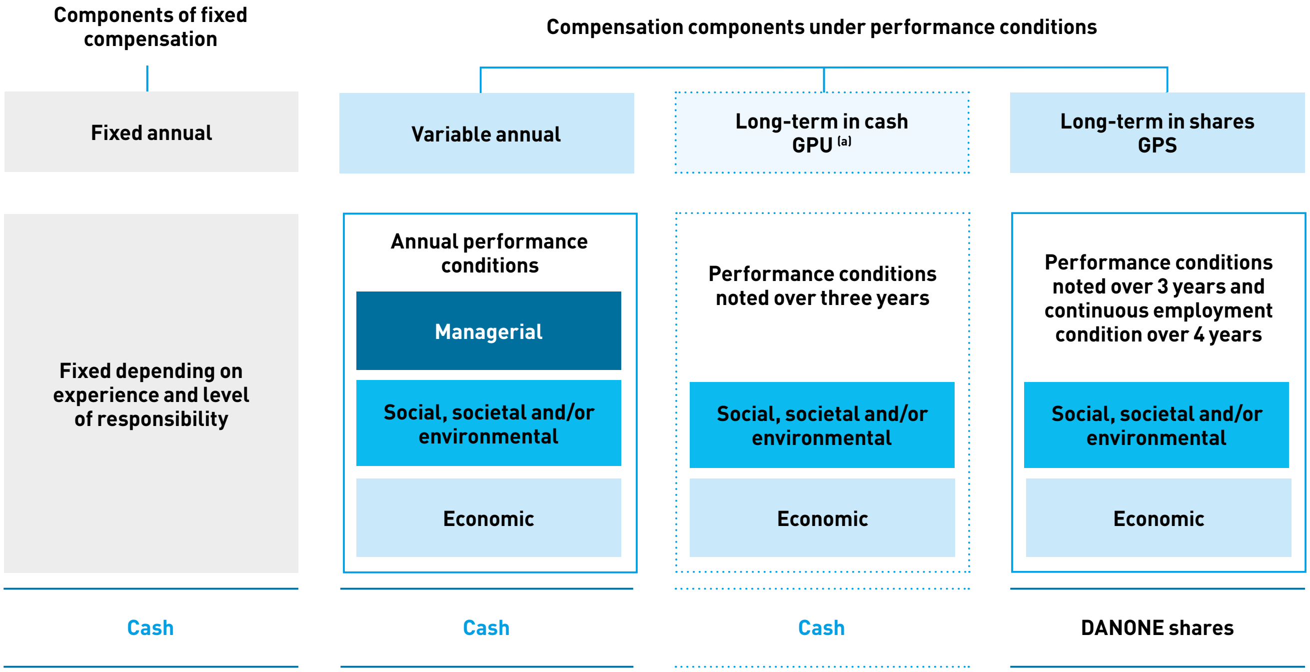
Other components liable to be granted to the Chairman of the Board

As indicated above, the Board of Directors takes all components of compensation into consideration when assessing the overall compensation of the corporate officers. Where applicable, therefore, the determination of the Chairman's compensation would take into account the commitments authorized under Article L.22-10-9, paragraph 4 of the French Commercial Code, subject to the requirements of the AFEP-MEDEF Code.

The Chairman of the Board of Directors may also receive additional compensation if he/she is a member of the Mission Committee.

Compensation policy for executive corporate officers for 2021

Compensation structure summary



(a) As part of the simplification of its compensation, the Board has not granted any Group performance units to Emmanuel FABER since 2017.

As a reminder, components of variable annual or, where applicable, extraordinary compensation granted to the Chief Executive Officer for the previous year may be paid only after the relevant components have been approved by the Shareholders' Meeting under the conditions set out in Article L.22-10-34 II of the French Commercial Code.

Director's compensation

Danone policy on the compensation of directors (see section *Compensation policy for Directors* hereinafter) is to not pay executive corporate officers any compensation for their directorship.

Fixed compensation and other benefits

Fixed compensation	• compensates the duties incumbent in the office held and the level of responsibility; • is decided by the Board of Directors on the basis of the Governance Committee's opinion, in accordance with the principles presented above and taking into account their duties, their experience and market practices, in line with the collective principles that Danone applies to around 1,600 senior executives worldwide; • is reviewed at relatively long intervals. For example, the fixed compensation of Mr. Emmanuel FABER, amounting to a million euros, has not changed since 2014, with the exception of 2020 when the Board of Directors decided, in the very specific context of the Covid-19 health crisis, to reduce his annual fixed compensation by 30% on a one-time basis from July 1 to December 31, 2020.
Benefits in kind	• benefits in kind may be granted only if they comply with Danone's policy (such as access to the car and driver pool).
Social security benefits	• Group insurance, healthcare and pension benefits identical to those of all of the Company's executives.

Variable compensation

Structure	• annual variable compensation; • long-term variable compensation paid in cash and subject to performance conditions (GPU); • long-term variable compensation paid in the form of DANONE shares and subject to performance conditions (GPS). Long-term compensation in cash and shares represents, at the time of granting, about 50% of the overall compensation in value of executive corporate officers and cannot exceed 60% of this target compensation. The compensation policy does not provide for a specific clawback mechanism. In the event of extraordinary circumstances having a significant impact on the fulfillment of one or more performance criteria associated with the annual variable compensation of the executive corporate officer, such as a major event affecting the food and beverage sector or some of Danone's key markets, the Board, on the recommendation of the Governance Committee, may adjust one or more annual variable compensation criteria to ensure that implementation of the compensation policy is in line with the corporate officer's performance and with Danone's, either on an absolute basis or relative to its peers. This adjustment must remain within the annual variable compensation cap specified in the compensation policy. Any use of this extraordinary adjustment option will be disclosed to shareholders and duly justified, in particular in terms of how it aligns with the shareholders' interests. In accordance with Article L.22-10-34 II of the French Commercial Code, this use remains subject to a binding vote by shareholders at the 2022 Shareholders' Meeting, as the corresponding annual variable compensation can be paid only after approval by the Shareholders' Meeting.
Stringent performance criteria	• directly and indirectly based on the Company's objectives as announced to the market and consistent with its strategic roadmap to 2030; • mainly economic (60% for annual variable compensation, and 80% for long-term variable compensation); • also social, societal and/or environmental (20% for both annual variable compensation and long-term variable compensation); • and managerial (20% solely for annual variable compensation).

Annual variable compensation

Principles	• is determined by the Board of Directors on the basis of the Governance Committee's opinion and in accordance with the principles presented above, and is consistent with the duties and experience of the person concerned and with market practices; • is subject to performance conditions including quantifiable economic criteria and social/environmental and managerial criteria determined beforehand and in a precise and objective manner by the Board of Directors on the basis of the Governance Committee's opinion; • has a target amount that may be up to 100% of the fixed compensation; • is capped at 200% of the fixed compensation; • has no minimum or guaranteed cap.
Structure	• quantifiable economic component based on Danone's main financial targets such as sales growth, operating margin improvement and free cash flow generation; • measurable social and environmental component based on Danone's objectives; and • qualitative managerial component determined on the basis of specific annual targets.
Performance criteria	• qualitative criteria are precisely defined and not made public for confidentiality reasons, in accordance with French Financial Market Authority recommendation DOC-2012-02 of February 9, 2012; • each quantitative criterion is precisely defined in terms of its achievement level and not made public for confidentiality reasons, in accordance with this French Financial Market Authority recommendation.

In accordance with AFEP-MEDEF Code recommendations, the allocation of this performance-based variable compensation will be specifically disclosed at the close of the 2021 financial year. It will also be presented in the 2021 Universal Registration Document and will be paid only after approval by the Shareholders' Meeting approving the accounts of the considered fiscal year.

Long-term variable compensation in cash (Group performance units)

Principles	• granted for a given fiscal year; • subject to performance conditions over three years on the basis of one or more quantifiable economic criteria, possibly supplemented by social and environmental criteria. These conditions are determined in advance by the Board of Directors, on the recommendation of the Governance Committee, which each year also determines whether or not the targets are achieved for each GPU plan.

In the framework of the simplification of the Chief Executive Officer's compensation structure and in order to increase its share-based component, no GPUs have been granted to Mr. Emmanuel FABER since 2017.

More information on GPU plans is provided in section 6.4 *Detailed information on long-term compensation plans*, including the (i) general principles, (ii) performance targets, (iii) other applicable rules, (iv) details of GPUs granted in 2020 and a review of the potential achievement of performance conditions for 2020, and (v) detailed information on GPU plans in effect as of December 31, 2020.

Long-term variable compensation in shares (Group performance shares)

Principles	• established in 2010 to strengthen the commitment of beneficiaries (corporate officers, Executive Committee members and over 1,600 senior executives) to support Danone's development and increase its share price over the long term; • approved annually by the Shareholders' Meeting in a specific resolution; • granted by the Board of Directors on the recommendation of the Governance Committee; • subject to complementary performance criteria that are representative of Danone's performance and consistent with its specific business, assessed over a three-year period. These reflect key indicators monitored by investors and analysts to measure the performance of companies in the food and beverage sector. They may also include a societal and/or environmental criterion. The Board of Directors determines whether or not these performance objectives have been achieved, after an initial review by the Governance Committee; • definitively granted to all beneficiaries, subject to them being continuously present for four years, with the exception of those specified in the plan rules (including in the event of death or disability) or decided by the Board of Directors. In the case of the executive corporate officers, the Board of Directors may, where applicable, decide to partially waive the continuous employment condition on a *prorata temporis* basis and based on a reasoned opinion. Moreover, in the event of a change of control, the fulfillment of the continuous employment condition for GPS granted from 2019 onwards to executive corporate officers and members of the Executive Committee will be assessed on a *prorata temporis* basis, calculated between the date of the grant and the date of the change of control, compared to the initial delivery date stipulated in the plan. In addition, regarding the fulfillment of the performance conditions, either the Board of Directors will have reached a decision regarding the level of achievement or no such decision will have been reached, in which case the Board, acting on the recommendation of the Governance Committee, will assess the extent to which each performance condition has been fulfilled on the basis of the available information; • capped as follows: the number of performance shares granted to executive corporate officers must not exceed 60% of each executive corporate officer's overall target compensation in terms of its accounting valuation (in accordance with the IFRS standards) estimated at the time of the grant; • granted in the form of Danone shares that the person is obliged to hold in accordance with the principles determined by the Board and stated below.
Performance conditions	These are generally: • an external performance criterion based on Danone's sales growth compared to that of a group of Danone's historical peers consisting of leading international groups in the food and beverage sector; • an internal performance criterion based on a key financial indicator such as operating margin, free cash flow or other; • an external environmental performance criterion.

More information on the GPS plans is provided in section 6.4 *Detailed information on long-term compensation plans*, including the (i) general principles, (ii) performance conditions, (iii) other applicable rules, (iv) details of the GPS granted in 2020 and a review of the potential fulfillment of performance conditions for previous plans, and (v) detailed information on the plans in effect as of December 31, 2020.

Extraordinary compensation

If a new executive corporate officer is appointed, further to an external hiring, the Board of Directors may, subject to the requirements of the AFEP-MEDEF Code and on the recommendation of the Governance Committee, decide to grant this person extraordinary compensation mainly in the form of long-term compensation in cash and/or shares subject to performance conditions, in order to fully or partly offset the potential loss of compensation resulting from the acceptance of his/her new duties. Pursuant to Article L.22-10-34 II of the French Commercial Code, this compensation may be paid only after it has been approved by the Shareholders' Meeting.

Other components liable to be granted to the executive corporate officers

The Board of Directors includes all components of compensation in its overall assessment of the compensation of corporate officers, including, where applicable, the commitments corresponding to the compensation components, indemnities or benefits due or likely to be due as a result of the officers assuming, terminating or changing their duties or after them performing these duties, such as severance pay and a non-compete indemnity, as well as retirement commitments, that may be granted to the corporate officers subject to the requirements of the AFEP-MEDEF Code.

It should be noted that, should a new executive corporate officer be appointed, he/she may be eligible for severance pay amounting to up to two years of gross annual compensation (fixed and variable) and subject to stringent performance conditions, as well as other commitments under Article L.22-10-9, paragraph 4 of the French Commercial Code, subject to the requirements of the AFEP-MEDEF Code.

Compensation principles established for 2021

Upon recommendation of the Governance Committee, the Board of Directors, at its meeting of February 18, 2021, determined the principles of compensation with respect to the fiscal year 2021 for Mr. Emmanuel FABER, Chairman and Chief Executive Officer until March 14, 2021.

Fixed compensation €1,000,000	The amount of Mr. Emmanuel FABER's annual fixed compensation, which has not changed since 2014 (with the exception of 2020, when, in the very specific context of the Covid-19 health crisis, his annual fixed compensation was reduced by 30% on a one-time basis from July 1 to December 31, 2020), was confirmed by the Board of Directors at its meeting on February 18, 2021, on the recommendation of the Governance Committee.
Annual variable compensation The target amount of the annual variable compensation for 2021, its components and the maximum compensation percentage are the same as for the previous year. • Target amount: €1,000,000 • Cap: € 2,000,000 • No floor	As in 2020, it will consist of three components – an economic component based on Danone's targets, a social, societal and environmental component and a managerial component – with the same weightings. In accordance with French Financial Market Authority recommendation DOC-2012-02 of February 9, 2012, the expected level of fulfillment for each of these criteria was specified in advance by the Board of Directors, on the recommendation of the Governance Committee, but not disclosed publicly for reasons of confidentiality. In accordance with AFEP-MEDEF Code recommendations, the allocation of this performance-based variable compensation will be specifically disclosed at the close of the 2021 financial year. It will also be presented in the 2021 Universal Registration Document. In addition, pursuant to Article L.22-10-34 II of the French Commercial Code, the fixed, variable and extraordinary components that make up the total compensation and benefits in kind paid or granted for fiscal year 2021 will be subject to approval by the 2022 Shareholders' Meeting. The variable or extraordinary components of compensation granted for fiscal year 2021 will be paid only after approval by the 2022 Shareholders' Meeting.
Long-term variable compensation	The target amount is €2,000,000, with no floor and a maximum of €2,400,000.

Ms. Véronique PENCHIENATI-BOSETTA and Mr. Shane GRANT have been appointed Co-Chief Executive Officers on March 14, 2021.

The new executive corporate officers' compensation components will be published on the Company's website as soon as the Board has decided, upon recommendation of the Governance Committee, the amounts of the compensation components to be allocated to Ms. Véronique PENCHIENATI-BOSETTA and Mr. Shane GRANT in accordance with the 2021 executive corporate officers' compensation policy. In addition, the allocation of the variable compensation components with respect to 2021 will be published in a specific communication further to the 2021 fiscal year. It will also be detailed in the 2021 Universal Registration Document and will only be paid after approval by the Shareholders' Meetings approving the annual accounts related to the fiscal year ending December 31, 2021.

COMPENSATION POLICY FOR DIRECTORS

This policy is fixed by the Board of Directors on the basis of the Governance Committee's opinion and subject to approval by the Shareholders' Meeting. It is drawn up pursuant to the provisions of Article L.22-10-8 of the French Commercial Code and the recommendations of the AFEP-MEDEF Code. In particular, it is adapted to the Directors' level of responsibilities and the time they devote to their duties and encourages their attendance at Board meetings. In particular, it takes into account the obligation requiring the Directors to hold 4,000 DANONE shares (representing an amount in euros, based on the closing price of the share on December 31, 2020, equivalent to more than two times the amount of each Director's average annual compensation), thereby aligning their interests with those of the Company and its shareholders. It also attracts experts and notably promotes the international diversity of the Board of Directors by granting a travel bonus to foreign directors.

It provides that:

- the directors receive Directors' compensation; however, the members of the Executive Committee, the executive corporate officers, the honorary Directors, the Chairman of the Board (if he/she receives fixed compensation) and the Directors representing employees do not receive directors' fees;
- the Shareholders' Meeting must approve the total maximum amount of Directors' compensation to be divided among the Directors. This compensation must be allocated in accordance with the allocation rules the Board of Directors has decided, on the recommendation of the Governance Committee;
- The Directors' compensation includes a variable, larger component based on their actual attendance at the Board and Committee meetings.

The 18th resolution of the Shareholders' Meeting of April 29, 2015 fixed the annual maximum amount to be paid to the Board of Directors for compensating its members at €1,000,000. The Shareholders' Meeting of April 29, 2021 will be asked to increase this maximum amount to €1,250,000 in order to take into account the creation of a new Committee, the Strategy & Transformation Committee, and the trend toward more frequent Board meetings, notably to manage the impacts of the health crisis.The following allocation rules are to remain unchanged:

(in €)	**Annual fixed amount**	**Per meeting**	**For travel – residing in Europe (not in France)**	**For travel – residing outside of Europe**
Lead Independent Director	80,000	–	–	–
Director	10,000	–	–	–
Board meetings	–	–	–	–
Director	–	3,000	2,000	8,000
Committee meetings	–	–	–	–
Chair	–	8,000	2,000	8,000
Member	–	4,000	2,000	8,000
Mission Committee meetings				
Chair	50,000	–	–	–
Member	25,000	–	–	–

As a reminder, Directors representing employees have an employment contract.

In addition, the Board may, where applicable, allocate extraordinary compensation to a Director for a specific mission entrusted to him/her pursuant to Articles L.225-46 and L.22-10-15 of the French Commercial Code; if such compensation is granted, it is governed by the regulated agreements procedure.

6

REPORT ON THE COMPENSATION OF CORPORATE OFFICERS AND DIRECTORS FOR 2020

Pursuant to the provisions of Article L.22-10-34 I and II of the French Commercial Code, the report shown below includes the information in the 10th resolution subject to approval by the Shareholders' Meeting on April 29, 2021.

Compensation of the Chairman and Chief Executive Officer

Summary of the financial position of the Chairman and Chief Executive Officer

Compensation paid and granted and value, on the grant date, of the GPU and GPS paid or granted in 2019 and 2020 to the Chairman and Chief Executive Officer (information required by Tables 1 and 2 of Annex 4 of the AFEP-MEDEF Code on the corporate governance of listed companies)

				Year ended December 31
(in €)		**2019**		**2020**
	Paid	**Granted**	**Paid**	**Granted**
Annual fixed compensation [a]	1,000,000	1,000,000	850,000	1,000,000
Annual variable compensation [a]	1,050,000	1,025,000	1,025,000	500,000
Annual compensation	**2,050,000**	**2,025,000**	**1,875,000**	**1,500,000**
Long-term compensation in cash (value of GPU paid and maximum value of GPU granted for the year) [a] [b]	600,000	N/A	N/A	N/A
Benefits in kind [c]	7,402	7,402	7,444	7,444
Extraordinary compensation	N/A	N/A	N/A	N/A
Director's compensation [d]	N/A	N/A	N/A	N/A
Compensation in cash and benefits paid or granted in 2020	**2,657,402**	**2,032,402**	**1,882,444**	**1,507,444**
Long-term compensation in shares (value of GPS delivered and maximum value [e] of GPS granted for the year)	2,034,360	2,000,400	2,012,670	1,994,625
Total	**4,691,762**	**4,032,802**	**3,895,114**	**3,502,069**

(a) Gross amount.
(b) The amounts paid in 2019 correspond to the grants in 2016. Since 2017, Mr. Emmanuel FABER no longer receives GPU.
(c) Correspond to the group insurance and the car and driver pool made available to all officers.
(d) In accordance with the compensation policy for corporate officers, Mr. Emmanuel FABER does not receive any director's compensation.
(e) Estimated value as of the grant date in accordance with IFRS 2, assuming the performance conditions have been met (see Note 8.4 of the Notes to the consolidated financial statements).

Compensation of the Chairman and Chief Executive Officer in 2020

Annual fixed compensation

The fixed compensation of Mr. Emmanuel FABER, amounting to €1,000,000, has not changed since 2014 when he became Danone's Chief Executive Officer. This compensation takes into account his experience and his level of responsibility.

On May 19, 2020, the Board of Directors decided, in a spirit of solidarity given the Covid-19 health crisis, to reduce the annual fixed compensation of the Chairman and Chief Executive Officer by 30% on a one-time basis from July 1 to December 31, 2020. The fixed compensation of Mr. Emmanuel FABER due for 2020 therefore amounts to €850,000.

Annual variable compensation

Compensation target and annual cap set for 2020

Target amount of annual variable compensation: €1,000,000

Performance conditions and cap

	Performance indicators	Portion of the target amount	Potential variation after weighting
Economic Quantifiable portion, calculated on the basis of Danone's economic targets	Like-for-like sales growth	25%	0% to 50%
	Recurring operating margin growth	25%	0% to 50%
	Free cash flow generation	10%	0% to 20%
	Total	**60%**	**0% to 120%**
Social, societal and environmental Reference to Danone's social, societal and environmental targets	Employee engagement	10%	0% to 20%
	Fulfillment of climate ambitions	10%	0% to 20%
	Total	**20%**	**0% to 40%**
Managerial Reference to specific annual targets	Organizational leadership	20%	0% to 40%
	Total	**20%**	**0% to 40%**
Total		**100%**	**0% to 200%**

Review of the achievement of objectives by the Board of Directors at its meeting of February 18, 2021, on the recommendation of the Governance Committee

The annual variable compensation of Mr. Emmanuel FABER for 2020, amounting to €500,000, represents 50% of the target compensation (compared with €1,025,000 for 2019; this compensation received 97.36% approval at the Shareholders' Meeting on June 26, 2020 in the 10th resolution). This compensation represents 50% of the annual fixed compensation and takes into account the following components:

Indicators	Weighting	Percentage of fulfillment	Weighted	Performance amount *(in euros)*
Economic	60%	16.6%	10%	100,000
Social, societal and environmental	20%	100%	20%	200,000
Managerial	20%	100%	20%	200,000
Total	**100%**	**–**	**50%**	**500,000**

Level of economic component achievement: 16.6% of target

Indicators	Weighting	Review of fulfillment of the following achievements	Percentage of fulfillment	Weighted
Growth	25%	Non-fulfillment of the criterion related to like-for-like sales growth, in light of the 1.5% decline in sales	0%	0%
Recurring operating margin	25%	Non-fulfillment of the criterion related to recurring operating margin as the level achieved was 14%, below the target of a margin greater than 15% set at the beginning of the year 2020	0%	0%
Free cash flow	10%	Target 100% achieved due to free cash flow generation of €2.1 billion	100%	10%
Total	**60%**		**–**	**10%**

Level of social, societal and environmental component achievement: 100% of target

Indicators	Weighting	Review of fulfillment of the following achievements	Percentage of fulfillment	Weighted
Employee engagement	10%	The rate of employee engagement measured in the Danone People Survey in 2020 conducted by an outside firm was 91% (percentage of employees recommending Danone as a good place to work). This rate of engagement is 11 points higher than in the FMCG sector. Progress was also made in inclusive diversity, in particular the representation of women in senior and middle management positions, inclusive talent development and parental policy. In January 2021, the Bloomberg Gender-Equality Index thus included Danone on the list of companies committed to support gender equality.	100%	10%
Fulfillment of climate ambitions	10%	Danone was once again recognized as a leader in environmental performance. In 2020, it was awarded a "Triple A" score from CDP for the second year in a row, having made the A list in climate change, forests and water security. This score reflects the actions the company has taken to build a low-carbon economy, protect natural resources and increase its brands' transparency. Danone's greenhouse gas emissions for scopes 1, 2 and 3 combined fell by 1 million tons, of which approximately 50% due to the company's regenerative agriculture actions (thereby confirming, as previously announced, that Danone reached its carbon peak in 2019).	100%	10%
Total	**20%**		**–**	**20%**

Level of managerial component fulfillment: 100% of target

Indicators	Weighting	Review of fulfillment of the following achievements	Percentage of fulfillment	Weighted
Organizational leadership	20%	The managerial component was assessed mainly with regard to Danone's leadership during the health crisis. With Danone having secured the continuity of the entire logistics chain worldwide, proven its agility in a volatile environment, kept all of its distributor customers satisfied, and instituted strict health protocols that allowed it to achieve strong workplace safety results, the Board of Directors, on the recommendation of the Governance Committee, therefore considered the managerial component to be 100% achieved. The Board also took into consideration the adoption of Entreprise à Mission status, which was approved by more than 99% of Danone's shareholders at the Shareholders' Meeting on June 26, 2020.	100%	20%
Total	**20%**		**–**	**20%**

Long-term compensation in cash (Group performance units)

Grants in 2020 and previous years

No GPUs have been granted to Mr. Emmanuel FABER since 2017.

Amounts paid (information required by Table 10 of Annex 4 of the AFEP-MEDEF Code on the corporate governance of listed companies)

	Year ended December 31	
(in €)	**2019**	**2020**
Emmanuel FABER	600,000 [a]	N/A

(a) GPU granted in 2016 based on total fulfillment of targets for 2016, 2017 and 2018

Details of the GPU plans are presented in section 6.4 *Detailed information on long-term compensation plans* hereinafter.

Long-term compensation in shares (Group performance shares)

Grants in 2020 and previous years (Tables 6 and 9 of Annex 4 of the AFEP-MEDEF Code on the corporate governance of listed companies)

Date of the Board meeting that granted the GPS	**7/23/2016**	**7/23/2017**	**7/26/2018**	**7/24/2019**	**7/29/2020**
Number of GPS	34,200	35,021	34,475	30,000 [a]	37,500 [a]
Date of authorization of the Shareholders' Meeting	4/28/2016	4/27/2017	4/26/2018	4/25/2019	6/26/2020
Corresponding resolution	17th resolution	23rd resolution	15th resolution	19th resolution	15th resolution
Value of GPS granted for the year [b]	2,012,670	2,013,007	2,007,135	2,000,400	1,994,625
Number of GPS void or canceled	–	1,751	17,237	–	–
Number of GPS that have become available	34,200	–	–	–	–
Delivery date	7/28/2020	7/27/2021	7/27/2022	7/25/2023	7/30/2024

(a) If the continuous employment condition is fulfilled, the free cash flow performance condition is met in full, the environmental condition is met in full and the sales performance condition is exceeded for the 2019 and 2020 GPS, Mr. Emmanuel FABER could receive 31,500 and 39,375 shares in 2023 and 2024, respectively.

(b) Estimated book value as of the grant date in accordance with IFRS 2, assuming the performance conditions have been fulfilled (see Note 8.4 of the Notes to the consolidated financial statements).

The details of past GPS plans and ones still in effect are presented in section 6.4 *Detailed information on long-term compensation plans*.

It should be noted that the grants made each year represent approximately 50% of the total target compensation of the Chairman and Chief Executive Officer. The number of instruments granted is therefore adjusted based on the opening price of the share on the day such grant is made.

In the event of a change of control, the achievement of the continuous employment condition for GPS granted from 2019 onwards to executive corporate officers and members of the Executive Committee will be reviewed on a *prorata temporis* basis, calculated between the date of the grant and change of control relative to the initial delivery date stipulated in the plan. In addition, regarding the fulfillment of the performance conditions, either the Board of Directors will have reached a decision regarding the level of fulfillment or no such decision will have been reached, in which case the Board, acting on the recommendation of the Governance Committee, will assess the degree of fulfillment for each performance condition on the basis of the available information.

Assessment of performance conditions for GPS granted in 2016 that were delivered in 2020 and GPS granted in 2017 that will be delivered in 2021 (information required by the French Financial Market Authority's 2020 report on corporate governance and executive compensation in companies)

Relative weighting of each performance indicator [a]	Minimum	Target	Maximum	Level of achievement	Corresponding number of shares [b]	Assessment
GPS 2016						
Weighted by 50%, growth in Danone's sales ("CA") over a three-year period (2016, 2017 and 2018) compared with that of a benchmark panel [c]	CA < the median panel CA: 0%	CA ⩾ the median panel CA: 100%	CA ⩾ the median panel CA: 100%	100%	17,100	Sales growth was 2.8% over the reference period, with the median panel CA at 2.2%. The Board of Directors meeting of April 25, 2019, upon recommendation of the Governance Committee, therefore noted the full achievement of this performance condition.
Weighted by 50%, improvement in recurring operating margin over a three-year period (2016, 2017 and 2018) [a]	Change in recurring operating margin < +35 bps: 0%	Change in recurring operating margin ⩾ +35 bps: 100%	Change in recurring operating margin ⩾ +35 bps: 100%	100%	17,100	As recurring operating margin rose on average by +191 pbs over the reference period, the Board of Directors meeting of February 18, 2019, upon recommendation of the Governance Committee, noted the full achievement of this performance condition.
Overall rate of achievement of the GPS 2016 targets						**100%**
GPS 2017						
Weighted by 50%, growth in Danone's sales ("CA") over a three-year period (2017, 2018 and 2019) compared with that of a benchmark panel [c]	CA < the median panel CA: 0%	• CA is equal to the median panel CA: 90% • CA is between the median panel CA and 120% of the median: between 90% and 110% based on a linear progressive scale	CA ⩾ 120% of the median panel CA: 110%	90%	15,759	Sales growth was 2.7% over the reference period, equal to the median panel. The Board of Directors meeting of April 28, 2020, upon recommendation of the Governance Committee, therefore noted that this performance condition was 90% achieved.
Weighted by 50%, attainment of a free cash flow level of more than €6 billion over three years (2017, 2018 and 2019)	Sum of the FCF ⩽ €6 billion: 0%	Sum of the FCF is between €6 billion and €6.5 billion: between 0% and 100% based on a linear progressive scale	Sum of the FCF > €6.5 billion: 100%	100%	17,511	Based on the amount attained (*i.e.* €6.7 billion between 2017 and 2019), the Board of Directors meeting of February 25, 2020, upon recommendation of the Governance Committee, noted the full achievement of this performance condition
Overall rate of achievement of the GPS 2017 targets						**95%**

(a) The performance indicators presented correspond to quantifiable performance criteria.
(b) Number of shares corresponding to the level of achievement of the performance indicator concerned.
(c) As of the date of this Universal Registration Document, this panel includes Unilever, Nestlé, PespiCo, The Coca-Cola Company, General Mills, Kellogg Company, The Kraft Heinz Company and Mondelez International.

Other compensation and benefits to which the Chairman and Chief Executive Officer is entitled

Summary of contracts, plans and indemnities applicable in 2020

Contracts, plans and indemnities applicable to Danone's Chairman and Chief Executive Officer in 2020 (information required by Table 11 of Annex 4 of the AFEP-MEDEF Code on the corporate governance of listed companies)

Name	Employment contract		Supplementary pension plan		Indemnities or benefits due or likely to be due as a result of termination or change in function		Indemnities related to a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Emmanuel FABER Chairman and Chief Executive Officer First appointment: 2002 Current appointment ends: 2022		x	x			x		x

Benefits: group insurance and healthcare coverage

Mr. Emmanuel FABER was entitled to the same group insurance and healthcare benefits offered to all Danone SA managers. He was also entitled to the same life and disability insurance applicable to all Danone employees.

Supplementary (defined-contributions) retirement plan

Since April 24, 2019, the date his employment contract was terminated, Mr. Emmanuel FABER was entitled only to a defined-contributions retirement plan ("article 83") available to Danone employees who are affiliated with the AGIRC pension fund pursuant to Articles 4 and 4b of the collective bargaining agreement of March 14, 1947 and whose annual compensation exceeds three times the French social security ceiling, without these rights increasing as of that date. This plan was established pursuant to Article L. 242-1, paragraphs 6 and 7, of the French Social Security Code.

The pension entitlement under this plan may be claimed no earlier than the pension entitlement date of a compulsory pension plan or the minimum age stipulated under Article L. 351-1 of the French Social Security Code.

Compensation components paid or granted in 2020 to the Chairman and Chief Executive Officer and on which the Shareholders' Meeting on April 29, 2021 is asked to decide under the terms of the 11th resolution

Pursuant to Article L.22-10-34 II of the French Commercial Code:

- the following compensation components are subject to approval by the Shareholders' Meeting on April 29, 2021: fixed, variable and extraordinary compensation making up the total compensation and the benefits in kind paid or granted in 2020;
- the annual variable compensation granted for fiscal year 2020 cannot be paid without the approval of the Shareholders' Meeting on April 29, 2021.

Compensation and benefits paid or granted to Mr. Emmanuel FABER in 2020

Compensation items submitted for approval by the Shareholders' Meeting	Amounts paid during 2020	Amounts granted in respect of 2020 fiscal year	Presentation
Fixed compensation	€850,000	€1,000,000	Mr. Emmanuel FABER's fixed compensation for 2020 takes into account the Board's decision on May 19, 2020 to reduce the amount by 30% on a one-time basis from July 1 to December 31, 2020, in a spirit of solidarity given the Covid-19 health crisis.
Annual variable compensation	€1,025,000 In respect of 2019 fiscal year Compensation approved by the 10th resolution of the Shareholders' Meeting on June 26, 2020	€500,000 In respect of 2020 fiscal year Payment of this compensation is subject to approval by the Shareholders' Meeting on April 29, 2021 (11th resolution)	The target annual variable compensation was fixed by the Board at €1,000,000 on February 25, 2020. This compensation is granted subject to performance conditions based on the fulfillment of quantifiable economic criteria (representing 60% of the target), social/environmental criteria (representing 20% of the target) and managerial criteria (representing 20% of the target). It is capped at 200% of the fixed compensation.
Long-term variable compensation in cash (GPU)	Not applicable		Long-term variable compensation in cash corresponds to Group performance units. Mr. Emmanuel FABER has not been granted any GPU since 2017.
Extraordinary compensation	Not applicable		Mr. Emmanuel FABER has not been granted any extraordinary compensation.
Long-term compensation in shares (GPS)	34,200 GPS granted in 2016 were delivered under a GPS plan approved by the Shareholders' Meeting on April 28, 2016 (17th resolution). Wording for information only not subject to a vote in the 11th resolution submitted to the Shareholders' Meeting on April 29, 2021	€1,994,625 In respect of GPS granted in 2020	Long-term compensation in shares takes the form of Group performance shares (GPS). GPS are Company shares subject to performance conditions. For information, 34,200 2016 GPS were delivered in 2020, amounting to a book value of €2,012,670. The plan was approved by the Shareholders' Meeting on April 28, 2016 (17th resolution). In 2020, 37,500 2020 GPS amounting to a book value of €1,994,625 were granted and are liable to be increased to 39,375 GPS if the continuous employment condition is fulfilled, the free cash flow performance condition is fully met, the environmental condition is fully met and the sales growth condition is exceeded. The plan was approved by the Shareholders' Meeting on June 26, 2020 (15th resolution). This grant represented 0.005% of Danone's share capital. See details of granting and performance conditions in section 6.4 *Detailed information on long-term compensation plans*.
Stock options	Not applicable		The last stock options grant took place in November 2009 and none is currently in progress.
Director's compensation	Not applicable		Danone's policy consists in not paying any compensation to the executive corporate officers for their directorship.
Benefits in kind	€7,444 In respect of 2020 fiscal year		Corresponds to the group insurance plan and the car and driver pool.
Severance pay and non-compete indemnity	Not applicable		Through a letter dated January 25, 2019, Mr. Emmanuel FABER terminated his employment contract (with effect from April 24, 2019) and waived his severance pay. His non-compete commitment ended concurrently with the termination of his employment contract.
Supplementary pension plan	Not applicable		Since April 24, 2019, Mr. Emmanuel FABER benefited only from the defined-contributions retirement plan set up for the benefit of Danone employees.

As a result, the total compensation granted and paid to the Chairman and Chief Executive Officer in 2020 is consistent with Danone's compensation policy, insofar as it is:

- fixed by the Board of Directors on the recommendations of the Governance Committee;
- subject to the approval of the Shareholders' Meeting on April 29, 2021;
- consistent with the caps set in the compensation policy approved by the Shareholders' Meeting on June 26, 2020;
- dependent on the performance condition fulfillment level, which is reviewed and validated by the Board of Directors on the recommendation of the Governance Committee.

Evolution of compensations, equity ratios and Company's performance over the last five years

In accordance with Article L.22-10-9 of the French Commercial Code (formerly Article L.225-37-3), the ratios between the level of compensation of the Chairman and Chief Executive Officer (who was Chief Executive Officer until 2017) and of the Chairman of the Board of Directors (until 2017) and the average and median compensation of Danone SA employees over the last five years are presented below. The following table reflects the change made to Danone's governance effective November 30, 2017: from 2016 to 2017, Mr. Franck RIBOUD was the Chairman of the Board and Mr. Emmanuel FABER was the Chief Executive Officer. Since December 1, 2017, Mr. Emmanuel FABER has been the sole corporate officer (Chairman and Chief Executive Officer). For calculation purposes, their respective 2017 compensation amounts up to November 30 have been annualized.

Methodology

The ratios have been established by applying the method proposed by the AFEP in its guidelines published on January 28, 2020. They have been calculated on a full-time equivalent basis and for the Danone SA scope, which has employed an average of 779 employees over the last five fiscal years. The number of employees taken into account for the calculations is based on employees present at December 31 of year N and December 31 of the previous fiscal year, thus ensuring stability over time of the reference sample.

Compensation components considered

The components of corporate officer compensation taken into account are:

- the fixed compensation paid in year N;
- the annual variable compensation paid in year N for the previous fiscal year;
- the valuation on the grant date of the performance shares granted during the fiscal year, in accordance with IFRS 2;
- until 2019, the last year in which GPU were paid, the GPU paid in year N.

This compensation was taken into account on a gross basis, including employer contributions and excluding profit-sharing.

The amounts corresponding to these compensation components are presented above in the *Summary of the financial position of the Chairman and Chief Executive Officer* section and, for fiscal years 2016 to 2018, in the 2017 and 2018 registration documents in section 6.3 *Compensation and benefits of governance bodies*.

The components of employee (full-time-equivalent) compensation taken into account are:

- the fixed salary paid in year N;
- the annual variable compensation paid in year N for the previous fiscal year;
- the valuation on the grant date of the performance shares granted during the fiscal year, in accordance with IFRS 2.

Benefits in kind, of which the amounts paid to the executive corporate officer are presented in the section *Summary of the financial position of the Chairman and Chief Executive Officer* above, are not taken into account in the components of corporate officers and employees compensation, given that their amounts are not material.

Definition of employees

The ratios presented below were calculated taking into account only those employees who have entered into a permanent or fixed-term employment contract with Danone SA and who were continuously employed by the Company from January 1 to December 31 of the fiscal year in question. Employees who have entered into a part-time employment contract with the Company, as well as expatriate employees, were not included for the purposes of these calculations.

Company performance

The table below also shows, in accordance with the provisions of Article L.22-10-9 of the French Commercial Code, the annual evolution of the Company's performance over the last five fiscal years, according to two additional criteria:

- an economic criterion, which is the current net earnings per share, corresponding to the ratio between the recurring net income and the Group share adjusted for hybrid financing divided by the diluted number of shares; and
- an ESG criterion, consisting of Danone's rating established by CDP under its Climate Change program, in line with the commitments made by Danone as part of its "One Planet. One Health" vision. The Carbon Disclosure Project (CDP) is a Non-Governmental Organization that assesses the environmental management of companies, cities and states relative to the risks and opportunities involved in climate change, water and deforestation. CDP is recognized as the leading climate change assessment platform for investors. More than 8,000 companies, representing more than half of world capitalization, send their environmental performance data to CDP. Only 2% of companies have an "A" rating on climate change. This "A" rating is only available to businesses that can justify the quality of their carbon footprint metric and robust reduction plans throughout their value chain.

Results

Year ended December 31

	2016	2017	2018	2019	2020
Compensation of Danone SA employees					
Annual average compensation	117,991	121,765	131,363	132,196	141,627
Change		*+3.2%*	*+7.9%*	*+0.6%*	*+7.1%*
Annual median compensation	72,172	74,063	77,080	81,009	86,006
Change		*+2,6%*	*+4,1%*	*+5,1%*	*+6,2%*
Compensation of the Chief Executive Officer (until December 1, 2017)					
Annual compensation of Mr. Emmanuel FABER	4,252,670	4,681,007	–	–	–
Change		*+10.1%*	–	–	–
Compensation of the Chairman and Chief Executive Officer (as of December 1, 2017)					
Annual compensation of Mr. Emmanuel FABER	–	–	4,787,135	4,650,400	3,869,625
Change	–	–	*+2.3%*	*(2.9)%*	*(16.8)%*
Compensation of the Chairman of the Board of Directors (until November 30, 2017)					
Annual compensation of Mr. Franck RIBOUD	2,000,000	2,483,333	–	–	–
Change		*+24.2%*	–	–	–
Average employee compensation ratios					
Emmanuel FABER – Chief Executive Officer	36	38	–	–	–
Change		*+5.6%*	–	–	–
Emmanuel FABER – Chairman and Chief Executive Officer	–	–	36	35	27
Change	–	–	*(5.3)%*	*(2.8)%*	*(22.9)%*
Franck RIBOUD – Chairman of the Board	17	20	–	–	–
Change		*+17.6%*	–	–	–
Median employee compensation ratios					
Emmanuel FABER – Chief Executive Officer	59	63	–	–	–
Change		*+6.8%*	–	–	–
Emmanuel FABER – Chairman and Chief Executive Officer	–	–	62	57	45
Change	–	–	*(1.6)%*	*(8.1)%*	*(21)%*
Franck RIBOUD – Chairman of the Board	28	34	–	–	–
Change		*+21.4%*	–	–	–
Company performance					
Recurring EPS	3.10	3.49	3.56	3.85	3.34
Change		*+12.6%*	*+2.0%*	*+8.1%*	*(13.2) %*
Rating awarded by CDP under its Climate Change program in the fiscal year in question	B	A –	A	A	A

Compensation differences by quintile

In addition to the ratios presented above, a significant additional insight into the distribution of remuneration by quintile for more than 90% of Danone's employees in all professional categories in France is presented below.

Year ended December 31

	1st quintile (20%)	2nd quintile (40%)	Median (50%)	3rd quintile (60%)	4th quintile (80%)
2020	34,535	40,635	43,380	46,504	61,571

Calculations are made on the basis of the employees taken into account for the calculation of "Indicator 1" of the Gender Equality Index 2020, by applying the quintile formula, *i.e.* the statistical distribution of the sample by 20%.

Compensation for Directors

Annual compensation paid or granted, as well as benefits in kind granted in 2019 and 2020 to the Board members (Table 3 of Annex 4 of the AFEP-MEDEF Code on the corporate governance of listed companies)

As the compensation of the Chairman and Chief Executive Officer has already been presented in detail earlier in this document, it is not included in the following table.

It should also be noted that, in a spirit of solidarity, the Directors decided at the Board meeting of May 19, 2020 to forego all of their second-half 2020 compensation. As a reminder, the Board met five times in the second half of the year, *i.e.* the average number of Board meetings held each year. The total amount of Director compensation they would have been granted had they not foregone their second-half compensation is €471,000. Accordingly, only the compensation due for first-half 2020 was granted to them for the fiscal year ended December 31, 2020.

	2019				2020			
(in €)	Compensation for directorship [a]		Other compensation		Compensation for directorship [a]		Other compensation	
Name	**Amounts paid [b]**	**Amounts granted [c]**	**Amounts paid**	**Amounts granted**	**Amounts paid [b]**	**Amounts granted [c]**	**Amounts paid**	**Amounts granted**
Guido BARILLA	54,000	47,000	–	–	62,000	33,000	–	–
Cécile CABANIS	–	–	1,738,205 [d]	1,738,955 [e]	–	–	1,752,699 [f]	1,650,699 [g]
Gregg L. ENGLES	31,000	38,000	–	–	59,000	26,000	–	–
Clara GAYMARD	41,000	48,000	–	–	71,000	42,000	–	–
Michel LANDEL	145,000	148,000	–	–	179,000	98,000	–	–
Gaëlle OLIVIER	53,000	48,000	–	–	67,000	38,000	–	–
Benoît POTIER	77,000	80,000	–	–	111,000	58,000	–	–
Franck RIBOUD	33,000	25,000	1,441,425 [h]	–	40,000	26,000	1,452,524 [h]	
Gilles SCHNEPP [i]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Isabelle SEILLIER	45,000	36,000	–	–	49,000	28,000	–	–
Jean-Michel SEVERINO	85,000	65,000	–	–	88,000	50,000	–	–
Virginia A. STALLINGS	97,000	84,000	–	–	87,000	42,000	–	–
Serpil TIMURAY	77,000	76,000	–	–	83,000	42,000	–	–
Lionel ZINSOU-DERLIN	69,000	64,000	–	–	95,000	54,000	–	–
Total	**807,000**	**759,000**	**3,179,630**	**1,738,955**	**991,000**	**537,000**	**3,205,223**	**1,650,699**

(a) Gross amount due in the fiscal year before the withholding tax.
(b) Amounts granted for the second half of the previous fiscal year (paid in February) and for the first half of the fiscal year in question (paid in August).
(c) Amounts allocated during the fiscal year in question.
(d) The annual compensation noted above includes fixed and variable annual compensation, benefits in kind, profit-sharing and the payment of the 2016 GPU.
(e) In addition to the compensation noted above (which includes fixed and variable annual compensation, benefits in kind, profit-sharing and the payment of the 2016 GPU, 7,350 GPU and 11,029 GPS (up to 11,580 GPS if the continuous employment condition is fulfilled, the performance condition related to free cash flow is fully achieved, the environmental condition is fully achieved and the sales performance condition is exceeded) were granted to her in 2019.
(f) The annual compensation noted above includes fixed and variable annual compensation, benefits in kind, profit-sharing and the payment of the 2017 GPU.
(g) In addition to the compensation noted above (which includes fixed and variable annual compensation, benefits in kind, profit-sharing and the payment of the 2017 GPU), 7,350 GPU and 13,830 GPS (up to 14,522 GPS if the continuous employment condition is fulfilled, the performance condition related to free cash flow is fully achieved, the environmental performance condition is fully achieved and the sales performance condition is exceeded) were granted to her in 2018.
(h) These amounts correspond to the annual pension amount due in 2018 and 2019, whose payments are made at the end of the term.
(i) As Mr. Gilles SCHNEPP was co-opted as Director by the Board of Directors meeting in December 2020, at the Board's last meeting of the year, he did not receive any compensation in fiscal year 2020 and was not granted any compensation for that same year.

The Directors representing employees have an employment contract with Danone and therefore, in that capacity, receive compensation that is unrelated to their duties on the Board and so is not stated. In accordance with the compensation policy for Directors, they do not receive any compensation for their directorship.

6.4 DETAILED INFORMATION ON LONG-TERM COMPENSATION PLANS

Contents

GROUP PERFORMANCE SHARES (GPS)

Principal rules

General principles

Authorization by the Shareholders' Meeting

Group Performance Shares (GPS) were introduced in 2010. The grant of GPS must be authorized by the Shareholders' Meeting. Since 2013, this authorization has been granted until the end of each fiscal year and is subject to shareholders approval every year.

Cap on the number of GPS granted

GPS have always had a limited impact on both capital dilution and share ownership. GPS grants are subject to a double cap approved by the Shareholders' Meeting that limits both (i) the number of GPS that may be granted and (ii) the number of GPS that may be granted to corporate officers.

Limitations for GPS not yet delivered

Shareholders' Meeting that approved the GPS	4/27/2017	4/26/2018	4/25/2019	6/26/2020
Maximum number of GPS that may be granted [a]	0.2%	0.2%	0.2%	0.2%
Of which the maximum number of GPS that may be granted to the corporate officers [a]	*0.03%*	*0.03%*	*0.03%*	*0.03%*

(a) Expressed as a percentage of that year's share capital subsequent to the Shareholders' Meeting that authorized the plans. This number of shares does not reflect any adjustments that may be made pursuant to legal requirements or any contractual provisions that may require other adjustments in order to maintain the rights of shareholders and other rights-holders.

A new authorization with the same caps as those approved by the Shareholders' Meeting of June 26, 2020 will be submitted to the Shareholders' Meeting of April 29, 2021 for approval.

Grant by the Board of Directors

GPS are granted annually by the Board of Directors on the recommendation of the Governance Committee, at the same times each year. In principle, they are therefore granted at the end of July and, if necessary, are granted to certain new employees at the end of the year. It should be noted that, in accordance with the compensation policy, the number of GPS granted to the corporate officers may not exceed 60% of each corporate officer's overall target compensation in terms of accounting valuation (in accordance with IFRS) estimated at the time of the grant.

Review of the achievement of performance objectives by the Board of Directors

After an initial review by the Governance Committee, the Board of Directors determines whether performance objectives have been achieved.

Valuation and accounting in the consolidated financial statements

Long-term compensation in the form of GPS is valued and accounted for in Danone's consolidated financial statements pursuant to IFRS 2 *Share-based payments* (see Note 8.4 of the Notes to the consolidated financial statements).

Performance conditions

The performance conditions for GPS are determined in advance at the beginning of the year and are indicated in the comments on the resolutions submitted to the Shareholders' Meeting describing in particular the resolution related to GPS. Performance conditions are determined by the Board of Directors on the recommendation of the Governance Committee. They are the same for all beneficiaries and apply to all the GPS granted.

Performance conditions are stringent and consistent with Danone's current environment. They include complementary criteria that are representative of Danone's performance and adapted to the specific nature of its business. These criteria reflect the key indicators monitored by investors and analysts to measure the performance of companies in the food and beverage sector. Some are internal and others are external.

Since 2018, one of the conditions has been linked to Danone's environmental performance. Weighted by 20%, it reflects the rating assigned to Danone by CDP, particularly under its Climate Change program (see sections *Presentation of 2021 GPS submitted to the Shareholders' Meeting of April 29, 2021 for approval* and *Review of the conditions related to GPS not yet delivered*).

Regarding the external financial performance criterion, the composition of the peer group panel that has been used to determine the performance conditions of GPS and the severance pay of corporate officers has been essentially the same since 2007. However, two adjustments were made in 2013 and 2015 due to the restructuring of The Kraft Heinz Company, a member of the panel.

All performance conditions related to GPS are subject to a three-year reference period.

Continuous employment condition

The definitive grant of GPS is subject to a four-year continuous employment condition that applies to all beneficiaries. Therefore, a beneficiary of a share grant who leaves Danone before the end of the vesting period cannot retain his or her shares except in the cases allowed by law (including death and disability), and barring exceptions decided by the Board of Directors based on a reasoned opinion.

However, in the specific case where an employee retires at the legal age (or prior to this as allowed by law), the GPS granted in the 12 months preceding the retirement date are cancelled with no exceptions.

Regarding the executive corporate officers, the Board of Directors may, where applicable, decide on an exception to the continuous employment condition, only on a partial and *prorata* basis.

Finally, as a reminder, the GPS plans allow beneficiaries to be exempt from the continuous employment and performance conditions in the event of a change of control of the Company, with the exception of executive corporate officers and Executive Committee members for whom, since 2019, the achievement of the continuous employment condition will be reviewed by the Board of Directors on a *prorata* basis, calculated between the date of the grant and the date of change of control, relative to the initial delivery date stipulated in the plan. In addition, regarding the fulfillment of the performance conditions, either the Board of Directors will have reached a decision regarding the level of fulfillment or no such decision will have been reached, in which case the Board, acting on the recommendation of the Governance Committee, will assess the degree of fulfillment for each performance condition on the basis of the available information.

Definitive grant

The grants of GPS become final and DANONE shares are delivered to their beneficiaries at the end of the vesting period set by the Board of Directors. Since 2013, the Board of Directors has only set up "4+0" plans (four-year vesting period and no holding period).

Other applicable rules

The rules that govern GPS plans prohibit beneficiaries from hedging in any manner (i) their position with respect to their right to receive GPS or (ii) their position with respect to shares which they have already received and which are still subject to the holding period (applicable to executive corporate officers and Executive Committee members – see above). For the corporate officers, the prohibition of hedging extends to all DANONE shares or financial instruments related to DANONE shares which they own or may be in a position to own. In addition, each beneficiary of GPS has personally agreed not to use hedging instruments. Thus, Mr. Emmanuel FABER has made a formal commitment not to use hedging instruments to hedge his risk exposure, in particular regarding GPS that he has received or will receive until such time as he ceases to exercise his functions. To the Company's knowledge, no hedging instrument has been established by the Chairman and Chief Executive Officer.

In addition, an obligation to hold DANONE shares resulting from GPS applies to corporate officers and other Executive Committee members, who must hold (in registered form) a number of shares resulting from GPS (and until termination of their duties) equivalent to 35% of the gain at exercise, net of tax and social security contributions, that they would be able to realize if they sold all the shares resulting from GPS granted to them under the respective plan.

Given the significant level of the holding obligation applicable to corporate officers and other Executive Committee members, on the recommendation of the Governance Committee, the Board of Directors decided that it was not necessary to require them to purchase a minimum number of DANONE shares at the end of the holding period for their shares subject to performance conditions.

In addition, following the proposal of the Governance Committee, the Board of Directors, at its meeting on February 14, 2012, decided to add to the scheme an overall holding ceiling for the requirement to hold shares resulting from the grant of performance shares or from exercises of stock options representing the equivalent in shares of four years of fixed compensation for corporate officers and two years of fixed compensation for other Executive Committee members.

The Board of Directors confirmed this holding obligation when it renewed Mr. Emmanuel FABER's term of office as Director on February 18, 2019 and when it approved the grant of GPS at its meeting on July 24, 2019.

Summary of GPS delivered in 2020 and not yet delivered

Summary of plans as of December 31, 2020

Characteristics of outstanding GPS plans as of December 31, 2020 and grants and changes under these plans in 2020 (information required pursuant to table 9 of appendix 4 of the AFEP-MEDEF Code on corporate governance of listed companies)

Outstanding GPS plans		
Shareholders' Meeting that approved the GPS	04/28/2016	4/27/2017
Number of GPS authorized by the Shareholders' Meeting	1,309,902	1,311,784
Of which number of GPS not granted	*685,074*	*667,364*
Date of the Board meeting that granted the GPS	07/27/2016	07/26/2017
Number of GPS granted	**624,828**	**644,420**
Maximum number of GPS that may be granted [a]	624,828	676,741
Of which GPS granted to corporate officers	*34,200*	*35,021*
Maximum number of GPS that may be granted to the corporate officers [a]	*34,200*	*36,772*
Of which GPS granted to members of the Executive Committee (excluding corporate officers)	*104,268*	*89,158*
Of which number of Executive Committee beneficiaries (excluding corporate officers)	*11*	*7*
Number of beneficiaries for each plan	1,394	1,499
GPS characteristics		
Share delivery date	07/28/2020	07/27/2021
End date of holding period	–	–
Performance conditions	• weighted by 50%, average sales growth greater than or equal to that of the Panel over the years 2016, 2017 and 2018; • weighted by 50%, improvement in growth in the operating margin over three years (2016, 2017 and 2018) on a like-for-like basis.	• weighted by 50%, average sales growth greater than or equal to that of the Panel over the years 2017, 2018 and 2019; • weighted by 50%, attainment of a free cash flow level of more than €6 billion over the years 2017, 2018 and 2019.
Assessment of achievement of performance conditions	• Sales growth target between 2016 and 2018: 100% achieved. • Operating margin evolution objective: 100% achieved.	• Sales growth target between 2017 and 2019: achieved at 90%. • Free cash flow objective: 100% achieved.
Changes in 2020 and situation as of December 31, 2020		
Number of GPS as of December 31, 2019	462,120	557,554
GPS granted in 2020	–	–
Maximum number of GPS that may be granted [a]	–	–
Of which GPS granted to corporate officers	–	–
Maximum number of GPS that may be granted to the corporate officers [a]	–	–
Of which GPS granted to the 10 Danone employees (not including corporate officers) who received the largest number of shares in 2020	–	–
GPS void or canceled in 2020	(54,256)	(90,524)
Of which GPS canceled in 2020 due to non-fulfillment of some performance conditions [b]	–	*(24,581)*
Shares delivered in 2020	(407,864)	–
Of which shares delivered to corporate officers	*(34,200)*	–
Of which shares delivered to the 10 employees (not including corporate officers) who received the largest number of shares in 2020	*(63,827)*	–
Number of GPS not yet vested as of December 31, 2020	**–**	**467,030**
Total number of GPS void or canceled for each plan as of December 31, 2020	(216,964)	(177,390)

(a) Maximum number of GPS that may be granted if the continuous employment condition is satisfied, the free cash flow condition is fully achieved, the environmental condition is fully met and the sales growth condition is exceeded.

						Total
4/26/2018	4/26/2018	4/25/2019	4/25/2019	6/26/2020	6/26/2020	
–	1,341,420	–	1,370,110	–	1,372,241	
–	*717,381*	–	*818,951*	–	*657,531*	
07/26/2018	12/05/2018	07/24/2019	12/12/2019	7/29/2020	12/10/2020	
606,224	**17,815**	**521,933**	**29,226**	**697,679**	**17,031**	**3,159,156**
636,777	18,711	548,215	30,708	732,603	17,881	3,286,464
34,475	–	*30,000*	–	*37,500*	–	*171,196*
36,199	–	*31,500*	–	*39,375*	–	*178,046*
77,141	–	*56,120*	*11,169*	*80,821*	–	*418,677*
6	–	*5*	*1*	*6*	–	–
1,415	33	1,404	46	1,550	20	–
07/27/2022	12/06/2022	07/25/2023	12/13/2023	7/30/2024	12/11/2024	
–	–	–	–	–	–	
• weighted by 50%, average sales growth greater than or equal to that of the Panel over the years 2018, 2019 and 2020; • weighted by 30%, attainment of a free cash flow level of more than €6 billion over the years 2018, 2019 and 2020; • weighted by 20%, achievement of a "Leadership" level assigned to Danone by CDP under its Climate Change program over the years 2018, 2019 and 2020.		• weighted by 50%, average sales growth greater than or equal to that of the Panel over the years 2019, 2020 and 2021; • weighted by 30%, attainment of a free cash flow level of more than €6.2 billion over the years 2019, 2020 and 2021; • weighted by 20%, achievement of a "Leadership" level assigned to Danone by CDP under its Climate Change program over the years 2019, 2020 and 2021.		• weighted by 50%, average sales growth greater than or equal to that of the Panel over the years 2020, 2021 and 2022; • weighted by 30%, attainment of a free cash flow level of more than €6.2 billion over the years 2020, 2021 and 2022; • weighted by 20%, achievement of a "Leadership" level and assignment each year of a score of A to Danone by CDP under its Climate Change program over the years 2020, 2021 and 2022.		
• The Board of Directors will assess the achievement of the sales growth criterion between 2018 and 2020 in the first half of 2021. • The Board of Directors will assess the achievement of Danone's environmental performance criterion between 2018 and 2020 in the first half of 2022. • Free cash flow objective: 100% achieved.		• The Board of Directors will assess the achievement of the sales growth and free cash flow criteria between 2019 and 2021 in 2022. • The Board of Directors will assess the achievement of Danone's environmental performance criterion between 2019 and 2021 in the first half of 2023.		• The Board of Directors will assess the achievement of the sales growth and free cash flow criteria between 2020 and 2022 in 2023. • The Board of Directors will assess the achievement of Danone's environmental performance criterion between 2020 and 2022 in the first half of 2024.		
572,426	16,051	514,589	28,761	–	–	2,151,501
–	–	–	–	697,679	17,031	714,710
–	–	–	–	732,603	17,881	750,484
–	–	–	–	*37,500*	–	*37,500*
–	–	–	–	*39,375*	–	*39,375*
–	–	–	–	*102,707*	*12,477*	*115,184*
(320,729)	(8,942)	(28,941)	(1,648)	(9,158)	–	(514,198)
(251,697)	*(7,108)*	–	–	–	–	–
–	–	–	–	–	–	(407,864)
–	–	–	–	–	–	*(34,200)*
–	–	–	–	–	–	*(63,827)*
251,697	**7,109**	**485,648**	**27,113**	**688,521**	**17,031**	**1,944,149**
(354,527)	(10,706)	(36,285)	(2,113)	(9,158)	–	(807,143)

(b) For the purposes of the Universal Registration Document, Danone has included in the number of 2018 GPS that became void during the year the GPS that are likely to be void due to the non-fulfillment of performance conditions, based on information known as of the date of this Universal Registration Document (even if this lapse of shares has not been acknowledged by the Board yet).

6

Impact on share capital dilution and share ownership

Year ended December 31

	2019		2020	
	Number of shares	Percentage of share capital [a]	Number of shares	Percentage of share capital [a]
Grants during the year				
GPS granted	551,159	0.08%	714,710	0.10%
Maximum number of GPS that may be granted [b]	578,923		750,484	
Of which GPS granted to corporate officers	*30,000*	*0.004%*	*37,500*	*0.005%*
Maximum number of GPS that may be granted to corporate officers [b]	*31,500*		*39,375*	
Balance as of December 31 [c]				
GPS not yet vested	2,151,501	0.31%	1,944,149	0.28%
Maximum number of GPS that may be granted [b]	2,235,970		2,005,065	
Of which GPS granted to corporate officers	*133,696*	*0.02%*	*118,008*	*0.02%*
Maximum number of GPS that may be granted to corporate officers [b]	*138,671*		*121,383*	

(a) Percentage of share capital as of December 31.
(b) If the continuous employment condition is satisfied, the free cash flow condition is fully achieved, the environmental condition is fully satisfied and the sales growth condition is exceeded.
(c) Balance of GPS not yet vested as of December 31 of the respective year.

It should be noted that two grants were made in 2020, a main grant in July 2020 and an additional grant in December 2020. This practice of making two grants during the year is traditional, having been implemented in 2011, 2012, 2013, 2014, 2018 and 2019. The second grant enables new management teams to be offered the benefits of the long-term compensation mechanism.

Presentation of 2021 GPS submitted to the Shareholders' Meeting of April 29, 2021 for approval

General rules

The Shareholders' Meeting of April 29, 2021 is asked to vote on the establishment of a new GPS plan under which all beneficiaries would receive GPS from a single "4+0" plan, *i.e.* with a four-year vesting period and no holding period.

Performance conditions

The 2021 GPS would be subject to performance conditions based on three complementary criteria that are representative of Danone's performance and adapted to the specific nature of its business:

- weighted by 50%, an external performance condition related to sales growth,
- weighted by 30%, a performance condition based on (i) an external performance condition related to the relative total shareholder return of the DANONE share ("TSR") for the executive corporate officers and other Executive Committee members, and (ii) an internal performance condition related to the achievement of a free cash flow level for the other beneficiaries,
- weighted by 20%, an external environmental performance condition;

under the conditions described below.

Sales growth performance condition, weighted by 50%

PRINCIPLE

The average growth in Danone's consolidated sales ("CA") is compared, on a like-for-like basis, with that of a benchmark panel over a three-year period, *i.e.* 2021, 2022 and 2023

- if Danone's CA is less than the Median Panel CA, the definitive grant will be 0% of the shares subject to the sales-related performance condition, pursuant to the "no payment under the median" principle;
- if Danone's CA is equal to the Median Panel CA, the definitive grant will be 75% of the shares subject to the sales-related performance condition;
- if Danone's CA is between the Median Panel CA and 120% of the Median Panel CA, the definitive grant will be between 75% and 110% of the shares subject to the sales-related performance condition based on a linear progressive scale between 100% and 120% of the Median Panel CA;
- if Danone's CA is greater than or equal to 120% of the Median Panel CA, the definitive grant will be 110% of the shares subject to the sales-related performance condition.

DEFINITIONS

Danone's CA	Average growth in sales (on a consolidated and like-for-like basis) in 2021, 2022 and 2023, it being specified that "sales" and "changes on a like-for-like basis" correspond to financial indicators used by Danone and not defined by IFRS, the calculation of which is indicated in the financial press releases published by the Company (see also section 3.6 *Financial indicators not defined in IFRS*).
Each Panel member's CA	Average growth in sales generated by a given Panel member in 2021, 2022 and 2023 (on a consolidated and like-for-like basis).
Panel CA	The CA of all Panel members.
Median Panel CA	Value of the Panel member CA that half of the Panel members exceed (*i.e.* there are as many Panel members with CA exceeding or equal to the Median as there are with CA less than or equal to the Median). If there is an even number of Panel members, the Median Panel CA will be the arithmetic average of the two central Panel CA.
Panel	Eight leading international groups in the food and beverage sector: Unilever, Nestlé, PepsiCo, The Coca-Cola Company, The Kraft Heinz Company, Mondelez International, General Mills and Kellogg Company.

OTHER APPLICABLE RULES

Ensure the consistency of the calculation method for the CA of all Panel members and Danone's CA over the entire period under review	Restatements (mainly adjustments for changes in scope and/or exchange rates) may be made only to the extent strictly necessary to ensure that the method of calculating the CA of all Panel members and Danone's CA is consistent over the entire period under review.
No publication or late publication of audited accounting or financial data	The Board of Directors may, exceptionally and by a duly justified decision indicated in the Board's report to the Shareholders' Meeting, exclude one or more members of the Panel.
The acquisition, absorption, dissolution, spin-off, merger or change in the business activity of one or more Panel members	The Board of Directors may, by a duly justified decision indicated in the Board of Directors' report to the Shareholders' Meeting, change the composition of the Panel, provided that it maintains the overall consistency of the panel.

ASSESSMENT OF ACHIEVEMENT OF THE PERFORMANCE CONDITION

The Board of Directors' procedure for determining that this performance condition has been met	The Board of Directors must state whether this performance condition was met, by a duly justified decision indicated in the Board of Directors' report to the Shareholders' Meeting, subsequent to the Governance Committee's recommendation, and based on a financial advisor's report.
Date of assessment of achievement of the performance condition	In 2024, after the companies in the Panel have published their sales figures.

Performance condition applicable to executive corporate officers and other Executive Committee members weighted by 30% and related to Danone's TSR

PRINCIPLE	
The relative total shareholder return of the DANONE share (TSR) compared with that of a benchmark panel over three years, *i.e.* 2021, 2022 and 2023	• if Danone's TSR is less than the Median Panel TSR, the definitive grant will be 0% of the shares subject to the TSR performance condition, pursuant to the "no payment under the median" principle; • if Danone's TSR is equal to the Median Panel TSR, the definitive grant will be 75% of the shares subject to the TSR performance condition; • if Danone's TSR is between the Median Panel TSR and 110% of the Median Panel TSR, the definitive grant will be between 75% and 100% of the shares subject to the TSR performance condition based on a linear progressive scale; • if Danone's TSR is greater than 110% of the Median Panel TSR, the definitive grant will be 100% of the shares subject to the TSR performance condition.
DEFINITIONS	
Danone's TSR (Total Shareholder Return)	Total shareholder return of the DANONE share, dividends reinvested, over the years 2021, 2022 and 2023.
Each Panel member's TSR	Total shareholder return of the Panel member's share, dividends reinvested, over the years 2021, 2022 and 2023.
Panel TSR	The TSR of all Panel members.
Median Panel TSR	Value of the Panel member TSR that half of the Panel members exceed (*i.e.* there are as many Panel members with TSR exceeding or equal to the Median as there are with TSR less than or equal to the Median). If there is an even number of Panel members, the Median Panel TSR will be the arithmetic average of the two central Panel TSR.
Panel	Eight leading international groups in the food and beverage sector: Unilever, Nestlé, PepsiCo, The Coca-Cola Company, The Kraft Heinz Company, Mondelez International, General Mills and Kellogg Company.
OTHER APPLICABLE RULES	
Percentage of shares subject to this performance condition	30% of the shares subject to performance conditions granted to executive corporate officers and other Executive Committee members will be subject to this performance condition. However, this percentage may be increased to 50%, particularly in case of no publication of the Scores related to the environmental performance condition defined below.
The acquisition, absorption, dissolution, spin-off, merger or change in the business activity of one or more Panel members	The Board of Directors may, by a duly justified decision indicated in the Board of Directors' report to the Shareholders' Meeting, change the composition of the Panel, provided that it maintains the overall consistency of the panel.
ASSESSMENT OF ACHIEVEMENT OF THE PERFORMANCE CONDITION	
The Board of Directors' procedure for determining that this performance condition has been met	The Board of Directors must determine the level of achievement of this second performance condition, by a duly justified decision indicated in the Board of Directors' report to the Shareholders' Meeting, subsequent to the Governance Committee's recommendation, and based on a financial advisor's report.
Date of assessment of achievement of the performance condition	Early 2024.

Performance condition applicable to other beneficiaries weighted by 30% and related to the attainment of a free cash flow level

PRINCIPLE	
Attainment of a total free cash flow ("FCF") level of more than €6.3 billion over a three-year period, *i.e.* for 2021, 2022 and 2023	If the sum of the FCF is: • less than or equal to €6.3 billion, the definitive grant will be 0% of the shares subject to the FCF performance condition; • between €6.3 and €6.7 billion, the definitive grant will be between 0% and 80% of the shares subject to the FCF performance condition, based on a linear progressive scale between €6.3 and €6.7 billion; • between €6.7 and €6.8 billion, the definitive grant will be between 80% and 90% of the shares subject to the FCF performance condition, based on a linear progressive scale between €6.7 and €6.8 billion; • between €6.8 and €7 billion, the definitive grant will be between 90% and 100% of the shares subject to the FCF performance condition, based on a linear progressive scale between €6.8 and €7 billion; • greater than or equal to €7 billion, the definitive grant will be 100% of the shares subject to the FCF performance condition.
DEFINITIONS	
Sum of the "FCF"	Sum of the amounts of free cash flow for 2021, 2022 and 2023, it being specified that: • free cash flow is a financial indicator not defined by IFRS, the calculation of which is indicated in Danone's financial press releases (see also section 3.6 *Financial indicators not defined in IFRS*); • for the purposes of assessing this performance condition, the total amount of free cash flow over three years will be restated for the cash impact of non-recurring costs related to implementation of the Local First project.
OTHER APPLICABLE RULES	
Percentage of shares subject to this performance condition	30% of the shares granted subject to performance conditions will be subject to this performance condition related to the attainment of a free cash flow level over three years. However, this percentage may be increased to 50%, particularly in case of no publication of the Scores related to the environmental performance condition defined below.
ASSESSMENT OF ACHIEVEMENT OF THE PERFORMANCE CONDITION	
The Board of Directors' procedure for determining that this performance condition has been met	The Board of Directors must determine the level of achievement of this second performance condition, by a duly justified decision indicated in the Board of Directors' report to the Shareholders' Meeting, subsequent to the Governance Committee's recommendation.
Date of assessment of achievement of the performance condition	Early 2024, after the approval of the 2023 financial statements.

Environmental performance condition, weighted by 20%

PRINCIPLE	
Scores assigned to Danone by CDP under the Climate Change, Water and Forests programs, taking into account Danone's environmental performance in 2021, 2022 and 2023	If Danone's Scores for these programs are published by CDP for the three years: • and (i) a Score of A is assigned to Danone for the Climate Change program for the three years and (ii) a Score of A is assigned to Danone for at least two years for both the Water program and the Forests program, the definitive grant will be 100% of the shares subject to the environmental performance condition; • or (i) a Score of A is assigned to Danone for the Climate Change program for the three years and (ii) a Score of A is assigned to Danone for at least one year for both the Water program and the Forests program, the definitive grant will be 50% of the shares subject to the environmental performance condition; • in all other cases, and in particular if a Score of A is not assigned to Danone for the Climate Change program for the three years, the definitive grant will be 0% of the shares subject to the environmental performance condition. If Danone's Scores are published by CDP for two out of three years: • and (i) a Score of A is assigned to Danone for the Climate Change program for both years and (ii) a Score of A is assigned to Danone for at least one year for both the Water program and the Forests program, the definitive grant will be 100% of the shares subject to the environmental performance condition; • or (i) a Score of A is assigned to Danone for the Climate Change program for both years and (ii) a Score of A is not assigned for the Water and Forests programs for both years, the definitive grant will be 50% of the shares subject to the environmental performance condition; • in all other cases, and in particular if a Score of A is not assigned to Danone for the Climate Change program for both years, the definitive grant will be 0% of the shares subject to the environmental performance condition.
DEFINITIONS	
CDP	CDP, a not-for-profit organization that runs a global disclosure system for investors, companies, cities, states and regions to help them assess and manage their environmental impacts.
Scores	Scores assigned to Danone each year by CDP under its Climate Change, Water and Forests programs based on Danone's environmental performance in 2021, 2022 and 2023.
Score A	Score assigned by CDP based on environmental performance for a given year, corresponding to the highest ranking under its Climate Change, Water and Forests programs or, in case of a change in the range of scores used by CDP for these programs, any other score representing the upper eighth of the range of scores assigned by CDP, or the highest score if this new range of scores assigned by CDP includes fewer than eight scores.
OTHER APPLICABLE RULES	
Many scores during the same year	If, in a single year, CDP publishes two different scores, the lower score will be taken into account.
Change in the name of CDP or the Climate Change, Water and Forests programs	If the name of CDP or the Climate Change, Water and Forests programs changes without a change in their scoring methods, the publications of the entity or program whose name was changed will, for the purposes of this grant of shares, be considered the publications produced by CDP or for the Climate Change, Water and Forests programs.
No publication or late publication of a score or other cases	If no Score was published by CDP or if the Scores were published by CDP only for one out of three years, and/or if one of the three CDP programs no longer existed, and/or in case of late publication of one or more of the Scores, and/or in case of a material change in CDP's scoring methods, and/or in all other cases not specified in this document, the Board of Directors will meet to decide on the conditions to be taken into account to assess achievement of the environmental performance condition and may, where applicable, decide to apply, in whole or in part, instead of this performance condition, the condition related to the relative total shareholder return of the DANONE share (TSR) for executive corporate officers and other Executive Committee members, or the condition related achievement of a free cash flow level for the other beneficiaries. The Board of Directors must make a duly justified decision subsequent to the Governance Committee's recommendation and indicated in its report to the Shareholders' Meeting.

ASSESSMENT OF ACHIEVEMENT OF THE PERFORMANCE CONDITION	
The Board of Directors' procedure for determining that this performance condition has been met	The Board of Directors must determine the level of achievement of this third performance condition, by a duly justified decision indicated in the Board of Directors' report to the Shareholders' Meeting, subsequent to the Governance Committee's recommendation.
Date of assessment of achievement of the performance condition	Early 2025.

Review of the conditions related to GPS not yet delivered

GPS granted in 2020

The 2020 GPS are subject to the three performance conditions described below.

Sales growth performance condition, weighted by 50%

PRINCIPLE	
The average growth in Danone's consolidated sales ("CA") is compared, on a like-for-like basis, with that of a benchmark panel over a three-year period, *i.e.* 2020, 2021 and 2022	• if Danone's CA is less than the Median Panel CA, the definitive grant will be 0% of the shares subject to the sales-related performance condition, pursuant to the "no payment under the median" principle; • if Danone's CA is equal to the Median Panel CA, the definitive grant will be 75% of the shares subject to the sales-related performance condition; • if Danone's CA is between the Median Panel CA and 120% of the Median Panel CA, the definitive grant will be between 75% and 110% of the shares subject to the sales-related performance condition based on a linear progressive scale between 100% and 120% of the Median Panel CA; • if Danone's CA is greater than or equal to 120% of the Median Panel CA, the definitive grant will be 110% of the shares subject to the sales-related performance condition.
DEFINITIONS	
Danone's CA	Average growth in sales (on a consolidated and like-for-like basis) in 2020, 2021 and 2022, it being specified that "sales" and "changes on a like-for-like basis" correspond to financial indicators used by Danone and not defined by IFRS, the calculation of which is indicated in the financial press releases published by the Company (see also section 3.6 *Financial indicators not defined in IFRS*).
Each Panel member's CA	Average growth in sales generated by a given Panel member in 2020, 2021 and 2022 (on a consolidated and like-for-like basis).
Panel CA	The CA of all Panel members.
Median Panel CA	Value of the Panel member CA that half of the Panel members exceed (*i.e.* there are as many Panel members with CA exceeding or equal to the Median as there are with CA less than or equal to the Median). If there is an even number of Panel members, the Median Panel CA will be the arithmetic average of the two central Panel CA.
Panel	Eight leading international groups in the food and beverage sector: Unilever, Nestlé, PepsiCo, The Coca-Cola Company, The Kraft Heinz Company, Mondelez International, General Mills and Kellogg Company.
OTHER APPLICABLE RULES	
Ensure the consistency of the calculation method for the CA of all Panel members and Danone's CA over the entire period under review	Restatements (mainly adjustments for changes in scope and/or exchange rates) may be made only to the extent strictly necessary to ensure that the method of calculating the CA of all Panel members and Danone's CA is consistent over the entire period under review.
No publication or late publication of audited accounting or financial data	**By one Panel member:** the Board of Directors may, exceptionally and by a duly justified decision indicated in the Board's report to the Shareholders' Meeting, exclude this member from the Panel. **By two or more Panel members:** the Board of Directors will make a duly justified decision indicated in the Board's report to the Shareholders' Meeting, on the basis of the most recent audited financial statements published by the Panel members and by Danone over the last three years for which financial statements were published by all Panel members and by Danone.
The acquisition, absorption, dissolution, spin-off, merger or change in the business activity of one or more Panel members	The Board of Directors may, by a duly justified decision indicated in the Board of Directors' report to the Shareholders' Meeting, change the composition of the Panel, provided that it maintains the overall consistency of the panel.

ASSESSMENT OF ACHIEVEMENT OF THE PERFORMANCE CONDITION	
The Board of Directors' procedure for determining that this performance condition has been met	The Board of Directors must state whether this performance condition was met, by a duly justified decision indicated in the Board of Directors' report to the Shareholders' Meeting, subsequent to the Governance Committee's recommendation, and based on a financial advisor's report.
Date of assessment of achievement of the performance condition	In 2023, after the companies in the Panel have published their sales figures.

Performance condition related to the attainment of a free cash flow level, weighted by 30%

PRINCIPLE	
Attainment of a free cash flow ("FCF") level of more than €6.2 billion over a three-year period, *i.e.* for 2020, 2021 and 2022	If the sum of the FCF is: • less than or equal to €6.2 billion, the definitive grant will be 0% of the shares subject to the FCF performance condition; • between €6.2 and €6.7 billion, the definitive grant will be between 0% and 100%, based on a linear progressive scale between €6.2 and €6.7 billion; • greater than or equal to €6.7 billion, the definitive grant will be 100%.
DEFINITIONS	
Sum of the "FCF"	Sum of the amounts of free cash flow for 2020, 2021 and 2022, it being specified that free cash flow is a financial indicator not defined by IFRS, the calculation of which is indicated in Danone's financial press releases) (see also section 3.6 *Financial indicators not defined in IFRS*), excluding changes in scope and exchange rates. This performance condition takes into account the investment plan of around €2 billion to accelerate climate action of Danone's brands and strengthen the growth model as announced on February 26, 2020.
OTHER APPLICABLE RULES	
Percentage of shares subject to this performance condition	30% of the shares granted subject to performance conditions will be subject to this performance condition related to the attainment of a free cash flow level over three years. However, this percentage may be increased to 40% or 50% in case of no publication or late publication of the Level related to the environmental performance condition defined below.
ASSESSMENT OF ACHIEVEMENT OF THE PERFORMANCE CONDITION	
The Board of Directors' procedure for determining that this performance condition has been met	The Board of Directors must determine the level of achievement of this second performance condition, by a duly justified decision indicated in the Board of Directors' report to the Shareholders' Meeting, subsequent to the Governance Committee's recommendation.
Date of assessment of achievement of the performance condition	Early 2023, after the approval of the 2022 financial statements.

Environmental performance condition, weighted by 20%

PRINCIPLE	
Levels and scores assigned to Danone by CDP under its Climate Change program based on Danone's environmental performance in 2020, 2021 and 2022	If the "Leadership" Level is assigned to Danone for 2020, 2021 and 2022, and a Score of A was assigned each of these three years, the definitive grant will be 100% of the shares subject to the environmental performance condition. If the "Leadership" Level is assigned to Danone for these three years and a Score of A was assigned two years, the definitive grant will be 50% of the shares subject to the environmental performance condition. In all other cases, and in particular if the "Leadership" level is assigned for 2020, 2021 and 2022 without a Score of A being assigned during these three years, the definitive grant will be 0% of the shares subject to the environmental performance condition.

DEFINITIONS	
CDP	CDP, a not-for-profit organization that runs a global disclosure system for investors, companies, cities, states and regions to help them assess and manage their environmental impacts.
Score	Score assigned to Danone each year by CDP under its Climate Change program based on Danone's environmental performance in 2020, 2021 and 2022.
"Leadership" Level	The "Leadership" Level is assigned if a Score of A or A- has been assigned by CDP.
Score A	Score assigned by CDP based on environmental performance for a given year, corresponding to the highest ranking under its Climate Change program or, in case of a change in the range of scores used by CDP for this program, any other score representing the upper eighth of the range of scores assigned by CDP, or the highest score if this new range of scores assigned by CDP includes fewer than eight scores.
Score A-	Score assigned by CDP based on environmental performance for a given year, corresponding to the second highest ranking under its Climate Change program or, in case of a change in the range of scores used by CDP for this program, any other score representing the upper fourth of the range of scores assigned by CDP, or the two highest scores if this new range of scores assigned by CDP includes fewer than eight scores.

OTHER APPLICABLE RULES	
Many levels during the same year	If, in a single year, CDP publishes two different levels, the lower level will be taken into account.
Many scores during the same year	If, in a single year, CDP publishes two different scores, the lower score will be taken into account.
Change in the name of CDP or the Climate Change program	If the name of CDP or the Climate Change program changes without a change in their scoring methods, the publications of the entity or program whose name was changed will, for the purposes of this grant of shares, be considered the publications produced by CDP or the Climate Change program.

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No publication or late publication of the Score	If CDP has not assigned a Score to Danone under the Climate Change program for 2020, 2021 and/or 2022, the following rules will apply, as an exception to the above: • if, by March 31, 2024, no score was assigned for 2022 whereas the "Leadership" Level was assigned for 2020 and 2021 and a Score of A was also assigned for these two years, the definitive grant will be 100% for one-half of the shares subject to the environmental performance condition and the other half will increase the basis of the shares subject to the FCF condition (in this case, the FCF condition will affect 40% of the shares granted); • if, by March 31, 2024, no Score was assigned for 2022 whereas the "Leadership" level was assigned for 2020 and 2021 and a Score of A was assigned for one of these two years, the definitive grant will be 0% for one-half of the shares subject to the environmental performance condition and the other half will increase the basis of the shares subject to the FCF condition (in this case, the FCF condition will affect 40% of the shares granted); • if, by March 31, 2024, no Score was assigned for 2022 and a Score of A was not assigned for 2020 and 2021, the definitive grant will be 0% of the shares subject to the environmental performance condition; • if no Score was assigned for 2021 whereas a Score of A was assigned for 2020, the definitive grant will be 100% for one-half of the shares subject to the environmental performance condition and the other half will increase the basis of the shares subject to the FCF condition (in this case, the FCF condition will affect 40% of the shares granted); • if no Score was assigned for 2021 and a Score of A was not assigned for 2020, the definitive grant will be 0% for one-half of the shares subject to the environmental performance condition and the other half will increase the basis of the shares subject to the FCF condition (in this case, the FCF condition will affect 40% of the shares granted); and • if no Score was assigned for 2020, all the shares subject to the environmental performance condition will increase the basis of the shares subject to the FCF condition (in this case, the FCF condition will affect 50% of the shares granted).
ASSESSMENT OF ACHIEVEMENT OF THE PERFORMANCE CONDITION	
The Board of Directors' procedure for determining that this performance condition has been met	The Board of Directors must determine the level of achievement of this third performance condition, or its assessment of this condition in case of a change in the Climate Change program, by a duly justified decision indicated in the Board of Directors' report to the Shareholders' Meeting, subsequent to the Governance Committee's recommendation.
Date of assessment of achievement of the performance condition	Early 2024.

GPS granted in 2019

The 2019 GPS are subject to the three performance conditions described below.

Sales growth performance condition, weighted by 50%

PRINCIPLE	
The average growth in Danone's consolidated sales ("CA") is compared, on a like-for-like basis, with that of a benchmark panel over a three-year period, *i.e.* 2019, 2020 and 2021	• if Danone's CA is less than the Median Panel CA, the definitive grant will be 0% of the shares subject to the sales-related performance condition, pursuant to the "no payment under the median" principle; • if Danone's CA is equal to the Median Panel CA, the definitive grant will be 75% of the shares subject to the sales-related performance condition; • if Danone's CA is between the Median Panel CA and 120% of the Median Panel CA, the definitive grant will be between 75% and 110% of the shares subject to the sales-related performance condition based on a linear progressive scale between 100% and 120% of the Median Panel CA; • if Danone's CA is greater than or equal to 120% of the Median Panel CA, the definitive grant will be 110% of the shares subject to the sales-related performance condition.
DEFINITIONS	
Danone's CA	Average growth in sales (on a consolidated and like-for-like basis) in 2019, 2020 and 2021, it being specified that "sales" and "changes on a like-for-like basis" correspond to financial indicators used by Danone and not defined by IFRS, the calculation of which is indicated in the financial press releases published by the Company (see also section 3.6 *Financial indicators not defined in IFRS*).
Each Panel member's CA	Average growth in sales generated by a given Panel member in 2019, 2020 and 2021 (on a consolidated and like-for-like basis).
Panel CA	The CA of all Panel members.
Median Panel CA	Value of the Panel member CA that half of the Panel members exceed (*i.e.* there are as many Panel members with CA exceeding or equal to the Median as there are with CA less than or equal to the Median). If there is an even number of Panel members, the Median Panel CA will be the arithmetic average of the two central Panel CA.
Panel	Eight leading international groups in the food and beverage sector: Unilever, Nestlé, PepsiCo, The Coca-Cola Company, The Kraft Heinz Company, Mondelez International, General Mills and Kellogg Company.
OTHER APPLICABLE RULES	
Ensure the consistency of the calculation method for the CA of all Panel members and Danone's CA over the entire period under review	Restatements (mainly adjustments for changes in scope and/or exchange rates) may be made only to the extent strictly necessary to ensure that the method of calculating the CA of all Panel members and Danone's CA is consistent over the entire period under review.
No publication or late publication of audited accounting or financial data	**By one Panel member:** the Board of Directors may, exceptionally and by a duly justified decision indicated in the Board's report to the Shareholders' Meeting, exclude this member from the Panel. **By two or more Panel members:** the Board of Directors will make a duly justified decision indicated in the Board's report to the Shareholders' Meeting, on the basis of the most recent audited financial statements published by the Panel members and by Danone over the last three years for which financial statements were published by all Panel members and by Danone.
The acquisition, absorption, dissolution, spin-off, merger or change in the business activity of one or more Panel members	The Board of Directors may, by a duly justified decision indicated in the Board of Directors' report to the Shareholders' Meeting, change the composition of the Panel, provided that it maintains the overall consistency of the panel.
ASSESSMENT OF ACHIEVEMENT OF THE PERFORMANCE CONDITION	
The Board of Directors' procedure for determining that this performance condition has been met	The Board of Directors must state whether this performance condition was met, by a duly justified decision indicated in the Board of Directors' report to the Shareholders' Meeting, subsequent to the Governance Committee's recommendation, and based on a financial advisor's report.
Date of assessment of achievement of the performance condition	In 2022, after the companies in the Panel have published their sales figures.

Performance condition related to the attainment of a free cash flow level, weighted by 30%

PRINCIPLE	
Attainment of a free cash flow ("FCF") level of more than €6.2 billion over a three-year period, *i.e.* for 2019, 2020 and 2021	If the sum of the FCF is: • less than or equal to €6.2 billion, the definitive grant will be 0% of the shares subject to the FCF performance condition; • between €6.2 and €6.7 billion, the definitive grant will be between 0% and 100%, based on a linear progressive scale between €6.2 and €6.7 billion; • greater than or equal to €6.7 billion, the definitive grant will be 100%.
DEFINITIONS	
Sum of the "FCF"	Sum of the amounts of free cash flow for 2019, 2020 and 2021, it being specified that free cash flow is a financial indicator not defined by IFRS, the calculation of which is indicated in Danone's financial press releases) (see also section 3.6 *Financial indicators not defined in IFRS*), excluding changes in scope and exchange rates.
OTHER APPLICABLE RULES	
Percentage of shares subject to this performance condition	30% of the shares granted subject to performance conditions will be subject to this performance condition related to the attainment of a free cash flow level over three years. However, this percentage may be increased to 40% or 50% in case of no publication or late publication of the Level related to the environmental performance condition defined below.
ASSESSMENT OF ACHIEVEMENT OF THE PERFORMANCE CONDITION	
The Board of Directors' procedure for determining that this performance condition has been met	The Board of Directors must determine the level of achievement of this second performance condition, by a duly justified decision indicated in the Board of Directors' report to the Shareholders' Meeting, subsequent to the Governance Committee's recommendation.
Date of assessment of achievement of the performance condition	Early 2022, after the approval of the 2021 financial statements.

Environmental performance condition, weighted by 20%

PRINCIPLE	
Levels assigned to Danone by CDP under its Climate Change program in 2020, 2021 and 2022 (based in particular on Danone's environmental performance in 2019, 2020 and 2021)	If the "Leadership" Level: • is assigned to Danone for 2019, 2020 and 2021 and a Score of A was assigned at least twice during these three years, the definitive grant will be 100% of the shares subject to the environmental performance condition; • is assigned to Danone for these three years and a Score of A was assigned only one year, the definitive grant will be 50% of the shares subject to the environmental performance condition; • in all other cases, and in particular if the "Leadership" Level is assigned for 2019, 2020 and 2021 without a Score of A being assigned during these three years, the definitive grant will be 0% of the shares subject to the environmental performance condition.
DEFINITIONS	
CDP	CDP, a not-for-profit organization that runs a global disclosure system for investors, companies, cities, states and regions to help them assess and manage their environmental impacts.
Score	Score assigned to Danone each year by CDP under its Climate Change program based on Danone's environmental performance in 2019, 2020 and 2021.
"Leadership" Level	The "Leadership" level is assigned if a score of A or A- was assigned by CDP.
Score A	Score assigned by CDP based on environmental performance for a given year, corresponding to the highest ranking under its Climate Change program or, in case of a change in the range of scores used by CDP for this program, any other score representing the upper eighth of the range of scores assigned by CDP, or the highest score if this new range of scores assigned by CDP includes fewer than eight scores.
Score A-	Score assigned by CDP based on environmental performance for a given year, corresponding to the second highest ranking under its Climate Change program or, in case of a change in the range of scores used by CDP for this program, any other score representing the upper fourth of the range of scores assigned by CDP, or the two highest scores if this new range of scores assigned by CDP includes fewer than eight scores.
OTHER APPLICABLE RULES	
Many levels during the same year	If, in a single year, CDP publishes two different levels, the lower level will be taken into account.
Many scores during the same year	If, in a single year, CDP publishes two different scores, the lower score will be taken into account.
Change in the name of CDP or the Climate Change program	If the name of CDP or the Climate Change program changes without a change in their scoring methods, the publications of the entity or program whose name was changed will, for the purposes of this grant of shares, be considered the publications produced by CDP or the Climate Change program.

No publication or late publication of the Score	If CDP has not assigned a score to Danone under the Climate Change program for 2019, 2020 and/or 2021, the following rules will apply, as an exception to the above: • if, by March 31, 2023, no Score was assigned for 2021 whereas the "Leadership" Level was assigned for 2019 and 2020 and a Score of A was also assigned for these two years, or a Score of A and A- was assigned for these two years, the definitive grant will be 100% for one-half of the shares subject to the environmental performance condition and the other half will increase the basis of the shares subject to the FCF condition (in this case, the FCF condition will affect 40% of the shares granted); • if, by March 31, 2023, no Score was assigned for 2021 whereas the "Leadership" Level was assigned for 2019 and 2020 and a Score of A- was assigned for these two years, the definitive grant will be 50% for one-half of the shares subject to the environmental performance condition and the other half will increase the basis of the shares subject to the FCF condition (in this case, the FCF condition will affect 40% of the shares granted); • if, by March 31, 2023, no Score was assigned for 2021 and the "Leadership" Level was not assigned for 2019 and 2020, the definitive grant will be 0% of the shares subject to the environmental performance condition; • if no Score was assigned for 2020 whereas a Score of A was assigned for 2019, the definitive grant will be 100% for one-half of the shares subject to the environmental performance condition and the other half will increase the basis of the shares subject to the FCF condition (in this case, the FCF condition will affect 40% of the shares granted); • if no Score was assigned for 2020 and a Score of A- was assigned for 2019, the definitive grant will be 50% for one-half of the shares subject to the environmental performance condition and the other half will increase the basis of the shares subject to the FCF condition (in this case, the FCF condition will affect 40% of the shares granted); • if no Score was assigned for 2020 and the "Leadership" Level was not assigned for 2019, the definitive grant will be 0% for one-half of the shares subject to the environmental performance condition and the other half will increase the basis of the shares subject to the FCF condition (in this case, the FCF condition will affect 40% of the shares granted); and • if no Score was assigned for 2019, all the shares subject to the environmental performance condition will increase the basis of the shares subject to the FCF condition (in this case, the FCF condition will affect 50% of the shares granted).
ASSESSMENT OF ACHIEVEMENT OF THE PERFORMANCE CONDITION	
The Board of Directors' procedure for determining that this performance condition has been met	The Board of Directors must determine the level of achievement of this third performance condition, by a duly justified decision indicated in the Board of Directors' report to the Shareholders' Meeting, subsequent to the Governance Committee's recommendation.
Date of assessment of achievement of the performance condition	Early 2023.

GPS granted in 2018

The 2018 GPS are subject to the three performance conditions described below.

Sales growth performance condition, weighted by 50%

PRINCIPLE	
The average growth in Danone's consolidated sales ("CA") is compared, on a like-for-like basis, with that of a benchmark panel over a three-year period, *i.e.* 2018, 2019 and 2020	• if Danone's CA is less than the Median Panel CA, the definitive grant will be 0% of the shares subject to the sales-related performance condition, pursuant to the "no payment under the median" principle; • if Danone's CA is equal to the Median Panel CA, the definitive grant will be 90% of the shares subject to the sales-related performance condition; • if Danone's CA is between the Median Panel CA and 120% of the Median Panel CA, the definitive grant will be between 90% and 110% of the shares subject to the sales-related performance condition based on a linear progressive scale between 100% and 120% of the Median Panel CA; • if Danone's CA is greater than or equal to 120% of the Median Panel CA, the definitive grant will be 110% of the shares subject to the sales-related performance condition.
DEFINITIONS	
Danone's CA	Average growth in sales (on a consolidated and like-for-like basis) in 2018, 2019 and 2020, it being specified that "sales" and "changes on a like-for-like basis" correspond to financial indicators used by Danone and not defined by IFRS, the calculation of which is indicated in the financial press releases published by the Company (see also section 3.6 *Financial indicators not defined in IFRS*).
Each Panel member's CA	Average growth in sales generated by a given Panel member in 2018, 2019 and 2020 (on a consolidated and like-for-like basis).
Panel CA	The CA of all Panel members.
Median Panel CA	Value of the Panel member CA that half of the Panel members exceed (*i.e.* there are as many Panel members with CA exceeding or equal to the Median as there are with CA less than or equal to the Median). If there is an even number of Panel members, the Median Panel CA will be the arithmetic average of the two central Panel CA.
Panel	Eight leading international groups in the food and beverage sector: Unilever, Nestlé, PepsiCo, The Coca-Cola Company, The Kraft Heinz Company, Mondelez International, General Mills and Kellogg Company.
OTHER APPLICABLE RULES	
Ensure the consistency of the calculation method for the CA of all Panel members and Danone's CA over the entire period under review	Restatements (mainly adjustments for changes in scope and/or exchange rates) may be made only to the extent strictly necessary to ensure that the method of calculating the CA of all Panel members and Danone's CA is consistent over the entire period under review.
No publication or late publication of audited accounting or financial data	**By one Panel member:** the Board of Directors may, exceptionally and by a duly justified decision indicated in the Board's report to the Shareholders' Meeting, exclude this member from the Panel. **By two or more Panel members:** the Board of Directors will make a duly justified decision indicated in the Board's report to the Shareholders' Meeting, on the basis of the most recent audited financial statements published by the Panel members and by Danone over the last three years for which financial statements were published by all Panel members and by Danone.
The acquisition, absorption, dissolution, spin-off, merger or change in the business activity of one or more Panel members	The Board of Directors may, by a duly justified decision indicated in the Board of Directors' report to the Shareholders' Meeting, change the composition of the Panel, provided that it maintains the overall consistency of the panel.

ASSESSMENT OF ACHIEVEMENT OF THE PERFORMANCE CONDITION	
The Board of Directors' procedure for determining that this performance condition has been met	The Board of Directors must state whether this performance condition was met, by a duly justified decision indicated in the Board of Directors' report to the Shareholders' Meeting, subsequent to the Governance Committee's recommendation, and based on a financial advisor's report.
Date of assessment of achievement of the performance condition	In 2021, after the companies in the Panel have published their sales figures.

Performance condition related to the attainment of a free cash flow level, weighted by 30%

PRINCIPLE	
Attainment of a free cash flow ("FCF") level of more than €6 billion over a three-year period, *i.e.* for 2018, 2019 and 2020	If the sum of the FCF is: • less than or equal to €6 billion, the definitive grant will be 0% of the shares subject to the FCF performance condition; • between €6 and €6.5 billion, the definitive grant will be between 0% and 100%, based on a linear progressive scale between €6 and €6.5 billion; • greater than or equal to €6.5 billion, the definitive grant will be 100%.
DEFINITIONS	
Sum of the "FCF"	Sum of the amounts of free cash flow for 2018, 2019 and 2020, it being specified that free cash flow is a financial indicator not defined by IFRS, the calculation of which is indicated in Danone's financial press releases) (see also section 3.6 *Financial indicators not defined in IFRS*), excluding changes in scope and exchange rates.
OTHER APPLICABLE RULES	
Percentage of shares subject to this performance condition	30% of the shares granted subject to performance conditions will be subject to this performance condition related to the attainment of a free cash flow level over three years. However, this percentage may be increased to 40% or 50% in case of no publication or late publication of the Level related to the environmental performance condition defined below.
ASSESSMENT OF ACHIEVEMENT OF THE PERFORMANCE CONDITION	
The Board of Directors' procedure for determining that this performance condition has been met	The Board of Directors must determine the level of achievement of this second performance condition, by a duly justified decision indicated in the Board of Directors' report to the Shareholders' Meeting, subsequent to the Governance Committee's recommendation.
Achievement of the performance condition	**Upon recommendation of the Governance Committee, on February 18, 2021 the Board of Directors noted the full achievement of the free cash flow condition.**

Environmental performance condition, weighted by 20%

PRINCIPLE	
Levels assigned to Danone by CDP under its Climate Change program in 2019, 2020 and 2021 (based in particular on Danone's environmental performance in 2018, 2019 and 2020)	If the "Leadership" Level: • is not assigned to Danone or is assigned only one year between 2019 and 2021, the definitive grant will be 0% of the shares subject to the environmental performance condition; • is assigned to Danone two years between 2019 and 2021, the definitive grant will be 50% of the shares subject to the environmental performance condition; • is assigned to Danone in 2019, 2020 and 2021, the definitive grant will be 100% of the shares subject to the environmental performance conditions.

DEFINITIONS	
CDP	CDP, a not-for-profit organization that runs a global disclosure system for investors, companies, cities, states and regions to help them assess and manage their environmental impacts.
Level	Level assigned to Danone each year by CDP under its Climate Change program in its 2019, 2020 and 2021 publications, based on Danone's environmental performance in 2018, 2019 and 2020.
"Leadership" Level	A score of "A" or "A-" assigned by CDP under its Climate Change program or, in case of a change in the range of scores used by CDP for this program, any other score representing the upper fourth of the range of scores assigned by CDP, or the highest score if this new range of scores assigned by CDP includes fewer than four scores.
OTHER APPLICABLE RULES	
Many Levels during the same year	If, in a single year, CDP publishes two different Levels, the lower Level will be taken into account.
Change in the name of CDP or the Climate Change program	If the name of CDP or the Climate Change program changes without a change in their scoring methods, the publications of the entity or program whose name was changed will, for the purposes of this grant of shares, be considered the publications produced by CDP or the Climate Change program.
No publication or late publication of the Level	If, by December 31 of 2019 and/or 2020 and/or 2021, CDP has not assigned a Level to Danone under the Climate Change program during the year in question, the following rules will apply, as an exception to the above: • if no Level was published in 2021 whereas the "Leadership" Level was assigned to Danone in 2019 and 2020, the definitive grant will be 100% for one-half of the shares subject to the environmental performance condition and the other half will increase the basis of the shares subject to the FCF condition (in this case, the FCF condition will affect 40% of the shares granted); • if no Level was published in 2021 and the "Leadership" Level was assigned to Danone neither in 2019 nor in 2020, the definitive grant will be 0% of the shares subject to the environmental performance condition; • if no Level was published in 2021 whereas the "Leadership" Level was achieved by Danone only one year (2020 or 2019), the definitive grant will be 0% for one-half of the shares subject to this environmental performance condition and the other half will increase the basis of the shares subject to the FCF condition (in this case, the FCF condition will affect 40% of the shares granted); • if no Level was published in 2020 and the "Leadership" Level was not achieved by Danone in 2019, the definitive grant will be 0% for one-half of the shares subject to this environmental performance condition and the other half will increase the basis of the shares subject to the FCF condition (in this case, the FCF condition will affect 40% of the shares granted); • if no Level was published in 2020 whereas the "Leadership" Level was assigned to Danone in 2019, all the shares subject to the environmental performance condition will increase the basis of the shares subject to the FCF condition (in this case, the FCF condition will affect 50% of the shares granted); and • if no Level was published in 2019, all the shares subject to the environmental performance condition will increase the basis of the shares subject to the FCF condition (in this case, the FCF condition will affect 50% of the shares granted).
ASSESSMENT OF ACHIEVEMENT OF THE PERFORMANCE CONDITION	
The Board of Directors' procedure for determining that this performance condition has been met	The Board of Directors must determine the level of achievement of this third performance condition, by a duly justified decision indicated in the Board of Directors' report to the Shareholders' Meeting, subsequent to the Governance Committee's recommendation.
Date of assessment of achievement of the performance condition	Early 2022.

Review of the rules related to the GPS granted in 2017 and to be delivered in 2021

The 2017 GPS are subject to the two performance conditions described below.

Sales growth performance condition, weighted by 50%

PRINCIPLE	
The average growth in Danone's net sales ("CA") is compared, on a like-for-like basis, with that of a benchmark panel over a three-year period, *i.e.* 2017, 2018 and 2019	• if Danone's CA is less than the Median Panel CA, the definitive grant will be 0%, pursuant to the "no payment under the median" principle; • if Danone's CA is equal to the Median Panel CA, the definitive grant will be 90% of the shares subject to the sales-related performance condition; • if Danone's CA is between the Median Panel CA and 120% of the Median Panel CA, the definitive grant will be between 90% and 110% of the shares subject to the sales-related performance condition based on a linear progressive scale between 100% and 120% of the Median Panel CA; • if Danone's CA is greater than or equal to 120% of the Median Panel CA, the definitive grant will be 110% of the shares subject to the sales-related performance condition.
DEFINITIONS	
Danone's CA	Average growth in sales in 2017, 2018 and 2019 (on a consolidated and like-for-like basis).
Each Panel member's CA	Average growth in sales generated by a given Panel member in 2017, 2018 and 2019 (on a consolidated and like-for-like basis).
Like-for-like changes in sales	Financial indicators not defined by IFRS that Danone uses, the calculation of which is indicated in Danone's financial press releases, (see also section 3.6 *Financial indicators not defined in IFRS* of the 2017 Registration Document).
Panel CA	The CA of all Panel members.
Median Panel CA	Value of the Panel member CA that half of the Panel members exceed (*i.e.* there are as many Panel members with CA exceeding or equal to the Median as there are with CA less than or equal to the Median). If there is an even number of Panel members, the Median Panel CA will be the arithmetic average of the two central Panel CA.
Panel	Eight leading international groups in the food and beverage sector: Unilever, Nestlé, PepsiCo, The Coca-Cola Company, The Kraft Heinz Company, Mondelez International, General Mills and Kellogg Company.
OTHER APPLICABLE RULES	
Ensure the consistency of the calculation method for the CA of all Panel members and Danone's CA over the entire period under review	Restatements (mainly adjustments for changes in scope and/or exchange rates) may be made only to the extent strictly necessary to ensure that the method of calculating the CA of all Panel members and Danone's CA is consistent over the entire period under review.
No publication or late publication of audited accounting or financial data	**By one Panel member:** the Board of Directors may, exceptionally and by a duly justified decision indicated in the Board's report to the Shareholders' Meeting, exclude this member from the Panel. **By two or more Panel members:** the Board of Directors will make a duly justified decision indicated in the Board's report to the Shareholders' Meeting, on the basis of the most recent audited financial statements published by the Panel members and by Danone over the last three years for which financial statements were published by all Panel members and by Danone.
The acquisition, absorption, dissolution, spin-off, merger or change in the business activity of one or more Panel members	The Board of Directors may, by a duly justified decision indicated in the Board of Directors' report to the Shareholders' Meeting, change the composition of the Panel, provided that it maintains the overall consistency of the panel.
ASSESSMENT OF ACHIEVEMENT OF THE PERFORMANCE CONDITION	
The Board of Directors' procedure for determining that this performance condition has been met	The Board of Directors must state whether this performance condition was met, by a duly justified decision indicated in the Board of Directors' report to the Shareholders' Meeting, subsequent to the Governance Committee's recommendation, and based on a financial advisor's report.
Achievement of the performance condition	**Upon recommendation of the Governance Committee, on April 28, 2020 the Board of Directors noted the achievement of the sales growth performance condition at a rate of 90%.**

Performance condition related to the attainment of a free cash flow level, weighted by 50%

PRINCIPLE	
Attainment of a free cash flow ("FCF") level of more than €6 billion over a three-year period, *i.e.* for 2017, 2018 and 2019	If the sum of the FCF over three years (2017, 2018 and 2019) is: • less than or equal to €6 billion, the definitive grant will be 0% of the shares subject to the FCF performance condition; • between €6 and €6.5 billion, the definitive grant will be between 0% and 100%, based on a linear progressive scale between €6 and €6.5 billion; • greater than or equal to €6.5 billion, the definitive grant will be 100%.
DEFINITIONS	
Sum of the "FCF"	Sum of the amounts of free cash flow for 2017, 2018 and 2019 (free cash flow is a financial indicator not defined by IFRS, the calculation of which is indicated in Danone's financial press releases) (see also section 3.6 *Financial indicators not defined in IFRS* of the 2017 Registration Document), excluding changes in scope (but including the WhiteWave entities for all of 2017) and exchange rates.
ASSESSMENT OF ACHIEVEMENT OF THE PERFORMANCE CONDITION	
The Board of Directors' procedure for determining that this performance condition has been met	The Board of Directors must determine the level of achievement of this second performance condition, by a duly justified decision indicated in the Board of Directors' report to the Shareholders' Meeting, subsequent to the Governance Committee's recommendation.
Achievement of the performance condition	**Upon recommendation of the Governance Committee, on February 25, 2020 the Board of Directors noted the full achievement of the free cash flow condition.** **Consequently, 95% of the initial allocation of GPS granted in 2017 will be delivered in 2021 subject to fulfillment of the four-year continuous employment condition.**

GROUP PERFORMANCE UNITS (GPU)

Principles

GPU were introduced in 2005 to more closely align the compensation of Danone's corporate officers, Executive Committee members and 1,600 senior executives with the Company's overall medium-term operational and economic performance.

They represent long-term cash compensation paid by Danone under performance conditions that are assessed over three years and are the same for all beneficiaries. Each GPU has a maximum value of €30. Information on the valuation of existing GPU is provided below in section *Objectives applicable to the GPU in effect.*

STEP 1

Determination of performance conditions and grant of GPU
The performance conditions are determined by the Board of Directors upon recommendation of the Governance Committee. They are based on one key financial indicator and/or one or more social/environmental indicator(s).

STEP 2

Assessment of the achievement of performance conditions
This assessment is performed by the Board upon recommendation of the Governance Committee in order to value the GPU on the basis of predetermined objectives.

STEP 3

Payment of GPU
The payment of GPU is subject to the validation of a three-year continuous employment conditions that applies to all beneficiaries.

In case of a change of control, the performance objectives for the valuation period, *i.e.* the three calendar years during which the three-year performance objectives will be assessed, would be:

- valued on the basis of the achievement of the objectives validated by the Board of Directors;
- considered fully achieved if the objectives were not yet validated by the Board of Directors on the date of change of control. A payment would be made for all outstanding GPU plans in the month following the change of control.

Moreover, the continuous employment and performance conditions are partially waived in case of a beneficiary's death or voluntary or non-voluntary retirement.

For the corporate officers, in case of departure before the end of the term set for assessing the performance criteria, payment of long-term cash compensation is cancelled, except under exceptional circumstances justified by the Board. Therefore, in case of the voluntary or non-voluntary retirement of a corporate officer:

- he/she loses all rights to the GPU granted during the 12 months preceding his/her departure;
- the GPU granted previously (i) are considered vested by said beneficiary and the three-year continuous employment condition does not apply; and (ii) are valued as of the date of the event based on the following rules:
  - the calendar year(s) for which the financial statements were approved by the Board of Directors are assessed based on achievement of the objectives;
  - the current or future calendar year(s) is/are deemed to have no value.

Situation as of December 31, 2020

Outstanding GPU plans								
Year of grant	**2017**	**2018**	**2018**	**2019**	**2019**	**2020**	**2020**	**Total**
Date of Board meeting that granted the GPU	07/26/2017	07/26/2018	12/05/2018	07/24/2019	12/12/2019	07/29/2020	12/10/2020	N/A
Number of GPU granted	952,130	905,806	14,394	913,795	21,550	953,205	1,500	**3,762,380**
Of which, GPU granted to corporate officers	*N/A* [a]	*N/A* [a]	*N/A* [a]	*N/A* [a]	*N/A* [a]	*N/A* [a]	*N/A* [a]	N/A
Number of beneficiaries	1,498	1,414	22	1,403	33	1,548	4	

GPU characteristics				
Year of payment	**2020**	**2021**	**2022**	**2023**
Objectives [b]	Objectives set in 2017 for a three-year period	Objectives set in 2018 for a three-year period	Objectives set in 2019 for a three-year period	Objectives set in 2020 for a three-year period
Unit value of GPU	Maximum €30	Maximum €30	Maximum €24	Maximum €24

(a) Since 2017, no GPU has been granted to Mr. Emmanuel FABER.
(b) The objectives and information concerning their achievement are presented in detail below.

Objectives applicable to the GPU in effect

Objectives of GPU granted in 2017

Objectives	**Level of achievement**	**Value of the objective** *(in €)*	**Level of achievement**	**Value**
Weighted by 80%, growth in the recurring operating margin (like-for-like) over a three-year period, *i.e.* 2017, 2018 and 2019	< +60 bps	0	The Board of Directors' meeting of February 25, 2020, upon recommendation of the Governance Committee, noted the full achievement of the 2017 objectives and therefore valued 2017, 2018 and 2019 at €30.	Max. €30
	= +60 bps	12		
	= +70 bps	15		
	= +80 bps	18		
	= +90 bps	21		
	⩾ +100 bps	24		
Weighted by 10%, annual reduction in the carbon footprint over a three-year period, *i.e.* 2017, 2018 and 2019	< +4%	0		
	⩾ +4%	3		
Weighted by 10%, comparison of employee commitment level based on the Danone People survey relative to the FMCG [a] sector over a three-year period, *i.e.* 2017, 2018 and 2019	⩽ FMCG	0		
	> FMCG	3		

(a) Fast-Moving Consumer Goods.

Objectives of GPU granted in 2018

Objectives	Level of achievement	Value of the objective *(in €)*	Level of achievement	Value
Weighted by 80%, recurring operating margin in 2020	< 15,7%	0	The Board of Directors' meeting of February 18, 2021, upon recommendation of the Governance Committee, noted the non-achievement of the objective related to the recurring operating margin, due to a margin of 14%, and achievement of the objective related to Danone employee commitment, as the commitment level measured was higher than the FMCG sector by 7.5 points on average, and therefore valued 2018, 2019 and 2020 at €6.	Max. €30
	⩾ 15,7%	12		
	⩾ 15,8%	15		
	⩾15,9%	18		
	⩾16,0%	21		
	⩾16,1%	24		
Weighted by 20%, comparison of employee commitment level based on the Danone People survey relative to the FMCG [a] sector over a three-year period, *i.e.* 2018, 2019 and 2020	⩽ FMCG	0		
	> FMCG	6		

(a) Fast-Moving Consumer Goods.

Objectives of GPU granted in 2019

Objectives	Level of achievement	Value of the objective *(in €)*	Level of achievement	Value
Weighted by 60%, achievement of all the financial objectives communicated to the market for 2019 and 2021 and achievement of a free cash flow level in 2020 of more than €1.6 billion [a]	Non-achievement of the objectives each year	0	The Board of Directors will assess the achievement of these objectives in 2022.	Max. €24
	Achievement of the objectives over 1 year	6		
	Achievement of the objectives over 2 years	12		
	Achievement of the objectives each year	18		
Weighted by 40%, comparison of employee commitment level based on the Danone People survey relative to the FMCG [b] sector from 2019 to 2021	**If 3 scores are assigned:**			
	⩽FMCG	0		
	>FMCG	over 2 years: 6		
		over 3 years: 12		
	If 2 scores are assigned:			
	⩽FMCG	0		
	>FMCG	12		

(a) With regard to 2020, given that the objectives communicated to the market were withdrawn, on July 29, 2020 the Board of Directors decided to align the 2020 economic objective of the 2019 GPU to the 2020 economic objective of the 2020 GPU (free cash flow level), namely: achievement of a free cash flow level between €1.6 billion valued at €2 and €1.8 billion valued at €6, based on a linear progressive scale between €1.6 and €1.8 billion.

(b) Fast-Moving Consumer Goods.

Objectives of GPU granted in 2020

Objectives	Level of achievement	Value of the objective *(in €)*	Level of achievement	Value
Weighted by 60%, achievement of a free cash flow level in 2020 of more than €1.6 billion [a] and achievement of one or more objectives communicated to the market for 2021 and 2022	Non-achievement or partial achievement of the objectives each year	0	The Board of Directors will assess the achievement of these objectives in 2023.	Max. €24
	Achievement of the objectives each year	6		
Weighted by 40%, comparison of employee commitment level based on the Danone People survey relative to the FMCG [b] sector from 2020 to 2022	**If 3 scores are assigned:**			
	≤FMCG	0		
	>FMCG	over 2 years: 6		
		over 3 years: 12		
	If 2 scores are assigned:			
	≤FMCG	0		
	>FMCG	12		

a) Achievement of a free cash flow level between €1.6 billion valued at €2 and €1.8 billion valued at €6, based on a linear progressive scale between €1.6 and €1.8 billion.
(b) Fast-Moving Consumer Goods.

6.5 DANONE SHARES HELD BY THE MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE COMMITTEE

NUMBER OF DANONE SHARES HELD BY THE MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE COMMITTEE (WHICH INCLUDES 2 DIRECTORS)

	As of December 31, 2020
Board of Directors	
Emmanuel FABER	122,771
Franck RIBOUD	84,009
Guido BARILLA	4,000
Frédéric BOUTEBBA	1 [a]
Cécile CABANIS	29,324
Clara GAYMARD	4,256
Michel LANDEL	4,000
Gaëlle OLIVIER	4,340
Benoît POTIER	8,846
Gilles SCHNEPP	5,000
Isabelle SEILLIER	4,073
Jean-Michel SEVERINO	4,505
Virginia A. STALLINGS	4,000
Bettina THEISSIG	1 [a]
Serpil TIMURAY	7,271
Lionel ZINSOU-DERLIN	4,369
Executive Committee (excluding Emmanuel FABER and Cécile CABANIS)	58,865
Total number of shares	**349,631**
Total as a percentage of the Company's share capital	**0.05%**

(a) Share granted under the "One Person, One Voice, One Share" program.

TRANSACTIONS ON DANONE SHARES

Transactions on DANONE shares completed in 2020 by individuals with managerial responsibilities

Name	Title	Type of security	Type of transaction	Date of transaction	Gross unit price	Number of shares	Total gross amount
Emmanuel FABER	Chairman and Chief Executive Officer	Shares	Disposal	6/12/2020	€61.2043	16,000	€979,268.80
			Delivery of shares [a]	7/28/2020	€00.00	34,200	€00.00
A legal entity related to Emmanuel FABER		Shares	Disposal	6/12/2020	€61.4334	20,000	€1,228,668.00
Franck RIBOUD	Director	Shares	Disposal	5/7/2020	€62.1339	25,300	€1,571,987.67
		Others [b]	Disposal	5/7/2020	€62.0057	15,000	€930,085.50
An individual related to Franck RIBOUD		Others [c]	Disposal	5/7/2020	€60.0057	15,000	€900,085.50
Bertrand AUSTRUY	Member of the Executive Committee	Others [d]	Subscription	7/22/2020	€10.00	4,000	€40,000.00
		Shares	Delivery of shares [a]	7/28/2020	€00.00	7,182	€00.00
Cécile CABANIS	Member of the Executive Committee	Others [d]	Subscription	7/22/2020	€10.00	5,144.1830	€51,441.83
		Shares	Delivery of shares [a]	7/28/2020	€00.00	11,842	€00.00

(a) These shares were delivered pursuant to the grant of Group performance shares (GPS) on July 27, 2016, in accordance with the conditions set by the Board of Directors for the 2016 GPS plan.

(b) This transaction is a disposal of 15,000 usufruct shares. The aforementioned gross unit price corresponds to the sale price of the fully owned shares.

(c) This transaction is a disposal of bare ownership of 15,000 shares. The aforementioned gross unit price corresponds to the sale price of the fully owned shares.

d) Subscription made in March 2020 in connection with the annual capital increase reserved for employees of the Company and its French subsidiaries, through a bridge fund (*Fonds Relais*). The value of each fund share was €10 in 2020. The completion of the transaction, initially scheduled for May 2020 was postponed to July 22, due to the postponement of Danone Shareholders' Meeting. Following the capital increase, the bridge fund was merged into the Danone Company savings fund FCPE Danone.

Corporate officers and Executive Committee members are required to hold their DANONE shares resulting from Group performance shares. This requirement is described in the above section 6.4 *Detailed information on long-term compensation plans*, paragraph *Group performance shares, Other applicable rules*.

6

6.6 RELATED PARTY AGREEMENTS

STATUTORY AUDITORS' SPECIAL REPORT ON RELATED PARTY AGREEMENTS

To the Danone Shareholders' Meeting,

In our capacity as statutory auditors of your company, we hereby report on related party agreements.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of as well as of the reasons for those agreements indicated to us, or that we may have identified in the performance of our engagement. We are not required to comment as to whether they are useful or appropriate or to ascertain the existence of any such agreements. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code, to evaluate the benefits resulting from these agreements prior to their approval.

In addition, we are required, where applicable, to inform you in accordance with Article R. 225-31 of the French Commercial Code on the implementation, during the past year, of the agreements already approved by the Shareholders' Meeting.

We have performed the due diligence procedures that we deemed necessary in accordance with the professional guidance issued by the French Institute of statutory auditors (*Compagnie nationale des commissaires aux comptes*) for this type of assignment. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

AGREEMENTS SUBJECT TO THE APPROVAL OF THE SHAREHOLDERS' MEETING

In accordance with Article L. 225-40 of the French Commercial Code, we were informed of the following agreements entered into during the past year that received prior approval from your board of directors.

With the Danone.Communities mutual investment fund (SICAV)

Persons concerned
Mr. Emmanuel Faber, chairman and chief executive officer of your company and director and chairman of the board of the Danone. Communities mutual investment fund (SICAV).

1. Memorandum of understanding

Nature, purpose and conditions
On June 25, 2020, as part of the Danone Communities project, the board of directors voted unanimously, Mr. Emmanuel Faber abstaining from voting, to authorize the signing of a memorandum of understanding established between your company, the SICAV Danone. Communities, the FPS Danone.Communities, Amundi Asset Management and Omnes Capital, respectively management companies for the SICAV and the FPS.

The purpose of this agreement is (i) to organize the subscription by your company to new shares of the FPS Danone.Communities up to €5 million and thus to give additional financial support to the FPS to carry out its actions in the benefit of social businesses and (ii) to adjust certain contractual agreements.

2. Cooperation agreement

Nature, purpose and conditions
On June 25, 2020, as part of the Danone Communities project, the board of directors voted unanimously, Mr. Emmanuel Faber abstaining from voting, to authorize the signing of a new cooperation agreement established between your company, the SICAV Danone.Communities, the FPS Danone.Communities, Amundi Asset Management and Omnes Capital.

This new agreement replaces the cooperation agreement previously entered into on May 4, 2007 (authorised by the Board of Directors on April 26, 2007 and approved by the Shareholders' Meeting of April 29, 2008) and amended in 2012 and 2013, aimed at organizing the terms and conditions of the cooperation between the parties for the realization of the Danone Communities project.

On February 25, 2020, the board of directors voted to set the company's annual financial contribution for 2020 at a maximum of €3.6 million. The total amount of financial contributions provided by your company to the Danone Communities project for the fiscal year 2020 therefore totaled €3.5 million.

3. Amendment to the agreement for the provision of additional services

Nature, purpose and conditions
On June 25, 2020, as part of the Danone Communities project, the board of directors voted unanimously, Mr. Emmanuel Faber abstaining from voting, to authorize the signing of an amendment to the agreement for the provision of additional services dated as of May 4, 2007, between your company, the SICAV Danone.Communities and Amundi Asset Management. The purpose of the amendment is to specify the conditions for the marketing of the SICAV by Amundi Asset Management and the reporting from Amundi Asset Management to your company.

4. New governance charter

Nature, purpose and conditions
On June 25, 2020, as part of the Danone Communities project, the board of directors voted unanimously, Mr. Emmanuel Faber abstaining from voting, to authorize the signing of a new governance charter established between your company, the SICAV Danone.Communities, the FPS Danone.Communities, Amundi Asset Management and Omnes Capital, replacing the previous governance charter established

in 2007 and updated by amendments in 2012 and 2015, the purpose of which is mainly to define the investment areas of the FPS Danone. Communities and the relations between Danone and the FPS Danone.Communities, along with the prevention of conflicts of interests.

Reasons explaining the interest of the agreement for the company
Your board justified this agreement in the following manner:

The company has set up the Danone.Communities SICAV to finance businesses that have a significant social impact located mainly in emerging countries, in line with Danone's mission. Therefore, Danone Communities supports social entrepreneurs mobilized to fight malnutrition and improve access to drinking water, two levers to reduce poverty.

The four agreements described above ensure additional resources for the FPS Danone Communities, by supporting businesses and their communities in a period of major health crisis, protecting the value of Danone's equity investments in these businesses over the medium term and contributing to Danone's commitment to inclusive growth. The agreements will also simplify and clarify decision-making and reporting processes with respect to the investments in social businesses.

AGREEMENTS ALREADY APPROVED BY THE SHAREHOLDERS' MEETING

We inform you that we have not been notified of any agreements already approved by the Shareholders' Meeting whose implementation continued during the past fiscal year.

Neuilly-sur-Seine and Paris-La Défense, March 3, 2021

The Statutory Auditors

PricewaterhouseCoopers Audit	**ERNST & YOUNG Audit**
François JAUMAIN	Gilles COHEN

7

SHARE CAPITAL AND OWNERSHIP

7.1 SHARE CAPITAL OF THE COMPANY

TRANSACTIONS ON THE SHARE CAPITAL IN THE LAST THREE YEARS AND SHARE CAPITAL AS OF DECEMBER 31, 2020

Effective date of the transaction	Shares created/ (canceled) by the transaction	Type of transaction	Nominal amount of the transaction	Amount of share capital after the transaction	Shares making up the share capital after the transaction
	(number of shares)		*(in €)*	*(in €)*	*(number of shares)*
May 31, 2018	13,475,904	Capital increase for the payment of the dividend in shares	3,368,976.00	171,046,576.00	684,186,304
June 7, 2018	868,896	Capital increase reserved for employee members of a company savings plan	217,224.00	171,263,800.00	685,055,200
May 16, 2019	1,018,400	Capital increase reserved for employee members of a company savings plan	254,600.00	171,518,400.00	686,073,600
July 24, 2019	27,355	Capital increase reserved for employees of foreign companies	6,838.75	171,525,238.75	686,100,955
September 26, 2019	19,851	Capital increase reserved for employees of foreign companies	4,962.75	171,530,201.50	686,120,806
July 22, 2020	508,794	Capital increase reserved for employee members of a company savings plan	127,198.50	171,657,400.00	686,629,600
Share capital as of December 31, 2020				**171,657,400.00**	**686,629,600**

SHARES CONSTITUTING THE SHARE CAPITAL

Shares are fully paid-up, are all of the same class and have a nominal value of €0.25. Each share gives the right to ownership of a proportion of the Company's assets, profits and liquidation surplus, based on the percentage of share capital that it represents.

7.2 TREASURY SHARES HELD BY THE COMPANY AND ITS SUBSIDIARIES

This section 7.2 describes the share buyback program set up in accordance with Articles 241-2 and *seq.* of the General Regulations of the French Financial Markets Authority.

AUTHORIZATION GRANTED TO THE COMPANY TO BUY BACK ITS OWN SHARES

Existing authorization

The Shareholders' Meeting of June 26, 2020 authorized the Board of Directors, for an 18-month period, to buy back a number of shares representing a maximum of 10% of the Company's share capital at a maximum purchase price of €85 per share. This authorization superseded the authorization previously granted by the Shareholders' Meeting of April 25, 2019.

This authorization was not used during fiscal year 2020 (see section *Transactions on Company shares in 2020 and situation as of December 31, 2020* hereinafter).

Authorization subject to approval by the Shareholders' Meeting

The Board of Directors will submit a new authorization, valid for 18 months, to the Shareholders' Meeting to be held on April 29, 2021 to repurchase up to 10% of the total number of shares comprising the share capital of the Company (*i.e.* for information purposes, 68,662,960 shares as of December 31, 2020, representing a maximum potential purchase amount – excluding transaction fees – of approximately €5.8 billion) at a maximum purchase price of €85 per share.

Subject to the authorization being approved by the Shareholders' Meeting of April 29, 2021, the Company's buyback of its own shares would be executed for the purpose of:

- the allocation of shares with respect to the exercise of stock-options by employees and/or corporate officers of the Company and of companies or economic interest groups related to it, pursuant to applicable statutory and regulatory provisions;
- the implementation of any plan for the allocation of Group performance shares, or without performance conditions in the case of global employee share ownership plans, to employees and/or corporate officers of the Company and of companies or economic interest groups related to it, pursuant to applicable statutory and regulatory provisions, either directly or through entities acting on their behalf;
- the sale of shares to employees (either directly or through an employee savings mutual fund) within the context of employee shareholding plans or company savings plans;
- the delivery of shares upon the exercise of rights attached to securities giving access to the Company's share capital;
- the later delivery of shares as payment or for exchange in the context of external growth transactions;

- the cancellation of shares within the maximum legal limit; and/or
- supporting the market for shares in connection with a liquidity contract entered into with an investment service provider, in accordance with the market practice permitted by the French Financial Markets Authority.

Share buybacks may be carried out, in whole or in part, by acquisition, sale, exchange or transfer, on one or more occasions, by any means on any stock markets, including multilateral trading facilities (MTF), through a systematic internalizer or over the counter, including by acquisition or disposal of blocks of shares (without limiting the portion of the share repurchase program that may be completed this way). These means include the use of any financial contract or derivative instrument (including in particular any future or any option), except the sale of put options, in accordance with applicable regulations.

These transactions may be carried out at any time during an 18-month period beginning April 29, 2021 (with the exception of periods of public tender offers on the Company's shares) within the limits allowed by the applicable regulations.

AUTHORIZATION TO CANCEL SHARES AND REDUCE THE SHARE CAPITAL FOLLOWING THE BUYBACK BY THE COMPANY OF ITS OWN SHARES

The Shareholders' Meeting of April 25, 2019 authorized the Board of Directors, for a period of 24 months, to cancel shares acquired in the context of a share buyback program, within a limit of 10% of the existing share capital as of the day of the Meeting. This authorization was not used in 2020.

TRANSACTIONS ON COMPANY SHARES IN 2020 AND SITUATION AS OF DECEMBER 31, 2020

(number of shares)	**Situation as of December 31, 2019**	**Buybacks**	**Sales/Transfers**	**Delivery of shares**	**Situation as of December 31, 2020**
Acquisitions	**30,769,360**	–	–	–	**30,769,360**
Employee shareholding plans	**700,174**	–	–	(415,849)	**284,325**
Share cancelations	**–**	–	–	–	**–**
Treasury shares	**31,469,534**	–	–	(415,849)	**31,053,685**
Shares held by Danone Spain	**5,780,005**	–	–	–	**5,780,005**
Shares held by the Group	**37,249,539**	**–**	**–**	**(415,849)**	**36,833,690**

Treasury shares held by the Company as of December 31, 2020

	As of December 31, 2020
Number of DANONE shares	**31,053,685**
Percentage of share capital	*4.52%*
Value of DANONE shares held by the Company *(in euros)*	
Nominal value	7,763,421
Gross value	1,587,168,671

Market value of DANONE shares held by Danone and its consolidated subsidiaries

	As of December 31, 2020
Number of DANONE shares	**36,833,690**
Closing price *(in euros)*	53.76
Value of DANONE shares held by the Group *(in euros)*	
At the closing price	1,980,179,174

7.3 AUTHORIZATIONS TO ISSUE SECURITIES GIVING ACCESS TO THE SHARE CAPITAL

SUMMARY OF FINANCIAL AUTHORIZATIONS IN EFFECT AS OF DECEMBER 31, 2020

Maximum amounts of share capital authorized *(nominal issuance amount)*		**Authorization type**	**Individual maximum amounts authorized** *(nominal amount or percentage)*	**Use in 2020**	**Available balance as of December 31, 2020** *(nominal amount or percentage)*
Maximum amount applicable to all dilutive and non-dilutive issuances: €60 million (approx. 35% [a] of the share capital)	Maximum amount applicable to non-dilutive issuances: €60 million (approx. 35% [a] of the share capital)	Capital increase with preferential subscription right for shareholders	€60 million (approximately 35% [a] of the share capital) [b]	–	€60 million
	Maximum amount applicable to dilutive issuances: €17 million (or approximately 10% [a] of the share capital)	Capital increase without preferential subscription right but with a priority period for shareholders	€17 million (approximately 10% [a] of the share capital) [b]	–	€17 million
		Overallotment (as a % of initial issuance)	15% [b]	–	–
		Public exchange offer initiated by the Company	€17 million (approximately 10% [a] of the share capital) [b]	–	€17 million
		Contributions in kind	10% of the share capital	–	10% of share capital
		Capital increase reserved for employee members of a company savings plan	€3.4 million (approximately 2% [a] of the share capital)	€127,198.50	€3.3 million
		Capital increase reserve for employees of foreign companies	€1.7 million (approximately 1% [a] of the share capital) attributable to the 2% maximum limit authorized for capital increases reserved for employees participating in a company savings plan	–	€1.7 million
		Grants of Group performance shares (GPS)	0.2% of the share capital at the close of the Shareholders' Meeting	750,484 shares granted (approximately 0.1% of the share capital)	0.1% of the share capital at the close of the Shareholders' Meeting
–	–	Incorporation of reserves, earnings, additional paid-in capital and other amounts	€42 million (approximately 24.5% [a] of the share capital)	–	€42 million

(a) The percentage of share capital is calculated for indicative purposes only, based on share capital as of December 31, 2020.

(b) All issuances of securities representing debts pursuant to these authorizations: ((i) capital increase with preferential subscription right; (ii) capital increase without preferential right but with priority right for shareholders; (iii) overallotment option and (iv) public exchange offer initiated by the Company) may not exceed a maximum principal amount of €2 billion (or equivalent value).

These authorizations were approved by the Shareholders' Meeting of April 25, 2019, for a period of 26 months, *i.e.* until June 25, 2021, with the exceptions of (i) the grant of Group performance shares approved by the Shareholders' Meeting of June 26, 2020 and expired on December 31, 2020 and (ii) the authorization to implement capital increases reserved for employees of foreign companies approved by the Shareholders' Meeting of June 26, 2020 for a period of 18 months, *i.e.* until December 26, 2021.

CAPITAL INCREASES RESERVED FOR EMPLOYEES

Danone regularly carries out capital increases reserved for Danone employees in France participating in a company savings plan (through a temporary fund later merged into the "Fonds Danone" company investment fund). The decision to carry out these capital increases is made, in principle annually and under the authorization granted by the Shareholders' Meeting, by the Board of Directors at its February meeting. They are then carried out in May or June. In 2020 the capital increase reserved for Danone employees in France participating in a company savings plan, initially scheduled for May 2020, was postponed to July 22, 2020 due to the postponement of Danone's Shareholders' Meeting on June 26, 2020; it represented a total amount of €29,525,315.82 (and a nominal amount of €127,198.50).

Moreover, since 2019 Danone also carries out capital increases reserved for employees of foreign companies, under the authorization granted by the Shareholders' Meeting ("One Person, One Voice, One Share" program). This authorization, used in 2019, was not used in 2020.

The Board of Directors of February 18, 2021 decided to implement a new capital increase reserved for employee members of a Company savings plan for a maximum total amount of subscription of €80 million (*i.e.* 1,831,502 shares). In addition, a new capital increase reserved for employees of foreign companies may be decided, subject to the approval of the Shareholders' Meeting of April 29, 2021.

FINANCIAL AUTHORIZATIONS SUBJECT TO APPROVAL BY THE SHAREHOLDERS' MEETING

The Shareholders' Meeting of April 29, 2021 will be asked to renew the following authorizations for shares and securities, with and without preferential subscription right, based on the following conditions:

			Authorized limits	
	Authorization date	**Expiration date**	**Ordinary shares** *(nominal amount of ordinary shares issuance)*	**Debt securities**
Capital increase with preferential subscription right for existing shareholders	April 29, 2021	June 29, 2023	€60 million (approximately 35% [a] of the share capital)	Common limit of €2 billion
Capital increase without preferential subscription right but with a priority period for shareholders	April 29, 2021	June 29, 2023	€17 million (approximately 10% [a] of the share capital)	
Overallotments (as a % of the initial issuance)	April 29, 2021	June 29, 2023	15%	
Public exchange offer initiated by the Company	April 29, 2021	June 29, 2023	€17 million (approximately 10% [a] of the share capital)	
Contributions in kind	April 29, 2021	June 29, 2023	10% of the share capital	
Capital increase through incorporation of reserves, earnings additional paid-in capital and other amounts	April 29, 2021	June 29, 2023	€43 million (approximately 25% [a] of the share capital)	
Capital increase reserve for employee members of a company savings plan	April 29, 2021	June 29, 2023	€3.4 million (approximately 2% [a] of the share capital) attributable to the common maximum limit of €17 million along with the aforementioned dilutive issues	
Capital increase reserved for employees of foreign companies	April 29, 2021	October 29, 2022	€1.7 million (approximately 1% [a] of the share capital) attributable to the 2% maximum limit authorized for capital increases reserved for employees participating in a company savings plan	
Allocation of Group performance shares	April 29, 2021	December 31, 2021	0.2% of the share capital at the close of the Shareholders' Meeting, attributable to the common maximum limit of €17 million along with the aforementioned dilutive issues	

(a) The percentage of share capital is calculated for indicative purposes only, based on the share capital as of December 31, 2020.

CHANGES TO SHARE CAPITAL AND RIGHTS ATTACHED TO SHARES

Any changes to share capital or rights attached to shares constituting the share capital are subject to statutory law, as the by-laws contain no specific provisions.

7.4 FINANCIAL INSTRUMENTS NOT REPRESENTING SHARE CAPITAL

The Board of Directors, fundamental authority in the area of bound issuances, decided at its meeting of February 18, 2021, to renew, for one year, the authorization granted to General Management to issue, in France or abroad (including, in particular, in the United States of America by means of private placements to institutional investors), any type of bonds or debt securities, including ordinary bonds, subordinated debt securities or complex securities (whether fixed-term or perpetual) or any other type of negotiable debt instrument for up to a maximum outstanding principal amount at any time of €18 billion (or the equivalent amount in any other currency or unit of account).

As of December 31, 2020, the total outstanding principal amount of the bonds issued by the Company (Danone's only bond issuer) was €13,339 million (amount recognized in the consolidated financial statements).

7.5 DIVIDENDS PAID BY THE COMPANY

DIVIDEND PAY-OUT POLICY

Rules set by French law and the Company's by-laws

In accordance with law, the following amounts are withheld from earnings from which any past losses have already been deducted: (i) at least 5% for the creation of the legal reserve, a deduction that will cease to be mandatory when the legal reserve has reached one-tenth of the share capital, but that will be reinstituted if, for any reason whatsoever, the legal reserve falls below this amount; and (ii) any sums to be allocated to reserves in accordance with the law. The balance, to which are added retained earnings, represents the distributable earnings.

Under the terms of the by-laws, the amount necessary to constitute a first dividend payment to shareholders is deducted from the distributable earnings. This amount corresponds to interest of 6% per annum on the amount of their shares that has been paid up and not reimbursed, it being specified that if in a given fiscal year earnings are not sufficient to make this payment, the shortfall may be paid by deduction from the earnings of subsequent fiscal years.

Any remaining balance is available for allocation by the annual Shareholders' Meeting, in accordance with a proposal by the Board of Directors, to shares as dividends or, in full or in part, to any reserve accounts or to retained earnings.

The reserves available to the Shareholders' Meeting can be used, if it so decides, to pay a stock dividend.

Company's pay-out policy

The Board of Directors implements a measured and balanced dividend pay-out policy, which is based on an analysis that takes into account the history of dividend payments, the Company's financial position and results, the outlook as well as the dividend pay-out practices of Danone's business sector.

DIVIDEND PAID IN RESPECT OF 2020 FISCAL YEAR

A dividend of €1.94 per share will be proposed to the Shareholders' Meeting of April 29, 2021 on shares eligible to receive the dividend as of January 1, 2020. The dividend is down 8% from last year, reflecting on the one hand the impact of the deteriorated environment on 2020 results, and demonstrating on the other Danone's confidence in rapidly reconnecting with profitable growth, as reflected by the increased pay-out ratio to 58%.

If this dividend is approved, the ex-dividend date will be May 10, 2020 and the payment date will be May 12, 2020.

DIVIDENDS PAID IN RESPECT OF THE PREVIOUS THREE FISCAL YEARS PRIOR TO 2020

Dividend relating to the fiscal year	Dividend per share *(in € per share)*	Dividend approved *(in € millions)*	Dividend paid [a] *(in € millions)*
2017	1.90	1,274	428 [b]
2018	1.94	1,329	1,266
2019	2.10	1,441	1,374

(a) Treasury shares directly held by the Company do not carry the right to receive a dividend. However, the Company's shares held by its Danone Spain subsidiary carry the right to receive a dividend.

(b) The Shareholders' Meeting of April 26, 2018 decided that each shareholder could choose to receive payment of the dividend in cash or in DANONE shares. The amount of the dividend paid in cash corresponds to the dividend paid to those shareholders who did not opt for payment in shares.

DIVIDENDS FORFEITED TO THE FRENCH STATE

By law, dividends that have not been claimed within five years revert to the French State.

7.6 SHAREHOLDERS' MEETING, VOTING RIGHTS

PARTICIPATION IN SHAREHOLDERS' MEETINGS

Shareholders' Meetings are convened and deliberate in the conditions set out by law. They are held at in the city where the registered office is located or at any other place specified in the Notice of Meeting.

The Shareholders' Meeting is composed of all shareholders, regardless of the number of shares owned, except in the case of forfeiture in accordance with applicable laws and regulations, and upon presentation of proof of identity and ownership of the shares on the terms stipulated by regulations.

Shareholders may choose one of the following four methods to participate in Shareholders' Meetings:

- attend the meeting in person by requesting an admission card;
- vote by correspondence;
- give a proxy to the Chairman of the Shareholders' Meeting; or
- give a proxy to any individual or legal entity of their choice.

In 2020, in the context of the Covid-19 health crisis and pursuant to French Order No. 2020-321 of March 25, 2020, Danone's Shareholders' Meeting was held on June 26, 2020 behind closed doors, without the shareholders and other persons entitled to attend being physically present.

The details concerning the participation at Shareholders' meetings as provided by laws and regulations can be found in the Notice of Meeting available on the Danone website: www.danone.com (Section Investors/Shareholders/Shareholders' meeting).

The Company's by-laws permit shareholders to participate in Shareholders' Meetings using electronic means, and a dedicated website has been specially created to that effect.

Moreover, the Board of Directors may decide that the vote occurring during the Shareholders' Meeting may be expressed by videoconference or any telecommunications method that makes it possible to identify the shareholders, subject to applicable legal and regulatory provisions.

VOTING RIGHTS

Double voting rights

The Extraordinary Shareholders' Meeting of October 18, 1935 decided to include in the Company's by-laws, the grant of double voting rights, under the conditions provided by law, in relation to the portion of the share capital that they represent, to all fully paid-up shares for which evidence is provided that they have been registered in the name of the same shareholder for at least two years, as well as – in the event of a capital increase through capitalization of reserves, earnings or additional paid-in capital – to registered bonus shares granted to a shareholder in consideration of existing shares in respect of which he enjoys said rights. This statutory double voting right has been maintained since its creation in 1935 and coexists, in the same conditions, with the one created by the law 2014-384 of March 29, 2014, known as the "Florange Act", since neither Danone's Board of Directors nor its shareholders proposed its elimination when the legal double voting right was instituted for companies whose shares are admitted for trading on a regulated market.

Double voting rights cease in the event of a transfer or conversion into bearer shares, unless otherwise provided for by law. A double voting right may moreover be terminated by an Extraordinary Shareholders' Meeting's decision and after ratification by the special shareholders' meeting gathering all double voting right beneficiaries. A merger with another company shall not affect double voting rights, which can be exercised within the absorbing company if its by-laws have instituted this procedure.

Limitation on voting rights at Shareholders' Meetings

Principle of limitations on voting rights

The Extraordinary Shareholders' Meeting of September 30, 1992 decided to introduce into Danone's by-laws a clause limiting the voting rights, considering the weak participation rate of shareholders at Meetings. The purpose of the clause is to avoid having a shareholder exercise undue influence or even realize a "stealth" takeover of the Company. Hence, the by-laws provide that, at Shareholders' Meetings, no shareholder may cast more than 6% of the total number of voting rights attached to the Company's shares in his or her own right or through proxy (*mandataire*), in respect of single voting rights attached to shares which he or she holds directly and indirectly and of powers which have been granted to him or her. Nevertheless, if, additionally, he or she enjoys double voting rights in a personal capacity and/or in the capacity of agent, the limit set above may be exceeded by taking into account only the extra voting rights resulting therefrom. In such a case, the total voting rights that he or she represents shall not exceed 12% of the total number of voting rights attached to the Company's shares.

In accordance with Article 27.II of the Company's by-laws, this limitation applies when:

- the total number of voting rights taken into account is calculated as of the date of the Shareholders' Meeting and is brought to the attention of shareholders at the opening of the Shareholders' Meeting;
- the number of voting rights held directly and indirectly refers particularly to those attached to shares held personally by a shareholder, shares held by a corporation he or she controls within the meaning of Article L.233-3 of the French Commercial Code and shares assimilated with shares held, as defined by the provisions of Articles L.233-7 and *seq.* of the French Commercial Code;

- in respect of voting rights used by the Chairman of the Shareholders' Meeting, those attached to shares for which a proxy form has been returned to the Company without naming a proxy and which, individually, do not violate the applicable limitations, are not taken into account.

This limitation of voting rights at Shareholders' Meetings has been implemented by the Company in respect of the MFS group since 2013 (see section 7.8 *Share ownership structure of the Company as of December 31, 2020 and significant changes over the past three years* for more information on the interest held by MFS in the Company's share capital).

Exceptions to limitations on voting rights

In accordance with Article 27.II of the Company's by-laws, the aforementioned limitations shall become null and void if any individual or corporate entity, acting alone or in concert with one or more individuals or legal entities, were to come into possession of at least two-thirds of the total shares of the Company as a result of a public tender offer for all the Company's shares. The Board of Directors shall formally acknowledge that the limitations have become null and void and shall complete the corresponding amendments to the by-laws.

In addition, in accordance with the general regulations of the French Financial Markets Authority, the effects of the limitations provided for in the preceding sections shall be suspended at the first Shareholders' Meeting following the close of a takeover bid if the bidder, acting alone or in concert, were to come into possession of more than two-thirds of the total shares or total voting rights of the company concerned.

Lastly, following adoption of the 16th resolution by the Shareholders' Meeting of April 22, 2010, the limitations on voting rights shall be suspended for a Shareholders' Meeting if the number of shares present or represented at such meeting reaches or exceeds 75% of the total number of shares carrying voting rights. In such event, the Chairman of the Board of Directors (or any other person who is presiding over the meeting in his absence) shall formally acknowledge the suspension of said limitation when the Shareholders' Meeting is opened.

Reasons for the limitation of voting rights for shareholders

The Board of Directors has, on several occasions, reviewed this clause limiting voting rights at Shareholders' Meetings and, notably following discussions with its shareholders, has concluded that this voting rights limitation is in the interest of all the Company's shareholders. Thus:

- considering the effective participation rate at Shareholders' Meetings (which remains below the average participation rate for shareholders' meetings of CAC 40 companies), this limitation prevents shareholders from influencing corporate decisions in a manner that would be disproportionate to the actual size of their shareholding, particularly in the event of a low quorum or when a simple majority is sufficient for the adoption of a corporate decision (with a quorum for Shareholders' Meetings of 50%, 25% of the votes could be sufficient to adopt or reject a corporate decision);
- considering Danone's disperse shareholding, in the absence of such a limitation mechanism, a shareholder could take *de facto* control of the Company "by stealth", *i.e.* without being obliged to launch a public tender offer and offer existing shareholders the possibility of selling their shares in the Company under satisfactory conditions. The clause limiting voting rights is therefore clearly aimed at requiring any shareholder wishing to take control of the Company, at any time, to launch a takeover bid for all of the Company's shares, to offer a control premium, and, when required, to respect price conditions as set by the French Financial Markets Authority. In this regard, this provision provides protection for all the shareholders and guarantees them the best valuation for their shares;
- this clause of the by-laws does not constitute an obstacle to a takeover bid on the Company, since the clause becomes automatically null and void for the first Shareholders' Meeting held subsequent to a takeover bid resulting in one or more shareholders acting in concert owning more than two-thirds of the Company's share capital or voting rights;
- the validity of clauses limiting voting rights has been recognized by the French Commercial Code, and their utility is illustrated by the fact that several other CAC 40 companies with a disperse shareholding have implemented a similar mechanism in their by-laws;
- the limitation clause does not affect, in any way, the economic rights of the shareholders that would be concerned by the measure insofar as such shareholders are eligible to receive the full dividend attached to the shares they own.

Like other CAC 40 companies, in 2007 the Shareholders' Meeting rejected a resolution aimed at removing this statutory clause limiting voting rights at a Meeting.

In 2010, following discussions with its shareholders, the Board considered it would be appropriate to amend the terms of the voting rights limitation mechanism in order to introduce the automatic suspension of the limitation process for any Shareholders' Meeting at which a sufficiently high quorum is achieved. Indeed, whereas this limitation appears appropriate and justified in the event of a low quorum, it appears superfluous in the event of a high quorum, since such a quorum would ensure all shareholders could express their opinion without the risk of distortion. For this reason, this limitation is suspended, in respect of any Meeting at which the number of shares whose shareholders are present or represented reaches or exceeds 75% of the total number of shares with voting rights. This suspension mechanism, based on the quorum, offers an additional guarantee to Danone's shareholders as it ensures that the voting rights limitation would be objectively activated.

In the event that a shareholder acquires a significant non-controlling interest in the Company's share capital, the quorum should automatically increase and would facilitate suspension of the clause, while ensuring that said shareholder was not able to influence proceedings at the Shareholders' Meeting in a manner disproportionate to his or her shareholding.

The quorum achieved at the Shareholders' Meeting of June 26, 2020 was 63.52%.

7.7 CROSSING OF THRESHOLDS, SHARES AND SHARE SALES

CROSSING OF THRESHOLDS

A shareholder is legally required to inform the Company and the French Financial Markets Authority whenever any of the following thresholds are crossed in either direction, within four trading days of when the threshold is crossed: 5%, 10%, 15%, 20%, 25%, 30%, one-third, 50%, two-thirds, 90% or 95% of the Company's share capital or voting rights (Article L. 233-7 of the French Commercial Code). In addition, any individual or legal entity that comes to acquire or ceases to hold in any manner whatsoever, within the meaning of Articles L. 233-7 and *seq.* of the French Commercial Code, a fraction equivalent to 0.5% of the voting rights or a multiple thereof must, within five trading days of crossing such threshold, notify the Company of the total number of shares or securities giving future access to the capital and the total number of voting rights that said individual or entity holds alone, or indirectly, or in concert, by registered mail with return receipt to the Company's registered office. If the threshold is crossed as a result of a purchase or sale in the open market, the notification period of five trading days begins with the date of trade and not the date of delivery.

In the event of failure to comply with this notification requirement, at the request of any holder or holders of 5% or more of the voting rights, the voting rights in excess of the fraction that should have been reported may not be exercised or delegated by the non-complying shareholder at any Shareholders' Meeting held during a period of two years as from the date on which the shareholder makes the corrective notification.

PURCHASES AND SALES OF COMPANY SHARES

There is no clause in the Company's by-laws giving preferential rights for the purchase or sale of Company shares.

7.8 SHARE OWNERSHIP STRUCTURE OF THE COMPANY AS OF DECEMBER 31, 2020 AND SIGNIFICANT CHANGES OVER THE PAST THREE YEARS

SHARE OWNERSHIP STRUCTURE AS OF DECEMBER 31, 2020

It should be noted that double voting rights are granted to all fully paid-up shares held in registered form in the name of the same shareholder for at least two years (see section 7.6 *Shareholders' Meeting, voting rights*).

Shareholders having disclosed shareholdings exceeding 1.5% of voting rights in the Company (based on reported crossings of statutory thresholds received by the Company)

Shareholders	Number of shares held	% of share capital	Number of gross voting rights	% of gross voting rights[a]	Number of net voting rights	% of net voting rights [b]
MFS [c] [d]	63,789,281	9.3%	54,821,389	7.7%	54,821,389	8.1%
BlackRock	42,295,309	6.2%	42,295,309	5.9%	42,295,309	6.3%
Amundi Asset Management	23,500,862	3.4%	23,500,862	3.3%	23,500,862	3.5%
First Eagle Investment Management [d]	21,573,145	3.1%	20,306,170	2.8%	20,306,170	3.0%
Norges Bank	15,145,141	2.2%	15,145,141	2.1%	15,145,141	2.2%
Groupe CDC	13,718,885	2.0%	13,718,885	1.9%	13,718,885	2.0%
Employee shareholding – "Fonds Danone" company investment fund	9,002,865	1.3%	17,370,232	2.4%	17,370,232	2.6%
Groupe Sofina	7,250,793	1.1%	12,356,693	1.7%	12,356,693	1.8%
Treasury shares held by the Company	31,053,685	4.5%	31,053,685	4.4%	–	–
Treasury shares held by Danone Spain subsidiary	5,780,005	0.8%	5,780,005	0.8%	–	–
Other	453,519,629	66.1%	476,385,623	66.8%	476,385,623	70.5%
Total	**686,629,600**	**100.0%**	**712,733,994**	**100.0%**	**675,900,304**	**100.0%**

(a) The percentage of gross voting rights is calculated taking into account the treasury shares held by the Company and its subsidiaries, which are stripped of voting rights, as well as the double voting rights attached to shares held in registered form for more than 2 years (*i.e.* 26,104,394 shares as of December 31, 2020).

(b) The number of net voting rights (or voting rights "exercisable in a Shareholders' Meeting") is calculated excluding shares stripped of voting rights.

(c) The voting rights of MFS group were capped at 6% at the Shareholders' Meeting of June 26, 2020 in accordance with Article 27.II of the Company's by-laws (see section 7.6 *Shareholders' Meeting, voting rights* above for details on limitations on voting rights at Shareholders' Meetings).

(d) MFS and First Eagle Investment Management indicated to the Company that the number of voting rights (gross and net) they held in the Company is less than the number of shares that they hold, as certain of their customers retain the voting right attached to the shares managed by them.

As of December 31, 2020, the portion of the Company's share capital held by shareholders in registered form on the Company share register (*nominatif pur*) and in registered form on the books of a financial intermediary (*nominatif administré*) and pledged was not material.

To the Company's knowledge, on the basis of threshold crossing disclosures made to the French Financial Markets Authority, no shareholder other than MFS and BlackRock held a stake of more than 5% in the Company's share capital or voting rights as of December 31, 2020.

Shares held by members of the Board of Directors and Executive Committee

See section 6.5 *DANONE shares held by the Board of Directors and the Executive Committee*.

SIGNIFICANT CHANGES IN THE COMPANY'S SHARE OWNERSHIP DURING THE PAST THREE FISCAL YEARS

Year ended December 31

	2020			2019			2018		
Shareholders	**Number of shares**	**% of total shares**	**% of net voting rights [a]**	**Number of shares**	**% of net voting rights**	**% of net voting rights [a]**	**Number of shares**	**% of total shares**	**% of net voting rights [a]**
MFS	63,789,281	9.3%	8.1%	50,550,484	7.4%	6.4%	53,523,938	7.8%	6.7%
BlackRock	42,295,309	6.2%	6.3%	39,411,681	5.7%	5.8%	37,997,485	5.5%	5.6%
Amundi Asset Management	23,500,862	3.4%	3.5%	23,227,264	3.4%	3.4%	24,930,152	3.6%	3.7%
First Eagle Investment Management	21,573,145	3.1%	3.0%	16,455,341	2.4%	2.4%	16,991,351	2.5%	2.5%
Norges Bank	15,145,141	2.2%	2.2%	13,209,935	1.9%	1.9%	11,933,570	1.7%	1.8%
Groupe CDC	13,718,885	2.0%	2.0%	10,866,611	1.6%	1.6%	11,235,862	1.6%	1.6%
Lyxor	9,741,908	1.4%	1.4%	10,151,692	1.5%	1.5%	11,770,974	1.7%	1.7%
Employee shareholding –"Fonds Danone" investment fund	9,002,865	1.3%	2.6%	8,666,386	1.3%	2.5%	8,897,524	1.3%	2.5%
Groupe Sofina	7,250,793	1.1%	1.8%	8,838,293	1.3%	2.5%	14,163,293	2.1%	4.1%
Treasury shares held by the Company	31,053,685	4.5%	–	31,469,534	4.6%	–	32,001,985	4.7%	–
Treasury shares held by Danone Spain subsidiary	5,780,005	0.8%	–	5,780,005	0.8%	–	5,780,005	0.8%	–
Other	443,777,721	64.6%	69.0%	467,493,580	68.1%	71.8%	455,829,061	66.5%	69.9%
Total	**686,629,600**	**100%**	**100%**	**686,120,806**	**100%**	**100%**	**685,055,200**	**100%**	**100%**

(a) This percentage excludes treasury shares held by the Company and its subsidiaries, which have been stripped of voting rights.

Ownership interest held by MFS

From 2018 to 2020, the ownership interest held by Massachusetts Financial Services ("MFS") in the Company's share capital has decreased then increased to represent 9.3% of the share capital as of December 31, 2020.

MFS indicated to the Company that the number of (gross and net) voting rights that it holds in the Company is less than the number of shares it owns, as certain of its clients retain voting rights to the shares whose management is assigned to MFS. Thus, as of December 31, 2020, MFS informed the Company that it held 63,789,281 DANONE shares (approximately 9.3% of the share capital), including 54,821,389 shares (approximately 8.1% of the share capital) for which MFS exercises voting rights and 8,967,892 shares (approximately 1.3% of the share capital) for which MFS clients have retained voting rights.

Ownership interest held by BlackRock

In the fiscal years 2018 to 2020, the BlackRock group maintained its ownership interest in the Company's share capital beyond the 5% threshold and held approximately 6.2% of the Company's shares as of December 31, 2020.

Other significant changes during the past three fiscal years

In May 2018, J.P. Morgan Securities disclosed several crossings in both directions of the 5% threshold for share ownership or voting rights (see disclosures No. 218C0834, No. 218C0856, No. 218C0873). As of December 31, 2018, J.P. Morgan Securities indicated that it held less than 0.5% of the Company's shares.

In July 2020, Citigroup Inc. disclosed two crossings of the 5% threshold for share ownership or voting rights, first above and then below (see disclosures No. 220C2469 and No. 220C2547). As of December 31, 2020, Citigroup Inc. indicated that it held 0.07% of the Company's shares.

No other disclosures regarding the crossing of statutory thresholds pertaining to the Company's share capital or voting rights were published by the French Financial Markets Authority in fiscal year 2020.

In addition, since the end of 2020, Artisan Partners Limited Partnership has increased its stake in Danone's share capital. It thus informed the Company that it held 3.7% of its shares and 3.5% of its voting rights as of February 25, 2021.

To the best of the Company's knowledge, no other significant changes in the Company's shareholding structure have taken place during the past three fiscal years.

Employee shareholding

As of December 31, 2020, to the Company's knowledge, the number of the Company's shares held directly or indirectly by employees of the Company and of companies related to it, and, in particular, those that are subject to collective management or conditions prohibiting their disposal, either within the framework of a French company savings plan (*Plan d'Épargne Entreprise*) or through French company investment funds (*Fonds Communs de Placement Entreprise – FCPE*) (the "Fonds Danone" company investment fund and the company investment funds of other Danone subsidiaries), or also within the framework of the "One Person, One Voice, One Share" program, was 10,696,921, *i.e.* 1.56% of the Company's share capital, including the 9,002,865 shares (1.3% of the share capital) held by the "Fonds Danone" FCPE.

It is hereby recalled that in 2019, for the first time, as part of the "One Person, One Voice, One Share" program, Danone granted one free share to all employees worldwide employed by Danone since one year at the date of the grant, *i.e.* 84,588 employees. In 2020, an additional grant was implemented to the benefit of new employees who joined Danone since July 1, 2019 and who were still employed by Danone at the date of the grant, *i.e.* 7,985 employees.

Identifiable holders of bearer shares

Under the terms of its by-laws and in accordance with the legislation and regulations, the Company may, at any time, ask the entity responsible for clearing shares (Euroclear France) for the name or company name, nationality, and address of the holders of shares or other securities conferring immediate or future voting rights at its Shareholders' Meetings, along with the number of securities held by each of them and, if applicable, any restrictions placed upon such securities. Euroclear France obtains the information requested from account-holding custodians affiliated to it, which are obliged to provide such information.

Distribution of shareholders based on the Company's survey in December 2020 of identifiable holders of bearer shares

		As a percentage of the share capital
Institutional investors		**78%**
of which,	*United States*	*44%*
	France	*18%*
	United Kingdom	*9%*
	Switzerland	*5%*
	Germany	*4%*
	Rest of Europe	*14%*
	Rest of World	*6%*
Individual investors and "Fonds Danone" FCPE		**10%**
Treasury shares		**5%**
Other		**6%**
Total		**100%**

7.9 MARKET FOR THE COMPANY'S SHARES

The Company's shares are listed on Euronext Paris (Compartment A – Deferred Settlement Service; ISIN Code: FR0000120644; ticker "BN"). The Company's shares also had a secondary listing on the Swiss Stock Exchange (SWX Suisse Exchange) but this secondary listing ended on February 18, 2020 upon the Company's request.

Danone also maintains a sponsored Level 1 program of American Depositary Receipts (ADR), which are traded over-the-counter through the OTCQX platform under the symbol DANOY (each ADR representing one-fifth of a DANONE share). OTCQX is an information platform for companies already listed on a qualified international stock exchange. It enables international companies to better access U.S. investors and to distribute information in the U.S. markets without the complexity and cost of an U.S. exchange listing.

DANONE shares are included in the CAC 40 and Eurostoxx 50 indexes.

7.10 FACTORS THAT MIGHT HAVE AN IMPACT IN THE EVENT OF A PUBLIC TENDER OFFER

In accordance with Article L.22-10-11 of the French Commercial Code, factors that might have an impact in the event of a tender offer are presented below:

(i) Structure of the Company's share capital

See section 7.8 *Share ownership structure of the Company as of December 31, 2020 and significant changes over the past three years.*

(ii) Voting rights restrictions set forth in the by-laws

The Company's by-laws provide for a system of limitation of voting rights, described in section 7.6 *Shareholders' Meeting, voting rights*. The Shareholders' Meeting of April 22, 2010 decided to include a mechanism for suspending this limitation if the number of shares present or represented at a Shareholders' Meeting reaches or exceeds 75% of the total number of shares carrying voting rights.

In addition, the Company's by-laws provide for a reporting obligation for anyone who would hold or cease to hold a fraction equal to 0.5% of voting rights or a multiple thereof, beginning when one of the thresholds is crossed. This mechanism is described in section 7.7 *Crossing of thresholds, shares and share sales*.

In the event of failure to comply with this notification requirement, upon the request of any holder or holders of 5% or more of the voting rights, the voting rights in excess of the fraction that should have been disclosed may not be exercised or delegated by the non-complying shareholder at any Shareholders' Meeting held during a period of two years from the date on which the shareholder makes the corrective notification.

As of the publication date of this Universal Registration Document, the Company is not aware of any clause of agreements providing for preferential terms of purchase or sale concerning at least 0.5% of the capital or voting rights of the Company

(iii) Direct or indirect holdings in the Company's share capital of which the Company is aware

See section 7.8 *Share ownership structure of the Company as of December 31, 2020 and significant changes over the past three years*.

(iv) Holders of securities providing special control rights on the Company and description of such rights

None.

(v) Control mechanisms provided for any employee shareholding program, when such control rights are not exercised by employees

Only the Supervisory Board of the "*Fonds Danone*" company investment fund has the authority to decide how to respond to a possible tender offer with respect to the DANONE shares held by the fund. As an exception to this principle, holders of shares in the company investment fund may be consulted directly by referendum if the Supervisory Board has a split vote.

(vi) Main agreements between shareholders of which the Company is aware and that could impose restrictions on the transfer of shares and the exercise of voting rights

To the Company's knowledge, no agreement exists between shareholders that could impose restrictions on the transfer of the Company's shares and the exercise of voting rights.

(vii) Rules applicable to the appointment and replacement of members of the Board of Directors or to amendments of the by-laws

With the exception of the rules approved by the shareholders at the Shareholders' Meeting of June 26, 2020 concerning the appointment of the Directors representing employees (see section 6.1 *Governance bodies*), there are no specific rules applicable to the appointment and replacement of members of the Board of Directors or to amendments of the by-laws.

(viii) Powers of the Board of Directors in the event of a public tender offer

Pursuant to the resolution approved by shareholders at the June 26, 2020 Shareholders' Meeting, the Board of Directors is prohibited from implementing the Company share buyback program during a public tender offer involving the Company's shares. The Shareholders' Meeting of April 29, 2021 will be asked to renew this prohibition.

Moreover, in accordance with the decision of the Shareholders' Meeting of June 26, 2020, the Board of Directors cannot decide to issue shares and securities with or without preferential subscription rights (other than capital increases reserved for employees and grants of Group performance shares) during periods when the Company's shares are the subject of a public tender offer.

(ix) Main agreements signed by the Company that are amended or terminated in the event of a change of control of the Company

- Danone granted put options to certain non-controlling shareholders of its subsidiaries relating to their shares, which may be exercised during a public tender offer. The amount of such options is set out in Note 4.5 of the Notes to the consolidated financial statements.
- Certain joint-ventures agreements provide the possibility for the partner to purchase Danone's participation in the joint-venture in the event of a change of control of the Company. Hence, in 2005, the Company and the Arcor group signed an agreement governing relations between Danone and Arcor within the joint venture named Bagley LatinoAmerica, a Latin American leader in biscuits, in which the Company indirectly holds a 49% equity interest. In the event of a change of control of the Company, the Arcor group will have the right to have Danone repurchase all of its interest held in Bagley LatinoAmerica at its fair value.
- In addition, in 2016, Danone entered into a new shareholders' agreement with Al Faisaliah Holding that governs their relations within their jointly owned company Alsafi Danone Company Limited,

a Saudi-based company selling fresh dairy products and fruit juice in the Middle East in which Danone holds an indirect 17% stake. In the event of a change of control in the Company without the consent of Al Faisaliah Holding, Al Faisaliah Holding could terminate the shareholders' agreement and exercise a call option on the shares held by Danone in Alsafi Danone Company Limited.

- Under the terms of contracts regarding the use of mineral springs, in particular Volvic and Evian in France, Danone has very longstanding and privileged relations with local municipalities in which these springs are located. It is difficult for the Company to assess with certainty the impact on these contracts of any change in its control.
- The Group Performance Units (GPU) and Group Performance Shares (GPS) plans, that were put in place by the Company for the benefit of certain employees and its corporate officers, include specific provisions in the event of a change of control of the Company resulting from a public tender offer on the Company's securities, described in section 6.4 *Detailed information on long-term compensation plans*.
- Danone's syndicated facility agreement includes a change of control provision, which offers the lending banks an early redemption right in the event of a change of control of the Company, if it is accompanied by a downgrade of its rating by the rating agencies to sub-investment grade. It represents a principal amount of €2 billion.
- The Company's EMTN bond issuance program, its U.S. bond issuances in June 2012 and November 2016 and certain bilateral bank credit facility also include a similar mechanism in the event of a change of control of the Company (see Note 11.3 of the Notes to the consolidated financial statements).

(x) Agreements providing for indemnities to be paid to employees and corporate officers of the Company in the event that they resign, or their employment is terminated without cause or if their employment ends due to a public tender offer

See section 6.3 *Compensation and benefits of governance bodies*.

7.11 CHANGE OF CONTROL

To the Company's knowledge, no agreement exists which, if implemented, could, at a future date, lead to a change of control of the Company.

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APPENDIX

CROSS-REFERENCE TABLES

CROSS-REFERENCE TABLE FOR THE ANNUAL FINANCIAL REPORT

In order to facilitate the reading of this Universal Registration Document, the cross-reference table hereafter enables to identify the information, required in accordance with Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-3 of the general regulations of the French Financial Markets Authority, which constitute the annual financial report.

Annual Financial Report		Sections
1.	**Company financial statements**	4.2
2.	**Consolidated financial statements**	4.1
3.	**Management Report (within the meaning of the French monetary and financial code)** See the cross-reference table for the Management Report of the Company and Danone Group hereinafter	
4.	**Statements of the persons responsible for the Annual Financial Report**	1.3
5.	**Statutory Auditors' report on the Company's financial statements and the consolidated financial statements**	4.1, 4.2
6.	**Report on the corporate governance (Article L.225-37 of the French Commercial Code)**	6.1 to 6.5, 7

CROSS-REFERENCE TABLE FOR THE PROVISIONS OF ANNEXES 1 AND 2 OF THE 2019/980 DELEGATED REGULATION OF THE EUROPEAN COMMISSION

This cross-reference table identifies the main information required by Annexes I and 2 of the 2019/980 Delegated Regulation of the European Commission dated March 14, 2019. This table refers to the sections of this Universal Registration Document on which the information related to each item is indicated.

Universal Registration Document		Sections
Section 1	**Persons responsible, third party information, expert's reports and competent authority approval**	
1.1	Identity of the person responsible	1.3
1.2	Statement of the person responsible	1.3
1.3	Identity of the person participating as an expert whose statement or report is included in the Universal Registration Document	N/A
1.4	Statement on the information provided by a third party	N/A
1.5	Statement on the competent authority	Financial Markets Authority insert
Section 2	**Statutory auditors**	
2.1	Identity	1.1
2.2	Change	N/A
Section 3	**Risk factors**	
3.1	Description of the risks	2.6
Section 4	**Information about the issuer**	
4.1	Legal and commercial name	1.1
4.2	Registration place and number, legal entity identifier ("LEI")	1.1
4.3	Incorporation date and term	1.1
4.4	Registered office, legal form, applicable legislation, country of incorporation, address and telephone number of the registered office, website	1.1
Section 5	**Business overview**	
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5.1.1	*Nature of operations and principal activities*	*2.1 to 2.4, 3.1, 3.5*
5.1.2	*Development of new products and/or services*	*2.2, 2.3*
5.2	Principal markets	2.1, 2.3, 3.2
5.3	Important events in the development of the business	2.1 to 2.4, 3.1, 3.5
5.4	Strategy and objectives	2.2, 2.3
5.5	Dependence of the issuer with regards to patents, licenses, contracts and manufacturing processes	N/A
5.6	Competitive position of the issuer	1.2 (Definition of "Danone's market shares and positions"), 2.1, 2.3, 2.4
5.7	Investments	
5.7.1	*Material investments made*	*3.1, 3.3*
5.7.2	*Material investments in progress*	*3.1, 3.3, 5.3*
5.7.3	*Information relating to the joint ventures and undertakings likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses*	*2.5, 4.1*
5.7.4	*Environmental issues that may affect the use of the tangible fixed assets*	*5.1, 5.3*
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7.2	Operating results	
7.2.1	*Significant factors materially influencing the operating income*	*2.3, 2.6, 3.2, 3.5, 4.1*
7.2.2	*Evolution of net sales*	*2.1, 3.2, 4.1*
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8.4	Restrictions on the use of capital resources	3.4, 4.1
8.5	Anticipated sources of funds	3.4, 4.1
Section 9	**Regulatory environment**	
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10.2	Events that are reasonably likely to have a material effect on the issuer's prospects	2.6, 3.5
Section 11	**Profit forecasts or estimates**	
11.1	Profit forecast or estimate	N/A
11.2	Principal hypothesis underlying the profit forecast or estimate	N/A
11.3	Statement on the preparation of the profit forecast or estimate	N/A

Universal Registration Document		Sections
Section 12	**Administrative, management and supervisory bodies and senior management**	
12.1	Information on the members of the board of directors and the senior management	6.1, 6.2
12.2	Conflicts of interests	6.1
Section 13	**Compensation and benefits**	
13.1	Compensation paid and benefits in kind	6.3, 6.4
13.2	Provisions for pension and retirement obligations	4.1
Section 14	**Board practices**	
14.1	Expiration date of the current terms of office	6.1, 6.2
14.2	Statement on services agreements relating to the members of the administrative, management and supervisory bodies	6.1
14.3	Information on the Audit Committee and the Governance Committee	6.1
14.4	Statement of compliance with a corporate governance regime	6.1
14.5	Potential material changes on the corporate governance	6.1
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18.1.3	*Accounting standards*	*4.1, 4.2*
18.1.4	*Change of accounting framework*	*4.1*
18.1.5	*Financial statements*	*4.2*
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18.3	Auditing of historical annual financial information	
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18.3.2	*Other information audited by the auditors*	*5.9, 6.6*
18.3.3	*Financial information not extracted from audited financial statements of the issuer*	*3.2 to 3.4, 3.6*
18.4	Pro forma financial information	
18.4.1	*Pro forma financial information*	*N/A*
18.5	Dividend policy	
18.5.1	*Description of the issuer's policy on dividend*	*7.5*
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19.1.4	*Convertible securities, exchangeable securities or securities with warrants*	*N/A*
19.1.5	*Acquisition rights and/or obligations over authorized but unissued capital or an undertaking to increase the capital*	*N/A*
19.1.6	*Options on the capital of Group members*	*4.1*
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CROSS-REFERENCE TABLE FOR THE MANAGEMENT REPORT OF THE COMPANY AND DANONE GROUP

The cross-reference table hereinafter enables to identify the main information of the Management Report of the Company and Danone Group required by the French Commercial Code.

Information required	Reference text	Sections
Situation and activity		
Analysis of changes in business, results and the financial situation during the last fiscal year	L.225-100-1, I 1° of the French Commercial Code	3.1 to 3.4, 4.1, 4.2
Key financial and non-financial performance indicators	L.225-100-1, I 2° of the French Commercial Code	Section "Key financial figures"
Main risks and uncertainties	L.225-100-1, I 3° of the French Commercial Code	2.6
Company's objectives, hedging policy and exposure to price, credit, liquidity and cash flows risks	L.225-100-1, I 4° of the French Commercial Code	4.1, 4.2
Financial risks resulting from the effects of the climate change and measures undertaken by the Company	L.22-10-35, 1° of the French Commercial Code	2.6, 5.3
Internal control and risk management procedures	L.22-10-35, 2° of the French Commercial Code	2.6, 2.7
Research and development activities	L.232-1, II and L.233-26 of the French Commercial Code	3.1, 2.4
Major events occurred since the close of the fiscal year	L.232-1, II and L.233-26 of the French Commercial Code	3.5, 4.1
Company and Group foreseeable trends and outlook	L.232-1, II and L.233-26 of the French Commercial Code	3.5
Existing branches	L.232-1, II of the French Commercial Code	1.1
Acquisition of significant equity interests or control in companies headquartered in France	L.233-6 par. 1 of the French Commercial Code	N/A
Activities of the Company's subsidiaries	L.233-6 par. 2 of the French Commercial Code	2.1, 2.3, 3.1, 3.2
Table on the Company's financial results over the last five years	R.225-102 of the French Commercial Code	4.2
Information relating to suppliers and clients' terms of payment	L.441-14 and D.441-4 of the French Commercial Code	4.3
Corporate governance		
Board of Directors' Report on corporate governance	L.225-37 of the French Commercial Code	6.1 to 6.5, 7
Compensation policy for corporate officers	L.22-10-8 of the French Commercial Code	6.3
Compensation policy for directors	L.22-10-8 of the French Commercial Code	6.3
Report on compensation of corporate officers during the last fiscal year	L.22-10-9 of the French Commercial Code	6.3
Positions and responsibilities of the corporate officers	L.225-37-4 1° of the French Commercial Code	6.2
Agreements entered into between significant shareholders or corporate officers and controlled companies	L.225-37-4 2° of the French Commercial Code	N/A
Mode of exercise of the executive management and limits on the powers of the Chief Executive Officer	L.225-37-4 4° and L.22-10-10, 3° of the French Commercial Code	6.1
Composition and work of the Board of Directors	L.22-10-10, 1° of the French Commercial Code	6.1
Diversity policy applied to the members of the Board	L.22-10-10, 2° of the French Commercial Code	6.1
Application of the AFEP-MEDEF Corporate Governance code for listed companies	L.22-10-10, 4° of the French Commercial Code	6.1
Description of the procedure relating to agreements entered into in the ordinary course of business and at arm's length	L.22-10-10, 6° of the French Commercial Code	6.1
Attribution and retention of options by corporate officers	L.225-185 and L.22-10-57 of the French Commercial Code	6.3, 6.4
Attribution and retention of free shares by corporate officers	L.225-197-1 II and L.22-10-59 of the French Commercial Code	6.3, 6.4
Summary of the Company's shares trading by corporate officers and related persons	223-26 of the general regulations of the French Financial Markets Authority and L.621-18-2 of the French Monetary and Financial Code	6.5
Share ownership and capital		
Information that may have an impact in the event of a takeover bid	L.22-10-11 of the French Commercial Code	7.10
Employees shareholding as of the end of the fiscal year	L.225-102 of the French Commercial Code	7.8
Acquisition and disposal by the Company of treasury shares	L.225-211 of the French Commercial Code	7.2
Delegations of authority relating to a share capital increase currently in force	L.225-37-4 3° of the French Commercial Code	7.3
Participation in Shareholders' Meeting	L.22-10-10, 5° of the French Commercial Code	7.6
Extra-financial performance		
Consolidated declaration of extra-financial performance	L.225-102-1, L.22-10-36 and R.225-105 of the French Commercial Code	5.1 to 5.5, 2.1 to 2.4 (business model)
Vigilance plan	L.225-102-4 of the French Commercial Code	5.1 to 5.5, 5.7

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FINANCIAL COMMUNICATION CALENDAR 2021

February 19, 2021
2020 Full-Year Results

Avril 20, 2021
2021 First-Quarter Sales

Avril 29, 2021
2021 Shareholders' Meeting

July 29, 2021
2021 First-Half Results

October 19, 2021
2021 Third-Quarter Sales

ABOUT DANONE (WWW.DANONE.COM)

Danone is a leading multi-local food and beverage company building on health-focused and fast-growing categories in three businesses: Essential Dairy & Plant-Based products, Waters and Specialized Nutrition. With its "One Planet. One Health" frame of action, which considers the health of people and the planet as intimately interconnected, Danone aims to inspire healthier and more sustainable eating and drinking practices. To accelerate this food revolution and create superior, sustainable, profitable value for all its stakeholders, Danone has defined nine 2030 Goals, and paved the way as the first listed company to adopt the Entreprise à Mission status in France. With a purpose to bring health through food to as many people as possible, and corresponding social, societal and environmental objectives set out in its articles of association, Danone commits to operating in an efficient, responsible and inclusive manner, in line with the Sustainable Development Goals (SDGs) of the United Nations. By 2025, Danone aims to become one of the first multinational companies to obtain B Corp™ certification. With more than 100,000 employees, and products sold in over 120 markets, Danone generated €23.6 billion in sales in 2020. Danone's portfolio includes leading international brands (*Actimel*, *Activia*, *Alpro*, *Aptamil*, *Danette*, *Danio*, *Danonino*, *evian*, *Nutricia*, *Nutrilon*, *Volvic*, among others) as well as strong local and regional brands (including *AQUA*, *Blédina*, *Bonafont*, *Cow & Gate*, *Horizon Organic*, *Mizone*, *Oikos*, *Prostokvashino*, *Silk*, *Vega*). Listed on Euronext Paris and present on the OTCQX market via an ADR (American Depositary Receipt) program, Danone is a component stock of leading sustainability indexes including the ones managed by Vigeo Eiris and Sustainalytics, as well as the Ethibel Sustainability Index, the MSCI ESG Indexes, the FTSE4Good Index Series, Bloomberg Gender Equality Index, and the Access to Nutrition Index.

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