Danone

UNIVERSAL REGISTRATION DOCUMENT
ANNUAL FINANCIAL REPORT **2021**

DANONE

A FRENCH CORPORATION (SOCIÉTÉ ANONYME) WITH SHARE CAPITAL OF €171,920,622.25

REGISTERED OFFICE: 17, BOULEVARD HAUSSMANN, 75009 PARIS

PARIS TRADE AND CORPORATE REGISTER NUMBER: 552 032 534

2021

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 16, 2022, 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.

This document is a reproduction of the official version of the Universal Registration Document including the 2021 Annual Financial Report which has been prepared in XHTML format and is available on the Company's website.

"With strong sales growth and volumes increase on Q4, we ended the year on a strong note. This led to FY growth of +3.4% on a like-for-like basis, underpinned by a sound mix component. All categories contributed to this solid performance.

We delivered on our commitment to return to profitable growth in H2, with recurring operating margin at 13.7% in 2021. This was enabled by a strong focus on execution and a step-up in productivity, a pro-active approach to pricing and the disciplined implementation of Local First.

I am grateful to all Danone employees who have brought in these results in unprecedented and challenging circumstances. Their passion and commitment are, together with the strength of our brands and the relevance of our purpose, at the heart of our resilience.

We have, over the last months, moved forward with determination on our transformation agenda, deploying Local First pragmatically and strengthening key capabilities, with the addition of globally recognized professionals in HR, Operations and R&I to Danone's leadership team."

Antoine de SAINT-AFFRIQUE, Chief Executive Officer

€24.3 bn	13.7%	€3.31	€2.5 bn
+3.4% (a)	-30 bps (b)	-1.1% (b)	
SALES	RECURRING OPERATING MARGIN	RECURRING EPS	FREE CASH FLOW

3.0x	€1.94	AAA(c)	62%
NET DEBT / EBITDA	DIVIDEND PER SHARE	FOR THE 3rd YEAR IN A ROW, ONE OF THE ONLY 14 COMPANIES WORLDWIDE OUT OF THE NEARLY 12,000 COMPANIES SCORED	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	
Sales 2021	€13.1 bn	+3.7% (a)	€7.2 bn	+1.0% (a)	€4.0 bn	+7.2% (a)
Recurring Operating Margin 2021	9.8%	-33 bps (b)	23.5%	-105 bps (b)	8.9%	+194 bps (b)

KEY FINANCIAL FIGURES

In millions of euros except if stated otherwise	2020	2021	Reported Change	Like-for-like
Sales	**23,620**	**24,281**	**+2.8%**	**+3.4%**
Recurring operating income (d)	**3,317**	**3,337**	**+0.6%**	**+2.8%**
Recurring operating margin (d)	***14.0%***	***13.7%***	***-30 bps***	***-9 bps***
Non-recurring operating income and expenses	(519)	(1,080)	(560)	
Operating income	2,798	2,257	(19.3)%	
Operating margin	*11.8%*	*9.3%*	*-255 bps*	
Recurring net income – Group share (d)	**2,189**	**2,165**	**(1.1)%**	
Non-recurring net income – Group share	(233)	(241)	(7)	
Net income – Group share	1,956	1,924	(1.6)%	
Recurring EPS (d) *(in €)*	**3.34**	**3.31**	**(1.1)%**	
EPS *(in €)*	2.99	2.94	(1.7)%	
Free cash flow (d)	**2,052**	**2,489**	**+21.3%**	
Cash flow from operating activities	2,967	3,474	+17.1%	

(d) Financial indicator not defined in IFRS, see definition in section 3.5 *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 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	Alexandre CHRÉTIEN and Gilles COHEN	Marjory GODEC and 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 2021* and from Danone's consolidated financial statements for fiscal year 2021 prepared in accordance with IFRS, which, together with the Notes to the consolidated financial statements for fiscal year 2021 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 2021 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.
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 net 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.

		2019		2020
Incorporation by reference	**Registration Document**	**Pages**	**Registration Document**	**Pages**
Consolidated financial statements and the Statutory auditors' report for the fiscal year ended December 31		54 to 117		60 to 118
Annual financial statements and the Statutory auditors' report for the fiscal year ended December 31	filed with the AMF on March 19, 2020 (filing number D.20-0139)	118 to 136	filed with the AMF on March 18, 2021 (filing number D.21-0151)	119 to 139
Selected financial information, the Group's management report and all non-financial information for the fiscal year ended December 31		3 and 36 to 49		3 and 40 to 55

1.3 PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT

PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT

Antoine de SAINT-AFFRIQUE

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 16, 2022

"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,

Antoine de SAINT-AFFRIQUE

2

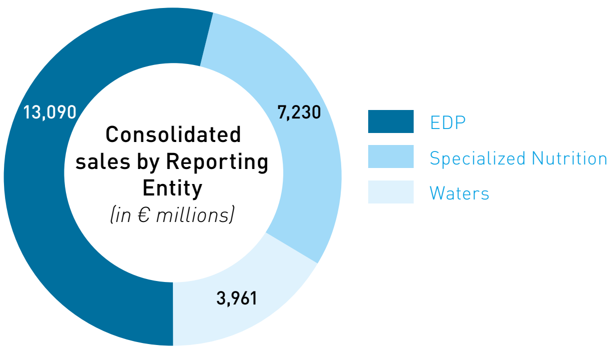
OVERVIEW OF ACTIVITIES, RISK FACTORS AND OUTLOOK

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 2021);
- Specialized Nutrition (30% of the Company's sales in 2021) which combines the early life nutrition and adult nutrition activities;
- Waters (16% of the Company's sales in 2021).



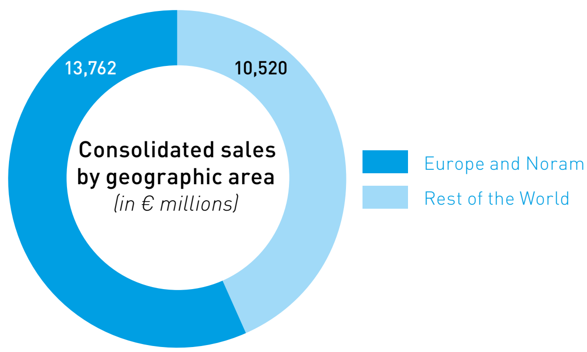
In terms of value, Danone holds the following leadership positions (in the relevant categories and markets):

- No. 1 worldwide for fresh dairy products;
- No. 1 worldwide for plant-based foods and beverages;
- No. 2 worldwide for packaged waters;
- 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 2021, 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 2021:
  - in Latin America, the main contributors are Mexico, Brazil and Argentina 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 Turkey and Morocco, 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)	**2020**	**2021**
United States	21%	20%
China	9%	10%
France	9%	8%
Russia	6%	6%
Indonesia	6%	6%
United Kingdom	5%	6%
Mexico	4%	4%
Spain	4%	4%
Germany	3%	3%
Canada	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 2021, Danone's top 10 customers worldwide (four of which are French) accounted for approximately 20% of its consolidated sales; the top five customers represented approximately 14% of its consolidated sales.

2.2 STRATEGIC PRIORITIES AND OUTLOOK

NEW STRATEGIC PLAN "RENEW DANONE"

New CEO Antoine de Saint-Affrique, together with a strengthened leadership team, presented on March 8, 2022, Danone's new strategic plan "Renew Danone" today at a capital market event.

The plan will enable Danone to reconnect with a sustainable profitable growth model. The delivery of the plan will be facilitated by a greater alignment between purpose and performance.

Over the past six months, Antoine de Saint-Affrique has completed a holistic review of Danone with the objective to restore growth and drive value creation. The review confirmed that Danone operates in healthy, on-trend and growing categories. The Company benefits from a strong portfolio of brands – both global and local, leading positions and a balanced geographical exposure to Developed and Emerging markets. The review also confirmed the value of Danone's commitment to performance and social and environmental responsibility, and its pioneering roots to provide people access to health through food.

However, the review also recognised Danone's historic underperformance compared to its markets, which can be attributed to a lack of focus on its core portfolio, late and sub-scale innovation efforts, inconsistent execution and low investments.

In this context, and under the oversight of Danone's Board of Directors, Antoine de Saint-Affrique and the Executive Committee have built a plan that aims at restoring Danone's performance, competitiveness and value creation for the long-term.

The plan is articulated around four strategic pillars:

- restoration of Danone's competitiveness in core categories and geographies;
- selective expansion of Danone's presence, in terms of segments, channels and geographies;
- active seeding of future growth avenues;
- active portfolio rotation.

The plan will allow Danone to reconnect with a sustainable profitable growth model. It will be based upon an end-to-end step up in the quality of execution, a strengthened innovation model geared for scale and impact, and increased investments in consumer value, as well as brands and commercial development.

Delivery of the plan will be facilitated by a greater alignment between purpose and performance, consistently putting consumer and customer at the heart of everything Danone does. The Company will restore passion for execution, a stronger discipline on capital allocation, and a greater sense of urgency in seizing opportunities and tackling issues.

OUTLOOK

Material change in financial position

There has been no significant change in the financial position of the Company and its subsidiaries as a whole since December 31, 2021.

New targets for the 2022-2024 period

All references to like-for-like sales growth, recurring operating income, recurring operating margin, ROIC and net debt/EBITDA ratio correspond to financial indicators not defined in IFRS. Their definitions are listed in section 3.5 Financial indicators not defined in IFRS.

Based on the elements described above, Danone announced a new set of targets for the 2022-2024 period:

- 2022 will be a foundational year with price-led like-for-like sales growth between +3 and +5% and a recurring operating margin above 12%, assuming the reinvestment of 100% of Local First savings, a productivity higher than last year and a low to mid-teens level of input cost inflation (based on current macro-economic assumptions);
- 2023-2024 ambition, profitable growth: like-for-like sales growth between +3 and +5% with recurring operating income growing faster than like-for-like net sales;
- sustainable value creation and shareholder returns: sequential ROIC improvement over the period supported by capital allocation discipline, portfolio rotation reaching around 10% of net sales, an annual capital expenditure envelope equivalent to a maximum of 4.5% of net sales, and further improvement in working capital;
- disciplined financial policy: healthy balance sheet with targeted net debt to EBITDA ratio below 3x, and stable or growing yearly dividend.

Focus on Danone in Russia and Ukraine

Russia is the fourth largest country of Danone in terms of contribution to the sales in 2021 (around 6%), of which almost 90% of its revenues from EDP. It employs around 7,200 employees and runs 13 production sites, 12 for EDP and 1 for Specialized Nutrition. The cumulated value of intangible and tangible assets held by the Danone's subsidiaries in Russia accounted for less than 3% of total consolidated intangible and tangible assets as of December 31, 2021.

Regarding Ukraine, the contribution of this country to the sales in 2021 is not significant (below 1%). In this country, Danone employs around 1,100 employees and runs 2 production sites for EDP. The cumulated value of intangible and tangible assets held by Danone's subsidiaries in Ukraine is also not significant.

FINANCIAL DISCLOSURE FROM 2022

Starting from 2022, Danone will report its key indicators (net sales, like-for-like sales growth, recurring operating income and recurring operating margin) according to its new operating segments in order to reflect Local First, the progressive reshaping of the organization announced in November 2020 into a geographic structure.

As a result, the new leadership team in place since January 6th 2022 will assess the operational performance of Danone by geographical zones and the new primary operating segments will correspond to 4 zones:

- Europe;
- North America which is comprised of the United States and Canada;
- China, North Asia and Oceania which is comprised of China, Japan, Australia and New Zealand;
- Rest of the World including South-East Asia, Latam, CIS, Africa, Turkey, Middle-East.

The Company will retain global category reporting, on both net sales and recurring operating income and margin, for EDP, Specialized Nutrition and Waters. It will also adapt the way it reports organic sales growth: from now on, the Mix component will be grouped with Volumes, instead of Price.

2.3 DESCRIPTION AND STRATEGY OF THE REPORTING ENTITIES

In 2021, 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:

- dairy-based 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 include coffee creamers (fresh or Ultra-High Temperature processed - UHT), products sold under the *International Delight* and *Dunkin' Donuts* (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 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. 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 cheese. These products are mostly sold in North 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**, foster new growth spaces by 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 new generations** 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);
- **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*);
- **complementary food for babies** includes strong local brands such as *Blédina* and *Olvarit* in Europe and *Happy Family Organics* in North America;

- **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.

Most of 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 water-based drinks– 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, *Font Vella* and *Lanjarón* in Spain and *Zywiec Zdroj* in Poland.

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 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 scientific platform: in 2021, 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 set 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 (currently 79% B Corp™). In 2020, it was announced that *evian* and *Volvic* were the first at Danone to be globally certified carbon neutral and that Germany and Switzerland became the first countries to move to 100% recycled PET across their full ranges. In 2021, every country where Danone's water brands are distributed has product ranges with 100% recycled materials. Besides, the Reporting Entity is continuing developing more large formats and exploring 'beyond plastic' options;
- **invest in protecting and restoring water sources**, and reducing water usage, 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 74 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.

2.4 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 independent market outlets;
- distribution to e-commerce, on-the-go and convenience stores;
- specialized distribution channels (hospitals, clinics and pharmacies)

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, health improvement 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 independent 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 growing and specific business model. There are three main 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, sales are developed where Danone identifies strong distribution gain potential such as Discounters or On-the go and Convenience stores, with an adapted offering (including single serves) to meet increasing consumer desire for immediacy.

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, Chobani) 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 (for instance: Mayora in Indonesia, Kang Shi Fu and Nongfu 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. Within the One Planet. One Health frame of action, 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 2021, Danone Nutricia Research was B Corp™ certified, which is an important step in Danone's ambition to obtain worldwide certification by 2025.

In addition, the Research and Innovation teams persued their work on 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.

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, 2021, Danone had 181 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

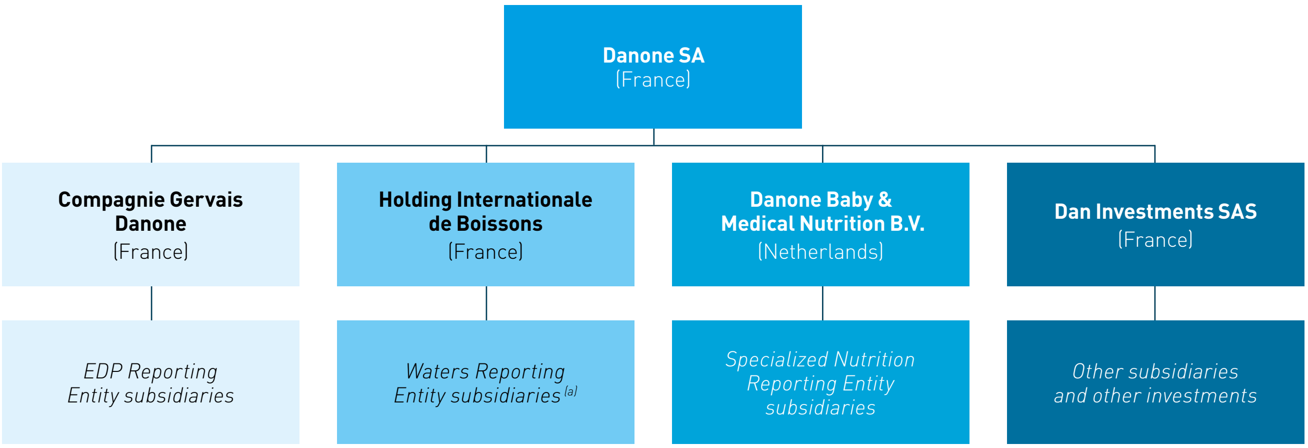
Danone carries out its activities in a complex, fast-changing and increasingly stringent regulatory environment.

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, 2021

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 1,008 employees in 2021.

SUBSIDIARIES

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

MAIN LISTED COMPANIES

As of December 31, 2021

	Reporting Entity	Listing market
Centrale Danone [a]	EDP	Casablanca (Morocco)
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.

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
	strong	Raw materials price volatility & availability
	medium	Legal & Regulatory
	medium	Impact of climate change on value chain
	medium	Currency volatility
Operational risks	medium	Cybersecurity
	medium	Food safety & product quality issues
	medium	Shortage of talent
	medium	Business transformation

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 2021, 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.	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.
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 mostly 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). 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.	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 (i) 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; (ii) over the past years, as Danone has been increasing its share of business into Domestic labels, thus reinforcing the resilience of its model. In 2021, domestic channels (which include Mums and baby stores, domestic eCommerce platforms and modern trade channels) accounted for more than 50% of revenues in the Infant Nutrition category.
With respect to Russia, this is the fourth largest country in terms of contribution to the Company's sales (around 6%) but represents much less in terms of contribution to its profits. Danone's business in Russia is mainly concentrated on dairy products and milk. A vast majority of the products sold by Danone in Russia are produced and sourced locally. The current geopolitical situation involving Russia could result in an economic slowdown, more stringent regulations and/or have other negative consequences in Russia, that 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 Russia and globally. For more information on Danone's exposure in Russia, see section 2.2 *Strategic priorities and outlook*.	

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 2021, 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 single-use 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 84% in 2021) and to increase recycled content to more than 50% for all packaging (vs 34% in 2021), specifically for plastics (around 10% in 2021). 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 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. Plant-based revenues (excluding Vega) amounted to €2.3 billion in 2021, representing 9.5% of the Company 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.

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 through responsible sourcing & human rights.*

DESCRIPTION	MANAGEMENT MEASURES

medium **Retail shift**

Several structural forces are coming together to shape today's rapidly changing retail environment, forces overall accelerated in the pandemic:

- consumer demand for immediacy, incl. e-commerce, proximity formats, short-delivery services;
- consumer demand for healthier eating, and more sustainable products;
- consumer demand for meaningful benefits & trusted brands.

As a result, retail continues to undergo significant changes, with an acceleration of alternative formats vs. Modern Trade's largest formats (*i.e.* hypermarkets). Fastest growing channels in 2021 were: E-commerce, Proximity formats (modern convenience & independent proximity), Discounters, as well as away-from home channels due to re-openings given the pandemic evolution.

The Covid-19 pandemic's duration and impacts on shopper mobility, remains a risk for away-from-home channels as 2021 has seen a significant catch-up, but not fully coming back to 2019 levels.

With the pandemic, Danone's customers (retailers) have also requestioned their operating model, with implications for their partners: SKU[a] portfolio reviews incl. private labels, challenges on customers service levels in a context of disrupted supply chains, pressure on prices and promotions given sensitivity of shoppers on their purchasing power, high material & logistics costs inflation, and finally rethinking their omnichannel strategies for seamless experience for the shoppers.

In this context, Danone needs to adapt its sales, digital and supply chain strategy and ensure optimal execution. Otherwise, this could lead to loss of competitiveness & market shares, leading to slower growth, and/or pressure on operating margin, therefore, negatively impacting the financial situation of Danone.

(a) SKU: Stock Keeping Unit.

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

- implementing in-store and online execution excellence programs – integrating the specificities of each channel & category, focusing on levers with highest impact;
- optimizing the product portfolio strategy – with the right assortments by channel to meet shoppers' expectations. The aim being to maximize the full potential of Danone core portfolio while betting on fewer, bigger innovations;
- embedding One Planet. One Health in brands' purpose as well as a guide for portfolio / activation strategies and a distinctive way to partner with retailers;
- developing capabilities in all channels with acceleration on growing ones (E-commerce, Discounters, …);
- taking several supply chain initiatives closely with large retailers to optimize the flow of goods and inventory levels of its customers with the Efficient Consumer Response (ECR) approach. For example, Danone 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.

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 39% of Danone's total assets as of December 31, 2021. 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 that started in 2020 has had a strong impact on Danone's business especially during the first lockdowns early 2020. The pandemic evolution remains uncertain, with progression of variants, heterogeneous vaccination campaigns across countries.

In 2021, Danone benefitted from re-openings of out-of-home channels. Going forward, the pandemic may still impact Danone, with potential new stop & go's in consumer mobility, and out-of-home channels. Restrictions can and do change daily with immediate effect.

In addition, the pandemic has an impact on birth rates, impacting the Infant Milk Formula category.

In this uncertain environment, both clients and consumers are permanently adapting behaviors. 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.

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;
- raw material price volatility & availability;
- cybersecurity.

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 health programs and regular surveys leading to agile decision-making, for example on remote working conditions.

DESCRIPTION	MANAGEMENT MEASURES

strong **Raw materials price volatility & availability**

Description

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 slightly below 50% of packaging costs.

Danone's raw materials can be broadly divided in two categories: milk & milk ingredients (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;
- disruption in supplier ecosystem especially in packaging and logistics;

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.

Management measures

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 various actions such as:

- reinforcement of real time visibility and business contingency plans;
- simplification and review of specifications of raw materials (ingredients, packaging) in design-to-cost and design-to-value approaches;
- adaptation of commercial negotiations processes (e.g. e-tendering);
- hedging strategies and other measures to manage cost volatility, as described in section 2.4 *Other elements related to Danone's activity and organization*.

DESCRIPTION	MANAGEMENT MEASURES

medium **Legal and Regulatory**

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. Since 2018, overseas factory audit has been required prior to the registration of infant formula, which extends the duration of the registration process for new products and innovations. In February 2021, China announced new National Food Safety Standards of Infant formula (stage 1, 2 and 3), which require that all the infant milk formula products sold in China should go through re-registration process and obtain new registration certificates before February 2023;
- 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), (ii) expose Danone to incur additional constraints, costs or investments, and/or (iii) possibly result in litigations. This could lead to significant adverse effects on the sales, margin, and financial position of Danone.

Danone is involved and could be involved in litigations associated with its normal course of business, including (and not limited to) with respect to advertising and marketing practices, products, and labels, antitrust and tax, which could adversely affect Danone's financial situation, profitability, and reputation. Danone's exposure to these actual or potential material litigations is presented in Note 15.4 of the Notes to the consolidated financial statements.

Management measures:

Danone has developed a General Secretary organization, including legal, regulatory affairs and compliance, at the local and central levels. The Company and its subsidiaries, assisted by their General Counsel departments and/or external legal advisors, take steps to ensure that they comply with applicable laws and regulations, request administrative authorizations, when necessary, identify any new applicable regulations and monitor claims, litigations, and legal proceedings.

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 **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 (Legal & Regulatory 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 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 pathways for the Forest, Land and Agriculture sectors.

As part of its Climate Policy, Danone pledged in 2015 to achieve Net Zero emissions 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 2019, Danone underlined its pledge by signing the Business Ambition for 1.5°C Pledge at the UN Climate Summit.

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 as well as action plans, 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, 2021, the main currencies exposed to transactional currency risk were the British pound, the Chinese yuan, the Australian dollar, the Mexican peso and the Hong Kong dollar.

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 the Covid-19 crisis 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. Danone is accelerating its efforts in cyber risk mitigation and investing significantly through a multi-year transformation program aiming at: • building an appropriate cybersecurity organization and governance, namely through the creation in 2020 of a Cyber Board, which reports to the Chief Information Security Officer; • increasing user awareness and developing a global cybersecurity culture; • ringfencing industrial sites to protect the Company against industrial site attacks; • focusing on mitigating supply chain cybersecurity risks; • managing IT infrastructure and "shadow" IT through hosting of major infrastructures or Cloud services by global specialists; • streamlining & standardizing digital applications; • providing safe workplace solutions for 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 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; • 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 quality and food safety* of section 5.2 *Offering safe, healthy products*.
medium **Shortage of talent**	
In 2021, Danone employed almost 100,000 employees in over 55 countries with an overall turnover of 15% (for managers and above). 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), and in the context of Danone's engagement in a strong transformation journey. If the Company is unable to retain or attract talents, it could affect its competitiveness, ability to transform and therefore 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. In the specific context of Local First new organization, Danone has put in place close monitoring of turnover and departures, as well as change management programs to support talents. By moving from a global category-led organization to a local geography-led organization, Danone is able to offer even more competitive jobs, highly attractive internally and in the external market. For more information on inclusive talent development, employee compensation, talent retention and generation, see section 5.4 *Building the future with Danone employees*.

DESCRIPTION	MANAGEMENT MEASURES
medium Business Transformations	
Danone has engaged in an ambitious transformation journey, including a new organization (Local First announced end of 2020), transformation of its operations notably through end-to-end integrated approaches, and a digital & data agenda. The objective of this transformation is to position Danone in line with new market and operating trends prompted by consumer preferences and competitive dynamics and, for some of them, accelerated by the Covid-19 pandemic (e.g. agile end-to-end supply-chain management). As a consequence, Danone expects improvement of its business execution excellence, greater resilience vs external & internal factors, and further agility in creation of new business opportunities. This journey could come with some adverse effects, on Danone's results and financial situation, for example: • if the transformation creates severe business disruptions, social tensions, or insufficient focus from Danone's management and staff on operational & delivery priorities; • if the Company does not succeed in delivering these transformations efficiently and at the right pace, or not achieving the expected benefits.	Danone has strengthened in 2021 its global transformation program governance to ensure the implementation with the right prioritization, the strict focus on strategy enablement, and relevant pace of change, as well as transformation processes and means. For example, starting from the announcement of the different initiatives and specifically in 2021: • Danone has set-up a specific transformation office and governance to steer the Local First plan definition and implementation, and making sure, notably to have the right social dialogue, and relevant programs for change management; • Danone has closely monitored the transformation pipeline especially regarding IT & Data, and projects have been reviewed, streamlined, and paced.

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, as well as the initiatives 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.

ORGANIZATION OF THE FINANCE FUNCTION

In 2021, 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); Danone has besides decided to reorganize its Cluster Business Services and their functions into transversal processes to create Integrated Business Services, notably in order to best serve its new end-to-end organization announced end of 2020. This organization in Integrated Business Services has been launched end of 2021, et will be fully effective in 2022 ;
- 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).

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. In 2021, as in 2020, 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 *Organization of the Finance function* above), 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 of subsidiaries 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 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 (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 heightened compliance requirements, these audits periodically check conformity of subsidiaries' assessment compared with the central assessments, for communication to line management of the Reporting Entities and key Company functions. In 2021, the Internal Audit Department conducted 41 internal audits at subsidiaries or cross-company functions, based on the plan previously approved by the Audit Committee. Thanks to the progress in a new tool that extracts, analyzes and formats data from Danone's integrated management system, the Internal Audit teams conducted 30 audits remotely during the Covid-19 pandemic. Besides, the Internal Audit Department has seen its external certification issued by the independent IFACI (Institut Français de l'Audit et du Contrôle internes) renewed end of 2021.

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 2021, 22 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 employees. In addition to DANgo, all the methodology documents related to internal control (instructions, test scripts, methodology guides) are available on an intranet site for Danone's internal controllers. Besides, the community of internal controllers share internal control information and best practices on Danone's social network.

Coordination of the community of local internal controllers
The Internal Control Department oversees, trains and coordinates the network of internal controllers overall but also by region and by operational process 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 2021, use of data analytics.

FINANCIAL AND ACCOUNTING INFORMATION

Production of financial and accounting information

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.

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 of the specific transactions during the period, the main accounting options concerning the closing and the potential significant changes introduced by developments of the IFRS framework (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.

2

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 86% of Danone consolidated sales. The roll-out of Themis will continue in 2022 in the United States, particularly in Happy Family and Follow Your Heart entities.

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 2021.

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 €20 million in 2021.

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 €5 million in 2021.

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 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 3.5 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;*
- *carbon-adjusted 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 2021

HIGHLIGHTS OF 2021 (HIGHLIGHTS WERE DETAILED IN THE MAIN PRESS RELEASES ISSUED BY DANONE DURING 2021)

- on February 19, 2021, Danone announced it acquired 100% of the shares of Earth Island, maker of *Follow Your Heart* brands and a U.S. pioneer in plant-based foods. The transaction was closed on April 14, 2021;
- on February 28, 2021, Danone announced that it had reached an agreement with COFCO Dairy Investments Limited to convert Danone's stake of approximately 9.8% in China Mengniu Dairy Company Limited, previously held indirectly, into a direct holding. On May 13, 2021, Danone announced that it had finalized the strategic sale of its stake. The transaction resulted in total gross proceeds of HKD 15.4 billion, representing c. €1.6 billion, for a book value of €850 million (as of December 31, 2020). The settlement of the transaction took place on May 17, 2021;
- on April 29, 2021, Danone announced that at its 2021 Annual General Meeting, Shareholders approved all resolutions submitted to a vote, including the proposed dividend of €1.94 per share in cash;
- on May 25, 2021, Danone issued a €1 billion bond with a 4.5-year maturity and a 0% coupon. In line with the company's active liquidity management, this issue 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 17, 2021, Danone signed an agreement to sell Vega, the Canada and U.S. plant-based nutritional products business, to funds managed by WM Partners, a US-based private equity investment firm focused on the health and wellness industry. The sale of Vega is part of Danone's continuous capital allocation optimization and of the strategic review of Danone's portfolio of brands, SKUs and assets announced in October 2020. The deal was closed on July 28;
- on June 30, 2021, Danone Manifesto Ventures announced that it acquired an additional majority stake in Harmless Harvest, becoming its majority shareholder. Harmless Harvest is a leader in organic coconut-based products including coconut water and dairy-free coconut yogurt alternatives;
- on September 7, 2021, as part of the active management of its hybrid debt portfolio and taking advantage of favorable market conditions, Danone launched the partial refinancing of its €1.25 billion hybrid bond. On September 7, 2021, Danone successfully priced an issue of €500 million undated deeply subordinated notes, offering a fixed resettable coupon of 1%, with a first call date on 16 December 2026. On September 15, 2021, Danone announced the success of the tender offer on part of its €1.25 billion hybrid bond (bearing a 1.750% p.a. coupon and with a first call date on 23 March 2023), for a total amount of €500 million. The new €500 million notes were issued and the tender offer on existing bonds was settled on 16 September 2021;
- on November 2, 2021, Danone successfully issued a €700 million bond with a 9-year maturity and a 0.52% coupon. The settlement took place on November 9, 2021 and the bonds are listed on Euronext Paris;
- on November 16, 2021, Danone announced it has agreed to sell Aqua d'Or, its Water and Beverage business in Denmark, to Royal Unibrew, a Denmark-based brewing and beverage company. This sale was part of Danone's strategic portfolio review and the continuous optimization of its capital allocation.

In addition, changes in governance that occurred in 2021 are described in section 6.1 *Governance bodies*.

OTHER ACTIVITIES IN 2021

Acquisitions, disposal of shares in companies in fully consolidated companies

				Ownership as of December 31	
(in percentage)	**Reporting entity**	**Country**	**Transaction date [a]**	**2020**	**2021**
Main companies consolidated for the first time during 2021					
Harmless Harvest	Waters	United States	January	39.2%	51.0%
Follow Your Heart	EDP	United States	April	–	100%
Main consolidated companies with change in ownership percentage					
Vega	EDP	United States	July	100.0%	0.0%
Main companies no longer fully consolidated as of December 31					
–	–	–	–	–	–

(a) Month in the 2021 fiscal year.

Main changes in investments in associates

				Ownership as of December 31	
(in percentage)	**Reporting entity**	**Country**	**Transaction date [a]**	**2020**	**2021**
Main companies accounted for using the equity method for the first time during 2021					
–	–	–		–	–
Main associates with changes in ownership percentage					
–	–	–		–	–
Main companies no longer accounted for using the equity method as of December 31					
Harmless Harvest	Waters	United States	January	39.2%	51.0%
Mengniu	EDP	Japan	May	9.8%	0.0%

(a) Month in the 2021 fiscal year.

2021 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*.

Governance and financial statements

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

Research and Innovation

Essential Dairy and Plant-Based Products

The EDP Reporting Entity's Research and Innovation teams continued to innovate in 2021 by expanding the product ranges to include:

- fresh or room temperature fermented and unfermented products that are high in protein (15 to 25 grams) under such brands as *YoPRO*, *Danone* (Skyr range), *Oikos* and *Two Good*, to respond to consumers' new dietary habits and life styles;
- plant-based products, for example with the launch of new innovations (*Silk* and *Alpro* Greek Style, *Honest to Goodness* coffee creamer and *So Delicious Dairy Free* plant-based cheeses), expansion of the *Alpro ranges* (Barista and Absolutely) with new almond and coconut-based products, and the development of plant-based *Actimel* products in Europe;
- products with little or no added sugar under the *Oikos* (Greek yogurt), *Activia* and *Actimel* brands in Europe and Russia (new *Actimel* range naturally sweetened with honey, in particular);
- more environmentally friendly products by replacing polystyrene containers with PET (recyclable material), such as for *Activia* in the United Kingdom, or by launching *Two Good* brand products containing fruit from sustainable sources in the United States;
- products for children, such as *Horizon Organic Growing Years* yogurt pouches;
- products with health benefits, such as daily probiotic beverages under the *Activia* brand to support the immune system.

Danone also continued to conduct research on fermented products and health. In particular, the Research and Innovation teams conducted a study on digestive health among 6,000 people in three countries (United States, United Kingdom and Mexico) with the Rome Foundation, which revealed that 90% of participants, especially the youngest (18-25 years), report digestive symptoms on a daily basis, including some associated with symptoms of anxiety, depression and somatization.

Waters

In 2021, the Waters Reporting Entity's Research and Innovation team focused their efforts on:

- overhauling the beverage ranges under the *Mizone*, *Volvic*, *Bonafont*, *Fontvella*, *Zywiec Zdroj* and *Salus brands* to offer less sugary, more natural versions favored by consumers;
- the launch of sparkling waters and sparkling beverages with little or no sugar in China, Poland, the United Kingdom and the United States, and functional beverages enriched with minerals or vitamins in France and Argentina;
- further improvements in packaging to expand the use of large formats, 100% recycled PET bottles and/or plastic alternatives (cardboard for *Volvic*, aluminum for *Zywiec Zdroj*). For instance, Danone updated its bottles in Turkey to use up to 15% less plastic;
- innovation in terms of new formats, including the launch of *evian (re)new* in France and the United Kingdom, a reusable base with ultra-light 5 liter water cartridges for home use.

In addition, Danone continued its scientific research on hydration and the benefits of water consumption on health with the publication of results showing a link between the water source (well water, treated water, etc.) and intestinal flora diversity.

Specialized Nutrition

In 2021, 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 *Aptamil* range, baby milk tabs (a pre-measured format) in the United Kingdom and palm oil-free organic infant milk;
- in local brands, palm oil-free infant milk in the Netherlands, Germany, Poland, the United Kingdom and China;
- an *Infatrini* product for pediatric care in the United States under the *Nutricia* brand;
- products for healthy aging under the *FortiFit* brand in Indonesia, Argentina and Italy and the *Protinex* brand in Thailand.

In terms of research, Danone's teams undertook a number of actions and initiatives:

- partnership with a research consortium that combines expertise in psychology, consumer science, sustainable development and industrial design with the aim of accelerating the transition to nutrition based on environmentally friendly plant-based products (grant of approximately €1 million awarded in 2021 by the NWO, a Dutch research institute). The partners of this consortium include Utrecht University, Delft University of Technology, Wageningen University and Unilever;
- further innovative work in life sciences, leading to the publication of key articles in recognized scientific journals in the fields of breast milk research, marking 50 years of work in this area, as well as in intestinal immunology, biology and microbiology, physiological nutrition and infant growth;
- publication of a new study in another key area in the journal BMJ Gut showing that Cesarean birth can lead to impaired development of the infant intestinal microbiota, which can adversely affect immune system development;
- significant progress made in the areas of healthy aging, plant-based nutrition, packaging, sustainable development and, thanks to a pilot, new knowledge about spraying technology was acquired and implemented at a plant.

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)	2020	2021	Reported changes	Like-for-like changes [a]
Sales	**23,620**	**24,281**	**2.8%**	**3,4%**
Recurring operating income [a]	**3,317**	**3,337**	**0.6%**	**2.8%**
Recurring operating margin [a]	**14.0%**	**13.7%**	**-30 bps**	**-9 bps**
Non-recurring operating income and expenses	(519)	(1,080)	(560)	
Operating income	2,798	2,257	(19.3)%	
Operating margin	11.8%	9.3%	-255 bps	
Recurring net income – Group share [a]	**2,189**	**2,165**	**(1.1)%**	
Non-recurring net income – Group share	(233)	(241)	(7)	
Net income – Group share	1,956	1,924	(1.6)%	
Recurring EPS *(in €)* [a]	**3.34**	**3.31**	**(1.1)%**	
EPS *(in €)*	2.99	2.94	(1.7)%	
Free cash flow [a]	**2,052**	**2,489**	**21.3%**	
Cash flow from operating activities	2,967	3,474	17.1%	

(a) See definition in section 3.5 *Financial indicators not defined in IFRS*.

SALES

Consolidated sales

In 2021, consolidated sales stood at €24.3 bn, up +3.4% on a like-for-like basis, led by +4.0% in value and -0.6% in volume.

On a reported basis, sales increased by +2.8%, penalized by the negative impact of exchange rates (-2.0%) that resulted from the depreciation of currencies against the euro in Latin America, Indonesia, Turkey, Japan and Russia. On the other hand, reported sales benefited from the +0.7% organic contribution to growth of hyperinflation geographies, as well as a slightly positive scope effect (+0.4%), mainly resulting from the combined effects of the integration of Harmless Harvest and Follow Your Heart, as well as the disposal of Vega.

Sales by Reporting Entity

Year ended December 31

(in € millions except percentage)	2020	2021	Sales growth [a]	Volume growth [a]
EDP	12,823	13,090	3.7%	0.7%
Specialized Nutrition	7,192	7,230	1.0%	(3.5)%
Waters	3,605	3,961	7.2%	0.5%
Total	**23,620**	**24,281**	**3.4%**	**(0.6)%**

(a) Like-for-like.

EDP

Sales

In 2021, Essential Dairy & Plant-based posted sales growth of +3.7% in 2021 on a like-for-like basis, with volume up +0.7% and value up +3.0%

Main Markets

The dairy portfolio delivered solid growth while the plant-based portfolio registered high-single-digit growth amid supply challenges in the second semester. Europe & Noram posted solid sales growth in 2021, with positive volumes.

In Europe, sales were sustained by the plant-based, probiotics and protein platforms, with *Alpro*, *Actimel* and *Yopro* delivering very strong growth. In Noram, sales were driven by *Oikos* and *Two Good* in Greek yogurt, solid performance in *Activia*, and *International Delight* in Creamers. Plant-based registered solid growth, in a challenging supply and demand environment.

Platforms in the Rest of the World posted solid sales growth in 2021, led by price and mix. Latin America and Africa showed sales recovery, while in CIS, growth was slightly positive, led by pricing, in a challenging macroeconomic context.

Specialized Nutrition

Sales

Specialized Nutrition sales increased by +1.0% in 2021 on a like-for-like basis, with volume down -3.5% and value up +4.5%.

Main Markets

Infant Nutrition posted slightly positive growth in 2021, showing sequential sales recovery across quarters, and closing the year with very strong growth in the fourth quarter. In China, infant formula sales from cross-border channels continued to be penalized by the ongoing Hong Kong border closure and travel limitations with mainland China, while Domestic labels and International Labels sold through cross-border platforms maintained their growth and competitiveness momentum, with notably an outstanding performance for the *Aptamil* brand at 11:11, an online sales event in China.

In Europe, category dynamics and Danone's performance remained soft, while in the Rest of the World sales were solid. Adult Nutrition registered strong growth in 2021, led by China and the Rest of the World.

Waters

Sales

Waters sales increased by +7.2% in 2021 on a like-for-like basis, led by volumes up +0.5% and value +6.7%.

Main Markets

Europe posted mid-to-high-single digit sales growth, with sales above 2019 levels in the fourth quarter. Growth was led by France, the United Kingdom, Germany, Spain and Poland, where Danone brands have been gaining market shares.

In the Rest of the World, *Mizone* registered double-digit sales growth, with stable market shares. Latin America registered high-single-digit sales growth, led by plain water and HOD (Home and Office Delivery), in a context of sequential return to mobility. In Indonesia, sales were negatively impacted by on-going restrictions linked to Covid-19 during the major part of 2021, including the re-implementation of some local lockdowns over the second and the third quarter of the year.

Sales by geographical area

Year ended December 31

(in € millions except percentage)	**2020**	**2021**	**Sales growth [a]**	**Volume growth [a]**	**Share of sales delivered by the region in 2020**	**Share of sales delivered by the region in 2021**
Europe & Noram	13,408	13,762	2.9%	0.7%	57%	57%
Rest of the World	10,212	10,520	4.1%	(1.4)%	43%	43%
Total	**23,620**	**24,281**	**3.4%**	**(0.6)%**	**100%**	**100%**

(a) Like-for-like.

Europe & Noram

The Europe & Noram region posted sales of €13,762 million in 2021, up +2.9% vs 2020 on a like-for-like basis, including an increase in volume of +0.7%.

Rest of the World

The Rest of the World region posted sales of €10,520 million in 2021, up +4.1% vs 2020 on a like-for-like basis, including a decline in volume of -1.4%.

RECURRING OPERATING INCOME AND RECURRING OPERATING MARGIN

Consolidated recurring operating income and recurring operating margin

Danone's recurring operating income reached €3.3 bn in 2021. Recurring operating margin stood at 13.7%, down -30 bps on a reported basis and -9 bps on a like-for-like basis.

The recurring operating margin was penalized by a negative impact of around -480 bps from input cost inflation, partially offset by the positive impact of around +120 bps from topline acceleration, led by mix and price, and a step-up in productivities and other mitigation plans (around +280 bps). A&P investments (+22 bps impact) were in line with last year in absolute value, in a context where the company maintained a dynamic and selective resource allocation, while the positive impact of +31 bps from overheads on margin was mostly driven by the first wave of savings from Local First. Besides, the reversal of some incremental Covid-related costs incurred last year had a positive impact of +18 bps.

In addition to the like-for-like effects, reported margin also includes the impacts of changes in scope (-12 bps), Forex and others (-14 bps) and organic contribution from hyperinflation geographies (+5 bps).

Cost of goods sold totaled €12,760 million in 2021 (€12,267 million in 2020), or 52.6% of consolidated sales (51.9% in 2020). Input costs inflation, including cost of goods sold, accelerated throughout the year, reaching 8% in 2021, and 9% in the second semester.

Selling expense totaled €5,516 million in 2021 (€5,366 million in 2020), or 22.7% of consolidated sales, broadly in line with 2020.

General and administrative expense totaled €2,327 million in 2021, or 9.6% of consolidated sales (9.7% in 2020). Research and Development costs totaled €338 million in 2021, slightly below 2020 (€323 million) (see section 3.1 *Business highlights in 2021*). Other income and expense stood at -€3 million in 2021 (-€61 million in 2020).

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 change**
	2020	**2021**	**2020**	**2021**		
EDP	1,303	1,287	10.2%	9.8%	-33 bps	-37 bps
Specialized Nutrition	1,763	1,697	24.5%	23.5%	-105 bps	-25 bps
Waters	251	353	7.0%	8.9%	+194 bps	+189 bps
Total	**3,317**	**3,337**	**14.0%**	**13.7%**	**-30 bps**	**-9 bps**

EDP recurring operating margin decreased by -33 bps to 9.8%, in a challenging supply and cost environment.

Specialized Nutrition recurring operating margin decreased by -105 bps to 23.5%, with a first semester strongly penalized by negative country mix and lower volumes, and a second semester showing sequential improvement, notably led by strong product and geographic mix, as well as volume recovery in the fourth quarter.

Waters recurring operating margin was up +194 bps to 8.9% despite the strong inflationary environment, notably driven by volume recovery, improved product mix and record-high productivity.

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 change**
	2020	**2021**	**2020**	**2021**		
Europe & Noram	1,823	1,862	13.6%	13.5%	-7 bps	+21 bps
Rest of the World	1,494	1,475	14.6%	14.0%	-61 bps	-52 bps
Total	**3,317**	**3,337**	**14.0%**	**13.7%**	**-30 bps**	**-9 bps**

The recurring operating margin of the Europe & Noram region was 13.5% in 2021, down -7 bps vs 2020.

The recurring operating margin of the Rest of the World was 14.0% in 2021, down -61 bps vs 2020.

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)	**2020**	**2021**
Interest income on cash, cash equivalents and short-term investments	151	156
Interest expense on financial debt	(358)	(323)
Cost of net financial debt	**(207)**	**(167)**
Other financial income	53	31
Other financial expense	(156)	(126)
Other financial income or expense	**(103)**	**(95)**
Net financial income (expense)	**(310)**	**(261)**

Net financial costs were down by €49 million to -€261 million, resulting from the issuance of bond in June 2021 at 0% coupon and from the decrease in the cost of net debt driven by two bond reimbursements in 2020 issued at higher interest rates.

EFFECTIVE TAX RATE

Recurring income tax rate remained at 27.4%, in line with the prior year.

RECURRING NET INCOME – GROUP SHARE AND RECURRING EPS

Recurring net income reached €2,235 million in 2021 (€2,264 million in 2020).

Net income from associates

Recurring net income from associates decreased significantly from €85 million to €7 million in 2021, reflecting the disposal of Danone's stakes in Mengniu and Yakult.

Danone is also engaged in a disposal process of its 20% stake in the Fresh Dairy JV with Mengniu, which is thus classified as an asset held for sale under IFRS 5 as of December 31, 2021.

Net income from non-controlling interests

Recurring minority interests stood at €70 million, broadly in line with the prior year.

Recurring net income – Group share

Recurring net income – Group share was €2,165 million in 2021, down -1.1% vs last year.

Recurring EPS was €3.31 per share, down -1.1% vs last year. Reported EPS increased by -1.7% to €2.94 per share.

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

Year ended December 31

(in € millions except if stated otherwise)			2020			2021
	Recurring	Non-recurring	Total	Recurring	Non-recurring	Total
Recurring operating income	**3,317**		**3,317**	**3,337**		**3,337**
Other operating income and expense		(519)	(519)		(1,080)	(1,080)
Operating income	**3,317**	**(519)**	**2,798**	**3,337**	**(1,080)**	**2,257**
Cost of net debt	(207)		(207)	(167)		(167)
Other financial income and expense	(103)		(103)	(100)	5	(95)
Income before taxes	**3,007**	**(519)**	**2,488**	**3,070**	**(1,075)**	**1,995**
Income tax	(828)	66	(762)	(841)	252	(589)
Effective tax rate	27.5%		30.6%	27.4%		29.5%
Net income from fully consolidated companies	**2,179**	**(453)**	**1,726**	**2,229**	**(822)**	**1,406**
Net income from associates	85	219	304	7	578	585
Net income	**2,264**	**(234)**	**2,030**	**2,235**	**(244)**	**1,992**
• Group share	**2,189**	**(233)**	**1,956**	**2,165**	**(241)**	**1,924**
• Non-controlling interests	75	(1)	74	70	(3)	(67)
EPS *(in €)*	3.34		2.99	3.31		**2.94**

Bridge from EPS to Recurring EPS

Year ended December 31

		2020		2021
	Recurring	Total	Recurring	Total
Net Income – Group share *(in € millions)*	2,189	1,956	2,165	1,924
Coupon relating to hybrid financing net of tax *(in € millions)* [a]	(15)	(15)	(26)	(26)
Number of shares				
• Before dilution	649,331,592	649,331,592	646,155,699	646,155,699
• After dilution	649,968,844	649,968,844	646,445,829	646,445,829
EPS *(in €)*				
• Before dilution	3.35	2.99	3.31	2.94
• After dilution	3.34	2.99	3.31	2.94

(a) Including the repurchase premium related to hybrid financing transactions carried out in 2021 (see Note 11.3 of the Notes to the consolidated financial statements)

ADDITIONAL INFORMATION ON CONSOLIDATED INCOME STATEMENT

Bridge from reported to like-for-like figures

(in € millions except percentage)	2020	Impact of changes in scope of consolidation	Impact of changes in exchange rates and others, including IAS 29	Organic contribution from hyperinflation countries	Like-for-like growth	2021
Sales	23,620	+0.4%	-1.6%	+0.7%	+3.4%	24,281
Recurring operating margin	14.0%	-12 bps	-14 bps	+5 bps	-9 bps	13.7%

IAS 29 applied to Argentina: impact on reported data

Danone has been applying IAS 29 in hyperinflation countries as defined in IFRS. Adoption of IAS 29 in these hyperinflationary countries 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 euros using the closing exchange rate of the relevant period.

(in € millions except percentage)	**2021**
Sales	67
Sales growth	+0.28%
Recurring Operating Income	(33)
Recurring Net Income – Group share	(46)

Breakdown by quarter of full-year 2021 sales after application of IAS 29

Full-year 2021 sales correspond to the addition of:

- Q4 2021 reported sales;
- Q1, Q2 and Q3 2021 sales resulting from the application of IAS 29 until December 31 to sales of entities of hyperinflation countries (application of the inflation rate until December 31, 2021 and translation into euros using December 31, 2021 closing rate) and provided in the table below for information (unaudited data).

(in € millions)	**Q1 2021 [a]**	**Q2 2021 [b]**	**Q3 2021 [c]**	**Q4 2021**	**2021**
EDP	3,165	3,265	3,275	3,386	13,090
Specialized Nutrition	1,723	1,797	1,780	1,931	7,230
Waters	795	1,127	1,114	925	3,961
Total	**5,683**	**6,189**	**6,168**	**6,242**	**24,281**

(a) Results from the application of IAS29 until December 31, 2021 to Q1 sales of entities of hyperinflation countries.
(b) Results from the application of IAS29 until December 31, 2021 to Q2 sales of entities of hyperinflation countries.
(c) Results from the application of IAS29 until December 31, 2021 to Q3 sales of entities of hyperinflation countries.

DIVIDEND PAID IN RESPECT OF 2021 FISCAL YEAR

At the Annual Shareholders' Meeting on April 26, 2022, Danone's Board of Directors will propose a dividend of €1.94 per share in cash in respect of the 2021 fiscal year, in line with last year. Assuming this proposal is approved, the ex-dividend date will be May 10, 2022 and dividends will be payable on May 12, 2022.

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 €2,489 million in 2021, up +21.3% from the prior year. The delivery in Free Cash Flow was also positively impacted by the rephasing of one-off cash flows related to Local First from 2021 to 2022 and 2023.

FREE CASH FLOW

Transition from operating cash flow to free cash flow

	Year ended December 31	
(€ millions)	**2020**	**2021**
Cash flow from operating activities	**2,967**	**3,474**
Capital expenditure	(962)	(1,043)
Disposal of tangible assets & transaction fees related to business combinations [a]	47	58
Free cash flow	**2,052**	**2,489**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended December 31	
(in € millions)	**2020**	**2021**
Net income	**2,030**	**1,992**
Share of profit of associates net of dividends received	(272)	(564)
Depreciation, amortization and impairment of tangible and intangible assets	1,452	1,265
Net change in provisions and non-current liabilities	32	493
Change in deferred taxes	(37)	(73)
(Gains) losses on disposal of property, plant and equipment and financial investments	(54)	(31)
Expense related to Group performance shares	16	12
Cost of net financial debt	209	166
Net interest paid	(197)	(166)
Net change in interest income (expense)	12	(1)
Other components with no cash impact	20	31
Cash flows provided by operating activities, before changes in net working capital	**3,199**	**3,123**
(Increase) decrease in inventories	(86)	(81)
(Increase) decrease in trade receivables	59	(231)
Increase (decrease) in trade payables	(204)	425
Change in other receivables and payables	–	239
Change in working capital requirements	(232)	351
Cash flows provided by (used in) operating activities	**2,967**	**3,474**
Capital expenditure [a]	(962)	(1,043)
Proceeds from the disposal of property, plant and equipment [a]	43	46
Net cash outflows on purchases of subsidiaries and financial investments [b]	(183)	(300)
Net cash inflows on disposal of subsidiaries and financial investments [b]	547	1,834
(Increase) decrease in long-term loans and other long-term financial assets	(54)	24
Cash flows provided by (used in) investment activities	**(610)**	**561**
Increase in share capital and additional paid-in capital	30	46
Purchase of treasury shares (net of disposals)	–	(801)
Undated subordinated notes issued during the period	–	498
Undated subordinated notes repurchased during the period	–	(500)
Interest expense and repurchase premium on undated subordinated notes	(22)	(41)
Dividends paid to Danone shareholders [c]	(1,363)	(1,261)
Buyout of non-controlling interests	(99)	(22)
Dividends paid to non-controlling interests	(55)	(115)
Contribution from non-controlling interests to capital increases	6	1
Transactions with non-controlling interests	(147)	(136)
Net cash flows on hedging derivatives [d]	(1)	2
Bonds issued during the period	1,600	1,700
Bonds repaid during the period	(2,050)	(1,919)
Net cash flows from other current and non-current financial debt	(306)	(124)
Net cash flows from short-term investments	(102)	(1,492)
Cash flows provided by (used in) financing activities	**(2,360)**	**(4,027)**
Effect of exchange rate and other changes [e]	(48)	58
Increase (decrease) in cash and cash equivalents	**(51)**	**66**
Cash and cash equivalents as of January 1	**644**	**593**
Cash and cash equivalents as of December 31	**593**	**659**
Additional information		
Income tax payments during the year	(753)	(569)

(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)	**2020**	**2021**
Non-current assets	32,139	33,364
Current assets	10,638	12,056
Total assets	**42,776**	**45,420**
Equity – Group share	**16,205**	**17,273**
Non-controlling interests	93	102
Non-current liabilities	16,141	16,967
Current liabilities	10,338	11,078
Total equity and liabilities	**42,776**	**45,420**
Net debt	11,941	10,519
Net financial debt	11,579	10,163

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 2021

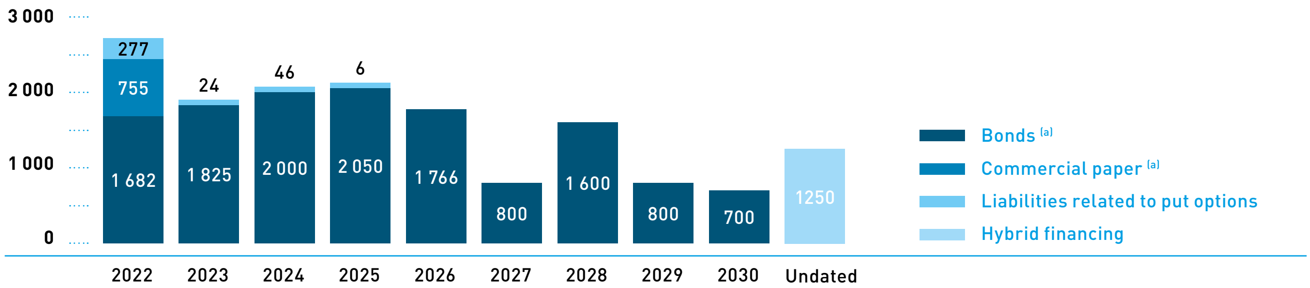
			Year ended December 31
			2021
(in millions of currency)	**Currency**	**Nominal**	**Maturity**
New financing			
Hybrid financing	EUR	500	2026
Eurobonds	EUR	1,000	2025
Eurobonds	EUR	700	2030
Repayments			
Eurobonds	EUR	1,000	2021
JPY private placement	JPY	6,000	2021
JPY private placement	JPY	8,000	2021
JPY private placement	JPY	10,500	2021
USD bond	USD	800	2021

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)*

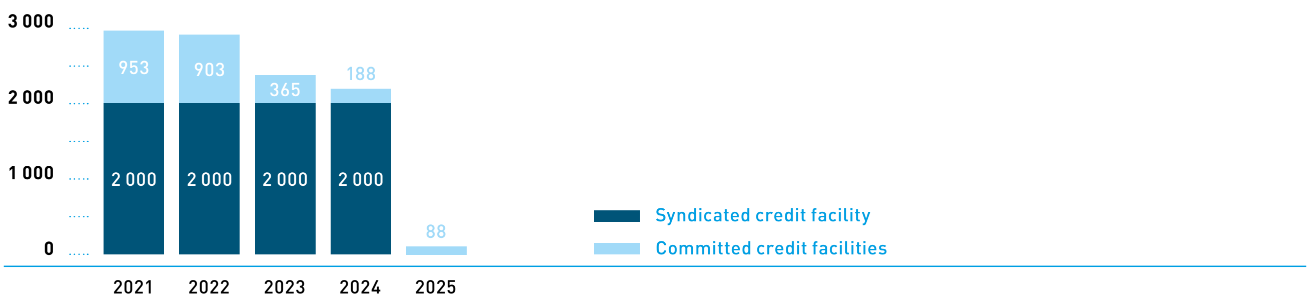


(a) Includes the value of derivatives hedging bonds and commercial paper.

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

	2020		2021	
	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 senior 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)	**2020**	**2021**
As of January 1	482	363
New options and options recognized previously in accordance with IFRS 9	7	46
Options exercised [a]	(90)	(24)
Changes in the present value of outstanding options	(37)	(31)
As of December 31 [b]	**363**	**354**

(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.

NET DEBT AND NET FINANCIAL DEBT

Net debt

		As of December 31
(in € millions)	**2020**	**2021**
Non-current financial debt [a]	12,343	12,537
Current financial debt [a]	4,157	4,048
Short-term investments	(3,680)	(5,197)
Cash and cash equivalents	(593)	(659)
Derivatives – assets – Non-current [b]	(259)	(120)
Derivatives – assets – Current [b]	(27)	(91)
Net debt	**11,941**	**10,519**

(a) Consists of €982 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)	**2020**	**2021**
Net debt	**11,941**	**10,519**
Liabilities related to put options granted to non-controlling interests – Non-current	(7)	(76)
Liabilities related to put options granted to non-controlling interests – Current	(355)	(280)
Financial debt excluded from net debt	**(363)**	**(357)**
Net financial debt	**11,579**	**10,163**

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 2021 fiscal year was 3.0x:

(in € millions except ratio)	2020	2021
Net debt as of December 31	**11,941**	**10,519**
Operating income	2,798	2,257
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	1,452	1,265
EBITDA of the year	**4,250**	**3,522**
Net debt / EBITDA of the year	**2.8x**	**3,0x**

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 8.7% in 2021:

(in € millions except percentage)	2019	2020	2021
Recurring operating income		3,317	3,337
Recurring income tax rate		27.5%	27.4%
Tax on recurring operating income		(914)	(914)
Recurring income from associates		85	7
Operating income		**2,489**	**2,429**
Intangible assets	24,803	23,037	24,053
Property, plant and equipment	6,844	6,572	6,843
Goodwill and other tangible and intangible assets	**31,647**	**29,609**	**30,896**
Investments in associates	2,055	915	771
Other financial investments	482	569	688
Short-term loans	6	40	8
Investments in non-consolidated companies and other financial investments	**2,542**	**1,524**	**1,466**
Assets held for sale net of liabilities	**43**	**851**	**238**
Deferred taxes net of deferred tax assets	(776)	(689)	(612)
Provisions for retirement and other long-term benefits	(1,091)	(1,220)	(1,105)
Other non-current provisions and liabilities	(1,178)	(1,104)	(1,823)
Provisions and other net liabilities	**(3,034)**	**(3,013)**	**(3,540)**
Working capital	**(1,000)**	**(733)**	**(1,166)**
Invested capital of the year	30,197	28,239	27,894
Average invested capital		**29,218**	**28,066**
ROIC		**8.5%**	**8.7%**

SHAREHOLDER'S EQUITY

Change in shareholder's equity – Group share

	Year ended December 31	
(in € millions)	**2020**	**2021**
As of January 1	**17,241**	**16,183**
Net income	1,956	1,924
Other comprehensive income	(39)	112
Dividends paid [a]	(1,363)	(1,261)
Translation adjustments	(1,925)	1,032
Other	334	(717)
As of December 31	**16,205**	**17,273**

(a) Impact on the Group share of equity, impact of the dividends paid on the consolidated equity amounting to €(1,375) million in 2021 (€(1,417) million in 2020).

OFF-BALANCE SHEET COMMITMENTS

Commitments given as of December 31, 2021 relating to operating activities

	Amount of financial flows for the period					
(in € millions)	**Total**	**2022**	**2023**	**2024**	**2025**	**2026 and after**
Commitments to purchase goods and services [a]	(5,300)	(2,494)	(759)	(446)	(201)	(1,400)
Capital expenditure commitments	(187)	(184)	(2)	–	–	–
Guarantees and pledges given	(21)	(21)	–	–	–	–
Other	(96)	(51)	(16)	(9)	(5)	(16)
Total	**(5,604)**	**(2,750)**	**(778)**	**(455)**	**(206)**	**(1,416)**

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

3.5 FINANCIAL INDICATORS NOT DEFINED IN IFRS

Financial indicators not defined in IFRS used by Danone are calculated as follows:

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, both previous-year and current-year scopes excluding entities in countries under hyperinflation according to IAS 29 during the previous year (as for Argentinian entities since January 1st, 2019);
- 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 restructurings 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:

- capital gains and losses on disposal of Investments in associates;
- impairment of Investments in associates;
- 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.

Carbon-adjusted recurring EPS is defined in section 5.8 *Methodology note*.

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.

Net debt / EBITDA ratio and ***ROIC*** are defined in section 3.4 *Balance sheet and financial security review.*

3.6 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

4.1 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	**2020**	**2021**
Sales	6.1, 6.2	**23,620**	**24,281**
Cost of goods sold		(12,267)	(12,760)
Selling expense		(5,366)	(5,516)
General and administrative expense		(2,285)	(2,327)
Research and Development expense		(323)	(338)
Other income (expense)	6.3	(61)	(3)
Recurring Operating Income		**3,317**	**3,337**
Other operating income (expense)	7.1	(519)	(1,080)
Operating income		**2,798**	**2,257**
Interest income on cash equivalents and short-term investments		151	156
Interest expense		(358)	(323)
Cost of net debt	11.7	(207)	(167)
Other financial income	12.3	53	31
Other financial expense	12.3	(156)	(126)
Income before tax		**2,488**	**1,995**
Income tax	9.1	(762)	(589)
Net income from fully consolidated companies		**1,726**	**1,406**
Share of profit of associates	5.5, 5.6	304	585
Net income		**2,030**	**1,992**
Net income – Group share		**1,956**	**1,924**
Net income – Non-controlling interests		74	67
Net income – Group share, per share	14.4	**2.99**	**2.94**
Net income – Group share, per share after dilution	14.4	**2.99**	**2.94**

Consolidated statement of comprehensive income

	Year ended December 31	
(in € millions)	**2020**	**2021**
Net income – Group share	1,956	1,924
Translation adjustments	(1,809)	1,031
Cash flow hedge derivatives		
Gross unrealized gains and losses	17	(14)
Tax effects	(3)	4
Other comprehensive income, net of tax	–	–
Items that may be subsequently recycled to profit or loss	**(1,795)**	**1,021**
Investments in other non-consolidated companies		
Gross unrealized gains and losses	35	8
Tax effects	2	(2)
Actuarial gains and losses on retirement commitments		
Gross gains and losses	(114)	139
Tax effects	25	(24)
Items not subsequently recyclable to profit or loss	**(52)**	**121**
Total comprehensive income – Group share	**108**	**3,067**
Total comprehensive income – Non-controlling interests	36	77
Total comprehensive income	**144**	**3,144**

Consolidated balance sheet

		As of December 31	
(in € millions)	Notes	**2020**	**2021**
Assets			
Goodwill		17,016	17,871
Brands		5,669	5,805
Other intangible assets		351	377
Intangible assets	10.1 to 10.3	23,037	24,053
Property, plant and equipment	6.5	6,572	6,843
Investments in associates	5.1 to 5.7	915	771
Investments in other non-consolidated companies		225	290
Long-term loans and financial assets		344	398
Other financial assets	12.1, 12.2	569	688
Derivatives – assets [a]	13.2, 13.3	259	120
Deferred taxes	9.2	785	890
Non-current assets		**32,139**	**33,364**
Inventories	6.4	1,840	1,982
Trade receivables	6.4	2,608	2,862
Other current assets	6.4	1,000	1,006
Short-term loans		40	8
Derivatives – assets [a]	13.2, 13.3	27	91
Short-term investments	11.1, 11.5	3,680	5,197
Cash and cash equivalents		593	659
Assets held for sale [b]	4.3, 5.6	851	251
Current assets		**10,638**	**12,056**
Total assets		**42,776**	**45,420**

(a) Derivative instruments used to manage net debt.
(b) As of December 31, 2021, concerns the joint venture established jointly with Mengniu (Fresh dairy, China), accounted for under Investments in associates, and Aqua d'Or (Waters, Denmark).

		As of December 31	
(in € millions)	Notes	**2020**	**2021**
Equity and liabilities			
Share capital		172	172
Additional paid-in capital		5,889	5,934
Retained earnings and others [(a)]	11.3	17,374	18,038
Translation adjustments		(4,867)	(3,835)
Accumulated other comprehensive income		(768)	(656)
Treasury shares	14.2	(1,595)	(2,380)
Equity – Group share		**16,205**	**17,273**
Non-controlling interests	4.6	93	102
Consolidated equity		**16,298**	**17,375**
Financing	11.1 to 11.4	12,272	12,442
Derivatives – liabilities [(b)]	13.2, 13.3	63	19
Liabilities related to put options granted to non-controlling interests	4.6	7	76
Non-current financial debt		12,343	12,537
Provisions for retirement obligations and other long-term benefits	1.6, 8.3	1,220	1,105
Deferred taxes	9.2	1,474	1,502
Other non-current provisions and liabilities	15.2, 15.3	1,104	1,823
Non-current liabilities		**16,141**	**16,967**
Financing	11.1 to 11.4	3,762	3,767
Derivatives – liabilities [(b)]	13.2, 13.3	40	2
Liabilities related to put options granted to non-controlling interests and earn-outs on acquisitions resulting in control	4.6	355	280
Current financial debt		4,157	4,048
Trade payables	6.4	3,467	3,998
Other current liabilities	6.4	2,714	3,018
Liabilities directly associated with assets held for sale [(c)]	4.3	–	13
Current liabilities		**10,338**	**11,078**
Total equity and liabilities		**42,776**	**45,420**

(a) "Others" corresponds to undated subordinated notes totaling €1.25 billion.
(b) Derivative instruments used to manage net debt.
(c) As of December 31, 2021, concerns Aqua d'Or (Waters, Denmark).

Consolidated statement of cash flows

		Year ended December 31	
(in € millions)	Notes	**2020**	**2021**
Net income		**2,030**	**1,992**
Share of profit of associates net of dividends received	5.5, 5.6	(272)	(564)
Depreciation, amortization and impairment of tangible and intangible assets	6.5, 10.3	1,452	1,265
Net change in provisions and non-current liabilities	15.2, 15.3	32	493
Change in deferred taxes	9.2	(37)	(73)
(Gains) losses on disposal of property, plant and equipment and financial investments		(54)	(31)
Expense related to Group performance shares	8.4	16	12
Cost of net financial debt	11.7	209	166
Net interest paid		(197)	(166)
Net change in interest income (expense)		12	(1)
Other components with no cash impact		20	31
Cash flows provided by operating activities, before changes in net working capital		**3,199**	**3,123**
(Increase) decrease in inventories		(86)	(81)
(Increase) decrease in trade receivables		59	(231)
Increase (decrease) in trade payables		(204)	425
Change in other receivables and payables		–	239
Change in working capital requirements	6.4	(232)	351
Cash flows provided by (used in) operating activities		**2,967**	**3,474**
Capital expenditure [a]	6.5	(962)	(1,043)
Proceeds from the disposal of property, plant and equipment [a]	6.5	43	46
Net cash outflows on purchases of subsidiaries and financial investments [b]	4.3, 4.5	(183)	(300)
Net cash inflows on disposal of subsidiaries and financial investments [b]	4.2, 4.3, 5.6	547	1,834
(Increase) decrease in long-term loans and other long-term financial assets		(54)	24
Cash flows provided by (used in) investment activities		**(610)**	**561**
Increase in share capital and additional paid-in capital		30	46
Purchase of treasury shares (net of disposals)	14.2	–	(801)
Undated subordinated notes issued during the period	11.4	–	498
Undated subordinated notes repurchased during the period	11.4	–	(500)
Interest expense and repurchase premium on undated subordinated notes	11.4	(22)	(41)
Dividends paid to Danone shareholders [c]	14.5	(1,363)	(1,261)
Buyout of non-controlling interests	4.6	(99)	(22)
Dividends paid to non-controlling interests		(55)	(115)
Contribution from non-controlling interests to capital increases		6	1
Transactions with non-controlling interests		(147)	(136)
Net cash flows on hedging derivatives [d]		(1)	2
Bonds issued during the period	11.3, 11.4	1,600	1,700
Bonds repaid during the period	11.3, 11.4	(2,050)	(1,919)
Net cash flows from other current and non-current financial debt	11.3	(306)	(124)
Net cash flows from short-term investments	11.5	(102)	(1,492)
Cash flows provided by (used in) financing activities		**(2,360)**	**(4,027)**
Effect of exchange rate and other changes [e]		(48)	58
Increase (decrease) in cash and cash equivalents		**(51)**	**66**
Cash and cash equivalents as of January 1		**644**	**593**
Cash and cash equivalents as of December 31		**593**	**659**
Additional information			
Income tax payments during the year		(753)	(569)

(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

(in € millions)	Notes	As of January 1, 2021	Changes during the period: 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	Transactions on undated subordinated notes, including interest expense and repurchase premium net of tax	Other transactions with non-controlling interests	Other changes	As of December 31, 2021
Share capital		**172**		–							**172**
Additional paid-in capital		**5,889**		46							**5,934**
Retained earnings and others [a]	14	**17,352**	1,924			12	(1,261)	(29)	(37)	77	**18,038**
Translation adjustments		**(4,867)**	1,031						1	–	**(3,834)**
Gains and losses related to hedging derivatives, net of tax		**(178)**	(10)								**(188)**
Gains and losses on assets recognized at fair value through other comprehensive income, net of tax		**35**	6								**41**
Actuarial gains and losses on retirement commitments not recyclable to profit or loss, net of tax	8	**(624)**	115								**(509)**
Other comprehensive income		**(768)**	**112**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(656)**
DANONE treasury shares	14.2	**(1,595)**			(786)						**(2,380)**
Equity – Group share		**16,183**	**3,067**	**46**	**(786)**	**12**	**(1,261)**	**(29)**	**(36)**	**77**	**17,273**
Non-controlling interests		**93**	77	1			(115)		41	6	**102**
Consolidated equity		**16,275**	**3,144**	**47**	**(786)**	**12**	**(1,375)**	**(29)**	**5**	**83**	**17,375**

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

		Changes during the period								
(in € millions)	**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]	**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	**(535)**	(89)								**(624)**
Other comprehensive income	**(729)**	**(39)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(768)**
DANONE treasury shares	**(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.

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, 2021 were approved by its Board of Directors on February 22, 2022 and will be submitted for approval to the Shareholders' Meeting on April 26, 2022.

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
Assessment of the effects of climate change	1.4
Measurement of the recoverable amount of investments in associates	5.1, 5.4 to 5.6
Determination of the amount of rebates, trade supports and other deductions relating to agreements with customers	6.1
Measurement of deferred tax assets	9.3
Measurement of the recoverable amount of intangible assets	10.3
Determination of the amount of Other non-current provisions and liabilities	15.2, 15.3

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 the Covid-19 pandemic and the Local First plan (see Note 3 of the Notes to the consolidated financial statements).

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, 2021

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in connection with Interest Rate Benchmark Reform – Phase 2: see Note 1.4 of the Notes to the consolidated financial statements;

IFRS Interpretations Committee's decisions *Attributing benefits to periods of service* and *Configuration or customization costs in Software as a Service (SaaS) cloud computing arrangements* (see Note 1.6 of the Notes to the consolidated financial statements).

Main standards, amendments and interpretations published by the IASB whose application is not mandatory within the European Union as of January 1, 2021

Danone did not choose the early adoption of those standards, amendments and interpretations in the consolidated financial statements for the year ended December 31, 2021 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 2021 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 51% compared with 2020. The EURARS exchange rate used to translate the income statement was 116.2 (103.0 in 2020). The application of IAS 29 had a €51 million impact on consolidated equity and on non-monetary assets net of non-monetary liabilities as of December 31, 2021 (€38 million as of December 31, 2020) and had the following main impacts on the consolidated income statement for the period:

- a €62 million increase in consolidated Sales and a €33 million decrease in Recurring operating income (decrease of €36 million and €23 million respectively in 2020);

- a €1 million positive impact on the net monetary position recognized in Other financial income (expense) (negative impact of less than €1 million in 2020);
- a €53 million expense in Net income – Group share (a €51 million expense in 2020).

As regards Iran, the application of IAS 29 did not have a material impact on the 2021 financial statements.

Note 1.4. Assessment of the effects of climate change

In view of:

- the nature of Danone's business and its geographical location,
- the nature and extent of the current and potential impacts of the climate change risks and opportunities as identified and assessed in its Risk Factors and its Declaration of extra-financial performance, and
- the commitments made by the Group in this area, particularly with regard to the circularity of packaging by 2025 and carbon neutrality by 2030,

Danone has not identified any significant effects for fiscal year 2021 other than those described in Note 10.3 of the Notes to the consolidated financial statements relating to the impairment review of its intangible assets.

In particular:

- its carbon credit commitments and positions were not material as of December 31, 2021, and no material liability was recognized in the consolidated balance sheet in this respect;
- no material provision for environmental liabilities and risks was recognized on the consolidated balance sheet as of December 31, 2021;
- in 2021, the Group did not identify any significant effects of the commitments made in this area on the value of its property, plant and equipment. In particular, the implementation of the action plans necessary to adapt production equipments does not adversely affect their useful lives.

Note 1.5. Application of the amendment to IFRS 9

Having carried out the relevant analysis, the Group does not expect interest rate benchmark reform to have a material impact on its financial statements. Financial documents that refer to the Libor rates that were withdrawn on January 1, 2022 have been, or are in the process of being, amended.

Note 1.6. Application of the IFRS Interpretations Committee's decisions

IFRS Interpretations Committee's decision
Attributing benefit to periods of service

The decision on how to allocate over time the expense for post-employment benefit plans with certain characteristics does not have a material impact on Danone's consolidated balance sheet or income statement.

IFRS Interpretations Committee's decision
Configuration or customization costs in Software as a Service (SaaS) cloud computing arrangements

Danone is carrying out a qualitative and quantitative review of its IT tools portfolio and the effects of the application of this decision was still being assessed as of the date the 2021 consolidated financial statements were prepared.

However, in view of the work already carried out and the limited implications concerning its financial situation, Danone does not expect application of the decision to have a material impact on its consolidated financial statements.

NOTE 2. HIGHLIGHTS OF THE YEAR

Note 2.1. Changes in governance

Further to a decision in principle to separate the roles of Chairman of the Board of Directors 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 rules and decided that Mr. Emmanuel FABER would step down as Chairman and Chief Executive Officer with immediate effect. The Board appointed Gilles SCHNEPP as the non-executive Chairman of the Board of Directors. It also appointed Véronique PENCHIENATI-BOSETTA and Shane GRANT to jointly lead the business as interim CEO & interim co-CEO until the arrival of the new Chief Executive Officer, Antoine de SAINT-AFFRIQUE who was appointed on May 17, 2021 and took up his position on September 15, 2021. As also announced on May 17, 2021, the Board has submitted his appointment to the Danone Board of Directors for approval at the General Meeting of April 26, 2022.

Emmanuel FABER's departure had no significant impact on the 2021 consolidated financial statements as regards the compensation he was paid on his departure:

- fixed and variable compensation awarded to him in respect of fiscal year 2021 until the date he stepped down as Chairman and Chief Executive Officer;
- no severance pay or non-compete indemnity;
- retention of the benefit of the Group performance shares (GPS) granted to him in 2017, 2018, 2019 and 2020, calculated *pro rata* to the length of the vesting period of the plans concerned until his departure from the Company, and subject to the level of achievement of the relevant performance conditions. The corresponding expense has been written back as regards the portion related to the residual vesting period from his departure date, in accordance with IFRS 2, *Share-based Payment*, the related impact being not material.

Note 2.2. Other highlights

	Notes
Local First plan for Danone's new organization	3
Disposal of Vega (EDP, Noram)	4.2
Acquisition of Follow Your Heart (EDP, Noram)	4.3
Signature of an agreement to sell Aqua d'Or (Waters, Denmark)	4.3
Disposal of the stake in Mengniu (Fresh dairy, China) and planned disposal of the stake in the Fresh dairy joint venture in China set up jointly with Mengniu	5.6
Transformation of Danone's operations	7.2

NOTE 3. LOCAL FIRST PLAN FOR DANONE'S NEW ORGANIZATION

Note 3.1. Background

In light of the global spread of the Covid-19 health crisis and the emergence of a radically changed environment, on October 19, 2020, Danone announced that it was implementing a new organization (Local First plan) 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;
- 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.

Note 3.2. Impacts on the 2021 consolidated financial statements

Operating segments and CGUs

The gradual implementation of the new geography-led organization continued in 2021, and Danone continued to be structured and to organize its businesses and performance around three categories: EDP, Waters and Specialized Nutrition. Thus, the Group did not make any changes to its operating segments or its CGUs as of December 31, 2021.

Accounting principles

Being a strategic restructuring, its effects have been accounted for as Other operating income and expense (see Note 7.1 of the Notes to the consolidated financial statements).

Employee-related measures

Employee-related measures consist mainly of severance packages and supporting measures. Provisions for their related costs are recognized once the main features of the plan have been announced to the affected employees or their representatives where applicable.

In 2021, the costs relating to the employee-related measures totaled €646 million. A provision was recognized for most of this amount. To determine the provision as of December 31, 2021, the Group calculated its best estimate as of that date, based on changes in the organization as announced in the concerned countries, as well as assumptions concerning the rate of internal reclassification and supporting measures based on the age, seniority and salary by qualification level for the positions concerned.

The most significant costs are attributable to France: these costs totaled €300 million, including provisions of €295 million. The deployment of the Local First plan in this country is being carried out in two phases: a voluntary redundancy plan, which was closed in December, to be followed by a compulsory redundancy phase in 2022. As of December 31, 2021, the provision recognized in France related to both of these plans. To calculate this provision, the Group has made its best estimate, as of that date, on the basis of the supporting measures after consultation with the social partners, and based on:

- data from the files of employees identified as eligible for the voluntary redundancy plan:
  - the actual number of voluntary redundancies and their severance packages, valued taking into account (i) the individual data on the employees concerned (age, seniority and salary), and (ii) average assumptions on certain supporting measures (in particular the reclassification period);
- the following estimates for the compulsory redundancy phase:
  - number and categories of positions targeted for elimination as announced to the social partners and not already covered by the voluntary redundancy plan and positions already vacant;
  - assumptions concerning severance payments based on the average age and seniority and the average salary by qualification level for the positions concerned;
  - average assumptions concerning the cost and duration of supporting measures (in particular the reclassification period): the same assumptions were used for the voluntary redundancy plan.

In addition, as of December 31, 2021, provisions for retirement obligations and other long-term benefits have been revalued to take into account the impact of the plans that have been announced. The effects are recognized in full in the income statement, in accordance with IAS 19, *Employee Benefits*.

Other operating income (expense) in 2021

		Year ended December 31, 2021
(in € millions)	Notes	**Related income (expenses)**
Employee-related measures [a]	15.3	(646)
Project teams, consultants and other external support		(95)
Effects on provisions for retirement obligations and other long-term benefits	8.3	39
Other [b]		(25)
Total	7.1	**(727)**

(a) Of which €551 million corresponds to provisions. These measures mainly concern European countries and notably France, which accounts for provisions totaling €295 million, due to its redundancy process and the deployment of the redundancy plan.
(b) Mainly costs relating to the information systems.

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. Disposal of Vega (EDP, Noram)

On July 28, 2021, Danone sold Vega to funds managed by WM Partners. This sale was part of the capital allocation optimization and the strategic review of its portfolio of brands, SKUs and assets announced in October 2020. It generated a non-material gain on disposal, after (i) reallocation of a portion of the goodwill allocated to the Noram CGU, (ii) recognition of disposal costs and (iii) recycling of translation adjustments.

Note 4.3. Main changes during the period

2021 fiscal year

(in percentage)	Reporting entity	Country	Transaction date [a]	Ownership as of December 31 2020	2021
Main companies consolidated for the first time during 2021					
Harmless Harvest	Waters	United States	January	39.2%	51.0%
Follow Your Heart	EDP	United States	April	–	100%
Main consolidated companies with change in ownership percentage					
Vega	EDP	United States	July	100.0%	0.0%
Main companies no longer fully consolidated as of December 31					
–	–	–	–	–	–

(a) Month in the 2021 fiscal year.

In addition, on November 16, 2021, Danone announced that it had signed an agreement to sell Aqua d'Or (Waters, Denmark). The expected sale price does not call into question the carrying amount of the associated assets and liabilities. They have been reclassified as held for sale as of December 31, 2021, in accordance with IFRS 5.

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 was material.

Note 4.4. 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, 2021, is available on Danone's website (www.danone.com).

Note 4.5. Accounting for acquisitions resulting in control being obtained in 2021

The acquisition of Follow Your Heart in April 2021 was recognized on a provisional basis, as the amounts allocated to the identifiable assets acquired, liabilities assumed and goodwill may be amended during a period of one year from the date of this business combination.

In addition, in fiscal year 2021, the Group finalized the accounting in respect of its acquisition of a controlling interest in Harmless Harvest.

As these transactions are not material on an individual basis, they have been aggregated for the purposes of preparing the information set out below.

These transactions did not have a material impact on the 2021 consolidated financial statements:

- they did not have a material impact on the various income statement items, in particular as regards their acquisition-related expenses, and would not have had a material impact if they had been carried out on January 1, 2021;
- they are not subject to earn-outs or put options granted to non-controlling interests that are material;
- they were paid for in cash.

Purchase prices allocation

	As of the acquisition date
(in € millions)	**2021**
Net assets at 100% [a]	149
Net assets attributable to non-controlling interests [b]	(18)
Partial goodwill [c]	132
Fair value, at the date control is acquired, of the consideration paid or to be paid to the sellers	**263**

(a) The assets acquired corresponded mainly to brands and property, plant and equipment.
(b) For each of the subsidiaries in which Danone did not acquire a 100% stake, the non-controlling interests have been recognized at their share of the fair value of the entity's assets and liabilities.
(c) Follow your Heart's provisional goodwill.

Note 4.6. 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, 2021.

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)	**2020**	**2021**
As of January 1	482	363
New options and options recognized previously in accordance with IFRS 9	7	46
Options exercised [a]	(90)	(24)
Changes in the present value of outstanding options	(37)	(31)
As of December 31 [b]	**363**	**354**

(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 Share of profit 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]	2020 Ownership	2021 Ownership	2021 Market capitalization [a][b]
Mengniu [c] [d]	5.7	China	Hong Kong	9.8%	0.0%	–
Yashili [e]	5.7	China	Hong Kong	25.0%	25.0%	279

(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) Danone's stake in Mengniu was sold on May 13, 2021.
(e) YASHILI INTERNATIONAL HOLDINGS LTD.

The Group acquired its stake in Mengniu and Yashili 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

2021 fiscal year

Ownership as of December 31

(in percentage)	Notes	Reporting entity	Country	Transaction date [a]	2020	2021
Main companies accounted for using the equity method for the first time during 2021						
–		–	–		–	–
Main associates with changes in ownership percentage						
–		–	–		–	–
Main companies no longer accounted for using the equity method as of December 31						
Harmless Harvest		Waters	United States	January	39.2%	51.0%
Mengniu		EDP	Japan	May	9.8%	0.0%

(a) Month in the 2021 fiscal year.

2020 fiscal year

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.

Note 5.4. Carrying amount and changes during the period

		2020			2021		
(in € millions)	Notes	Net goodwill	Group's share in net assets and net income	Total	Net goodwill	Group's share in net assets and net income	Total
As of January 1		**923**	**1,131**	**2,055**	**350**	**566**	**915**
Acquisitions, influence acquired during the year and capital increase		3	20	22	0	32	33
Disposals, losses of influence during the year and decreases in ownership percentage	5.6	(81)	(198)	(279)	(31)	(14)	(44)
Reclassification within assets held for sale	5.6	(457)	(393)	(851)	(154)	(64)	(217)
Share of profit of associates before impact of disposals, revaluation and other	5.5	–	87	87	–	(2)	(2)
Dividends paid		–	(32)	(32)	–	(24)	(24)
Translation adjustments		(38)	(37)	(75)	44	50	94
Impairment		–	–	–	–	–	–
Adjustment of the Group's share in net assets		–	(11)	(11)	–	16	16
As of December 31		**350**	**566**	**915**	**210**	**561**	**771**

Note 5.5. Share of profit of associates

		Year ended December 31	
(in € millions)	Notes	2020	2021
Share of profit of associates before impact of disposals, revaluation and other	5.6	87	(2)
Impairment		–	–
Gains (losses) on disposal, revaluation and other	5.6	217	587
Total		**304**	**585**

Note 5.6. Mengniu (EDP, China), Yashili (Specialized Nutrition, China) and Mengniu JV (Fresh dairy, 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 owned 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.

Disposal of Mengniu (EDP, China) and planned disposal of the Fresh dairy joint venture in China set up jointly with Mengniu

As a result of its assets review, Danone decided to sell its stake in Mengniu and therefore its shares were classified as assets held for sale as of December 31, 2020, in accordance with IFRS 5.

The sale was finalized on May 13, 2021, after completion of the regulatory process. It generated sales proceeds of €1.6 billion and a gain, after selling expenses, of €586 million, presented within Share of profit of associates in 2021.

In addition, in accordance with the terms of the shareholders' agreement, Danone is engaged in a selling process of its 20% stake in the joint venture established jointly with Mengniu in 2014 for the production and sale of fresh dairy products in China. The related investment in associates is therefore classified as assets held for sale under IFRS 5 as of December 31, 2021. Danone has not identified any element that would lead to consider as inappropriate its net book value, based on the information available at that date.

Yashili (Specialized Nutrition, China)

Accounting treatment of the investment

As of December 31, 2021, 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.

In 2021, Share of profit of associates included the impairment provision in respect of the Dumex China brand of around €10 million recognized in Yashili's financial statements, which led to a loss of around €6 million, as the company announced in its profit warning of January 18, 2022.

Impairment review as of December 31, 2021

The Group noted significant volatility in the Yashili stock price which, as of December 31, 2021, remained below the shares' average purchase price, which constituted an indication of impairment.

As of December 31, 2021, the carrying amount of the investment in Yashili (€237 million) was subjected to an impairment test based on estimated future cash flows of the business plan prepared by its management and covering the 2022 to 2026 period and has not led to any impairment.

The sensitivity analyses on the key assumptions used to calculate this value in use, taken individually, did not identify any additional impairment as well:

Assumptions	Indicators	Impairment *(in € millions)*
-500 bps	Sales growth rate [a]	–
-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, 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 were 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.

Note 5.7. Impairment review of other Investments in associates

Impairment review as of December 31, 2021

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

Impairment review as of December 31, 2020

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

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 2021, the primary operational decision-makers (the Chief Executive Officer Antoine de SAINT-AFFRIQUE as from September 15, 2021, and the Chief Financial Officer, Technology & Data, Jürgen ESSER) continued to monitor Danone's businesses by category (see Note 3 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)	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**
EDP	12,823	13,090	1,303	1,287	10.2%	9.8%
Specialized Nutrition	7,192	7,230	1,763	1,697	24.5%	23.5%
Waters	3,605	3,961	251	353	7.0%	8.9%
Group total	**23,620**	**24,281**	**3,317**	**3,337**	**14.0%**	**13.7%**

(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)	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**
Europe and Noram [b]	13,408	13,762	1,823	1,862	13.6%	13.5%
Rest of the World	10,212	10,520	1,494	1,475	14.6%	14.0%
Group total	**23,620**	**24,281**	**3,317**	**3,337**	**14.0%**	**13.7%**

(a) Net sales to third parties.
(b) Including net sales of €2,033 million generated in France in 2021 (€2,011 million in 2020).

Top ten countries contributing to sales

Year ended December 31

(in percentage)	**2020**	**2021**
United States	21%	20%
China	9%	10%
France	9%	8%
Russia	6%	6%
Indonesia	6%	6%
United Kingdom	5%	6%
Mexico	4%	4%
Spain	4%	4%
Germany	3%	3%
Canada	2%	2%

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

	As of December 31	
(in € millions)	**2020**	**2021**
Europe and Noram [a]	22,576	23,569
Rest of the World	7,032	7,326
Group total	**29,609**	**30,895**

(a) Including €2,627 million in France as of December 31, 2021 (€2,528 million as of December 31, 2020).

Note 6.3. Other components of recurring operating income

Other income (expense)

	Year ended December 31	
(in € millions)	**2020**	**2021**
Various taxes [a]	(36)	(39)
Restructuring costs [b]	(7)	(6)
Capital gains on disposals of property, plant and equipment and intangible assets	(4)	8
Other [c]	(15)	34
Total	**(61)**	**(3)**

(a) Comprises notably sales taxes.
(b) Excluding strategic restructuring or transformation operations.
(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)	**2020**	**2021**
Goods purchased for resale	105	92
Raw materials and supplies	773	819
Semi-finished goods and work-in-progress	218	209
Finished goods	830	915
Non-refundable containers	90	125
Impairment provisions	(175)	(180)
Inventories, net	1,840	1,982
Trade and other receivables from operations	2,714	2,956
Impairment provisions	(106)	(94)
Trade receivables, net	2,608	2,862
State and local authorities	714	746
Derivatives – assets [a]	61	53
Other	225	207
Total other current assets	1,000	1,006
Total current assets	**5,448**	**5,850**
Trade payables	(3,467)	(3,998)
Year-end rebates payable to customers	(1,228)	(1,304)
State and local authorities	(254)	(295)
Personnel costs, including social security charges	(835)	(1,019)
Derivatives – liabilities [a]	(67)	(89)
Other	(331)	(310)
Total other current liabilities	(2,714)	(3,018)
Total current liabilities	**(6,181)**	**(7,016)**
Working capital	**(733)**	**(1,166)**
As a percentage of consolidated sales	3.1%	4.8%

(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)	**2020**	**2021**
Portion of consolidated sales made to the Group's largest customers		
Group's largest customer	6.8%	6.8%
Group's five largest customers	14.3%	13.9%
Group's ten largest customers	21.2%	20.2%
Portion of overdue trade receivables not yet fully impaired [(a)]	**6.2%**	**5.8%**

(a) More than 30 days overdue.

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

As of both December 31, 2021 and December 31, 2020, 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)	**2020**	**2021**
Trade receivables	2,714	2,956
Impairment provisions	(106)	(94)
Fair value of trade receivables	**2,608**	**2,862**
Discounts granted to customers [(a)]	(1,228)	(1,304)
Fair value of trade receivables net of discounts granted	**1,381**	**1,558**

(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 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

				2020				2021
(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	**2,644**	**2,877**	**1,323**	**6,844**	**2,600**	**2,608**	**1,365**	**6,572**
Capital expenditure [a]	56	109	725	890	72	146	752	970
Disposals	(6)	(19)	(8)	(34)	(13)	–	(15)	(28)
Reclassification of assets held for sale	–	–	–	–	(9)	(8)	(1)	(17)
Changes in consolidation scope	13	4	1	17	39	10	1	50
Translation adjustments	(154)	(200)	(108)	(461)	75	80	44	199
Impairment [a] [b]	(8)	(45)	(1)	(54)	(7)	(82)	(79)	(168)
Depreciation charges [a]	(142)	(431)	(133)	(706)	(147)	(449)	(115)	(711)
Impacts of the above on the right-of-use assets (gross) [c]	191	29	78	298	129	41	75	245
Impacts of the above on the right-of-use assets (depreciation and impairment) [c]	(120)	(29)	(81)	(230)	(126)	(26)	(77)	(229)
Others [d]	125	313	(431)	7	160	406	(605)	(39)
As of December 31	**2,600**	**2,608**	**1,365**	**6,572**	**2,772**	**2,727**	**1,344**	**6,844**
Of which right-of-use assets [c]	709	196	189	1,095	691	182	209	1,082
Of which gross amount	*4,371*	*8,067*	*2,366*	14,804	*4,813*	*8,765*	*2,443*	*16,021*
Of which depreciation and impairment	*(1,771)*	*(5,459)*	*(1,001)*	(8,232)	*(2,040)*	*(6,038)*	*(1,099)*	*(9,177)*

(a) Excluding right-of-use assets.
(b) And accelerated depreciation/amortization. These items result from the plan for the transformation of Danone's operations (see Note 7.2 of the Notes to the consolidated financial statements).
(c) Right-of-use assets pursuant to IFRS16 *Leases*.
(d) 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)	**2020**	**2021**
Related cash flows	(962)	(1,043)
As a percentage of sales	*4.1%*	*4.3%*

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

Commitments given in 2021

		Amount of financial flows for the period				
(in € millions)	**Total**	**2022**	**2023**	**2024**	**2025**	**2026 and after**
Commitments to purchase goods and services [a]	(5,300)	(2,494)	(759)	(446)	(201)	(1,400)
Capital expenditure commitments	(187)	(184)	(2)	–	–	–
Guarantees and pledges given	(21)	(21)	–	–	–	–
Other	(96)	(51)	(16)	(9)	(5)	(16)
Total	**(5,604)**	**(2,750)**	**(778)**	**(455)**	**(206)**	**(1,416)**

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

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.

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, 2021, the main hedged currencies in terms of value included the British pound, Chinese yuan, Australian dollar, Mexican peso and Hong Kong dollar.

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 2021 fiscal year)

	Year ended December 31	
	2020	2021
(in € millions)	Income (expense)	Income (expense)
Increase of 5%		
Liquid milk, milk powder and other milk-based ingredients	(145)	(134)
Plastics, including PET/rPET	(56)	(57)
Decrease of 5%		
Liquid milk, milk powder and other milk-based ingredients	145	134
Plastics, including PET/rPET	56	57

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 2021

In 2021, the net Other operating expense of €(1,080) million consisted mainly of the following items:

(in € millions)	Notes	**Related income (expenses)**
Local First plan	3	(727)
Transformation of Danone's operations	7.2	(297)
Impairment of intangible assets	10.3	(52)

Other operating income (expense) in 2020

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

(in € millions)	**Related income (expenses)**
Impairment of intangible assets	(353)
Costs related to the transformation of Danone's organizations and operations	(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.

Note 7.2. Transformation of Danone's operations

In 2021, Danone continued the transformation of its operations across its entire value chain and the adaptation of its production equipments. The related Other operating expenses totaled €297 million.

These expenses concerned the EDP, Waters and Specialized Nutrition Reporting Entities and related mainly to the accelerated depreciation of property plant and equipment, the cost of employee-related measures as well as the costs of consulting and other external supports.

4

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
	2020	**2021**
Total number of employees	**101,911**	**98,105**
By geographical area		
Europe and North America	32%	32%
North America	6%	26%
Europe	26%	6%
Rest of the World	68%	68%
Asia, Pacific and Middle East	21%	20%
China	8%	8%
CIS	9%	9%
Africa	8%	7%
Latin America	23%	24%
Total	**100%**	**100%**
By Reporting entity		
EDP	41%	41%
Specialized Nutrition	21%	22%
Waters	35%	34%
Corporate functions	3%	3%
Total	**100%**	**100%**

Note 8.2. Personnel costs of fully consolidated companies

		Year ended December 31
(in € millions)	**2020**	**2021**
Salaries and social security charges [a]	(3,990)	(3,925)
Retirement obligations – defined benefit plans [b]	(43)	(44)
Expenses relating to Group performance shares (GPS)	(16)	(13)

(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)	**2020**	**2021**
Defined benefit retirement plans	1,189	1,074
Other long-term benefits	31	31
Total	**1,220**	**1,105**

Defined benefit retirement plans and other post-employment benefits

Carrying amount of gross obligations

		As of December 31
(in percentage)	**2020**	**2021**
Retirement plan for senior managers	34%	34%
Other	17%	15%
France	51%	48%
Germany	10%	10%
Indonesia	9%	10%
Belgium	8%	8%
United States	7%	8%
Ireland	7%	6%
Other [a]	9%	11%
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, 2021, 76 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

	2020			2021		
(in € millions)	Retirement plan for senior managers	Other plans	Total	Retirement plan for senior managers	Other plans	Total
Vested rights with projected salaries	573	1,141	1,714	580	1,053	1,633
Fair value of plan assets	(134)	(391)	(525)	(124)	(435)	(559)
Vested rights net of fair value of plan assets	**439**	**750**	**1,189**	**456**	**617**	**1,074**
Impact of ceiling on assets			–			–
Obligations for which provisions have been recorded on the balance sheet	**439**	**750**	**1,189**	**456**	**617**	**1,074**

In addition, the total amount of contributions/benefits to be paid out in 2022 in connection with these plans is estimated at €44 million.

Actuarial assumptions

Methodology

The Group defines the actuarial assumptions by country and/or subsidiary. The discount rates used in 2021 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)	2020	2021
Discount rate	0.8%	1.4%
Expected return on plan assets	0.8%	1.4%
Salary growth rate	3.0%	3.0%
Retirement age	60-66	60-66

Sensitivity analysis of the discount rate

Year ended December 31

	Retirement plan for senior managers	
	2020	2021
(in € millions)	Increase (decrease)	Increase (decrease)
50 bps increase	(52)	(65)
50 bps decrease	57	74

Changes in carrying amount of provisions

	2020				2021			
(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	**1,597**	**(534)**	**–**	**1,063**	**1,752**	**(533)**	**–**	**1,219**
Service cost	43	–		43	44	–		44
Effect of discounting	30	–		30	26	–		26
Expected return on plan assets	–	(7)		(7)	–	(6)		(6)
Other	(17)	14		(2)	(42)	1		(41)
Expense for the year	56	7		64	27	(5)	–	23
Payments made to retirees	(56)	31		(26)	(54)	28		(27)
Contributions to plan assets	–	(18)		(18)	–	(17)		(17)
Changes in demographic assumptions	(10)	–		(10)	1	–		1
Changes in economic assumptions	138	–		138	(136)	–		(136)
Experience effects	16	(23)		(8)	19	(20)		(2)
Actuarial gains and losses	144	(23)	–	121	(116)	(20)	–	(137)
Translation adjustments	(34)	11		(22)	26	(11)		15
Other	7	–		7	(2)	–		(2)
As of December 31	**1,714**	**(525)**	**–**	**1,189**	**1,633**	**(559)**	**–**	**1,074**

The decrease in the provision between December 31, 2020 and December 31, 2021 was due mainly to the increase in the discount rates used for the Senior Managers' Plan and the other plans in most countries, as well as the effects related to the Local First plan (see Note 3 of the Notes to the consolidated financial statements).

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)	2020	2021
Fair value of plan assets	**(134)**	**(124)**
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 1,500 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)	**2020**	**2021**
As of January 1	**2,151,501**	**1,944,149**
Maximum number [a]	2,236,479	2,006,027
Shares granted during the year	714,710	796,638
Maximum number [a]	*750,484*	*836,468*
Shares that lapsed or were canceled during the year [b]	(514,198)	(538,884)
Shares delivered during the year	(407,864)	(391,131)
As of December 31	**1,944,149**	**1,810,772**
Maximum number [a]	*2,006,027*	*1,880,387*

(a) If the continuous employment and performance conditions are fully met.

(b) For the GPS granted in 2019, the Board of Directors must examine the level of achievement of the performance condition relating to sales growth in the second quarter of 2022. For the purposes of the 2021 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). It is allocated according to its function to the various headings in the consolidated income statement.

Where the GPS are based on non-market performance (such as, for example, conditions relating to sales growth, the achievement of a level of free cash flow and environmental 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 said shares will lapse.

Where the GPS are market peformance-related (such as, for example, conditions linked to the achievement of a level of Total Shareholder Return), the measurement of the related charges takes into account the probability of achieving these conditions, assessed at the grant date. These charges cannot be subsequently written back.

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)	**2020**	**2021**
Number of shares granted	714,710	796,638
Of which based on non-market performance conditions	*714,710*	*740,863*
Of which based on market performance conditions	–	*55,775*
Fair value of shares granted based on non-market performance conditions [a]	53.2	51.0
Fair value of shares granted based on market performance conditions [a]	–	29.9
Average DANONE share price	59.9	57.8

(a) Fair value as of the grant date.

Expenses related to GPS including taxes

	Year ended December 31	
(in € millions)	**2020**	**2021**
Group performance shares	(16)	(13)
Total expense	**(16)**	**(13)**

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 2021, these various capital increases reserved for employees accounted for a total amount of €46,125,731.43.

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)	**2020**	**2021**
Income before tax	**2,488**	**1,995**
Current tax (expense) income	(799)	(663)
Deferred tax (expense) income	37	73
Current and deferred tax (expense) income	**(762)**	**(589)**
Effective tax rate	30.6%	29.5%
Amount (paid) received during the year	(753)	(569)

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 2021, the Group effective tax rate was 29.5%, stable as compared with 2020.

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 28.41% country tax rate in France

		Year ended December 31	
(in percentage)	Notes	**2020**	**2021**
Country tax rate in France		32.0%	28.4%
Differences between French and foreign tax rates [a]		(10.8)%	(6.6)%
Tax on dividends and royalties		2.7%	3.9%
Permanent differences		1.6%	1.4%
Tax loss carryforwards [b]	9.3	1.8%	3.0%
Tax rate adjustments and unallocated taxes [c]		4.5%	(0.3)%
Impact of capital gains and losses on disposal and asset impairment		(0.5)%	(0.1)%
Other differences		(0.7)%	(0.2)%
Effective tax rate		**30.6%**	**29.5%**

(a) Various countries, none of which generates a significant difference with the country tax rate in France.
(b) In 2021 and 2020, 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.

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	**2020**	**2021**
Breakdown by type of deferred tax			
Property, plant and equipment and intangible assets		(1,629)	(1,683)
Tax loss carryforwards	9.3	302	281
Provisions for retirement obligations and other long-term benefits		281	260
Employee profit-sharing provisions		17	13
Restructuring provisions	15.3	4	131
Other		336	385
Net deferred taxes		**(689)**	**(612)**
Deferred tax assets		785	890
Deferred tax liabilities		(1,474)	(1,502)
Net deferred taxes		**(689)**	**(612)**

Changes during the period

(in € millions)	Notes	2020	2021
As of January 1		**(766)**	**(681)**
Changes recognized in Other comprehensive income		(31)	16
Changes recognized in profit or loss		37	73
Changes in consolidation scope	4.3	(10)	25
Other [a]		81	(45)
As of December 31		**(689)**	**(612)**

(a) Consists mainly of currency effects.

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.

Carrying amount

	As of December 31	
(in € millions)	2020	2021
Tax losses – recognized portion		
Recognized tax loss carryforwards [a] [b]	1,157	1,083
Tax savings [c]	302	281
Tax losses – unrecognized portion		
Tax loss carryforwards and tax credits not yet used [a]	563	715
Potential tax savings	154	197

(a) Basis amount.
(b) In 2021, as in 2020, 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, 2021 can be carried forward indefinitely. The probable consumption horizon for most of these losses is less than ten years. Given the expected effects to date of the Local First plan and the plan for the transformation of its operations, Danone does not anticipate a deterioration in this horizon due to the plans' implementation costs.

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

					2020				2021
(in € millions)	Notes	Goodwill	Brands [a]	Other intangible assets	Total	Goodwill	Brands [a]	Other intangible assets	Total
Carrying amount									
As of January 1		**18,125**	**6,329**	**348**	**24,803**	**17,016**	**5,669**	**351**	**23,037**
Changes in consolidation scope	4.2	66	–	48	114	23	(35)	–	(13)
Capital expenditure		–	–	80	80	–	–	71	71
Disposals		–	–	(2)	(2)	–	–	(2)	(2)
Translation adjustments	1.3	(1,273)	(379)	(21)	(1,673)	838	204	9	1,050
Impairment [b]	7.1, 10.3	(32)	(288)	(43)	(363)	(7)	(45)	(5)	(57)
Amortization charges		–	(2)	(94)	(97)	–	(2)	(101)	(103)
Other		130	9	36	175	2	14	53	69
As of December 31		**17,016**	**5,669**	**351**	**23,037**	**17,871**	**5,805**	**377**	**24,053**
Of which amortization		–	*(25)*	*(1,003)*		–	*(26)*	*(1,084)*	

(a) Includes brands with indefinite useful lives and the other brands (€79 million as of December 31, 2021).
(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 health crisis 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 on the basis of the information available on that date. They cover the next two fiscal years. This period is extended, where relevant, based on 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, 2021

For the purposes of impairment testing as of December 31, 2021, the Group has projected in its business plans the effects on its various businesses of the following items, according to its best estimate based on (i) the information available at that date with respect to external items, and (ii) the initiatives and projects that will be implemented by the Group as planned at that same date:

- the effects of the Covid-19 health crisis on its main activities that are the most affected, i.e. those of the Waters Reporting Entity as described below, over the entire duration of the plan to take into account the uncertainty as to its magnitude and duration;
- general acceleration of inflation in raw material prices (milk and dairy ingredients), packaging and logistics costs during 2021 and 2022. For CGUs with limited headroom, the Group has also simulated worsened inflation scenarios (higher level and extrapolation over the following years of the plan), via its operating margin sensitivity analyses. In addition, the effects on raw material costs for 2021 of an increase or decrease in the prices of the Group's two main categories of raw materials are presented in Note 6.7 of the Notes to the consolidated financial statements;
- operational costs and capital expenditure related to the Plan for the transformation of its operations over the duration of the business plan. The latter includes initiatives to fight against climate change, in particular as part of its packaging circularity objectives, including:
  - use of recycled PET (rPET) for the Waters Reporting Entity to be 50% worldwide and 100% in Europe by 2025;
  - use of polystyrene in its packaging to be eliminated by 2025 worldwide and by 2024 in Europe.

The implementation of these scenarios in the impairment tests did not highlight any additional impairment.

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

(in € millions)	Carrying amount of goodwill and brands with indefinite useful lives		Long-term growth rate [g]		Discount rate [g]	
	2020	2021	2020	2021	2020	2021
EDP						
Noram	7,805	8,374	1 to 2.5%	1 to 2.5%	6.6%	6.1%
Centrale Danone	189	175	2.0%	1.0%	8.8%	8.3%
Danone CIS [a]	240	250	3.0%	3.0%	7 to 13%	6 to 13%
Europe	2,593	2,609	0 to 2.5%	0 to 2.5%	7 to 9%	6 to 9%
Other CGUs [b]	238	232	0 to 3%	0 to 3%	7 to 19%	6 to 20%
Total EDP	**11,064**	**11,640**				
• Of which goodwill	8,129	8,653				
• Of which brands with indefinite useful lives [c]	2,935	2,986				
Waters						
Danone Waters France	428	428	1%	1%	6.6%	6.6%
Other CGUs [d]	288	350	0 to 3%	0 to 3%	7 to 24%	6 to 21.1%
Total Waters	**716**	**777**				
• Of which goodwill	536	571				
• Of which brands with indefinite useful lives [e]	180	206				
Specialized Nutrition						
Global Specialized Nutrition	10,664	11,001	2.5%	2.5%	6.8%	6.0%
Happy Family	166	180	2.5%	2.5%	6.8%	6.1%
Total Specialized Nutrition	**10,830**	**11,180**				
• Of which goodwill	8,351	8,647				
• Of which brands with indefinite useful lives [f]	2,478	2,533				
Total	**22,610**	**23,597**				
• Of which goodwill	17,016	17,871				
• Of which brands with indefinite useful lives	5,594	5,726				

(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, 2021 or December 31, 2020.
(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) Applied to goodwill.

Goodwill of the CGUs in the Waters Reporting Entity

In 2021, the pandemic continued to have a major impact on the Waters Reporting Entity's activities, due to their significant exposure to away-from-home consumption. 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 led to a difference between the carrying amounts and the recoverable amounts thus estimated for the CGUs of the Waters Reporting Entity. This is one again reduced compared with historical levels, although stable or even increased compared with the previous year, and no impairment provision is required.

However, for the CGUs for which their recoverable amount was 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 of the EDP Noram CGU

As of December 31, 2021, the recoverable amount exceeded the carrying amount by the following amounts:

(in € billions)	
Global Specialized Nutrition	29
EDP Noram	4.1

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	(1.6)	15.4%
EDP Noram	(0.4)	6.8%
Recurring operating margin – 100bps decrease [(b)]		
Global Specialized Nutrition	(1.8)	16.2%
EDP Noram	(1.0)	4.2%
Long-term growth rate – 50bps decrease		
Global Specialized Nutrition	(4.0)	
EDP Noram	(1.1)	
Discount rate – 50bps increase		
Global Specialized Nutrition	(5.1)	
EDP Noram	(1.4)	

(a) Decrease applied, each year, to the assumed growth in sales, including the final year, on the basis of the 2022 projections.
(b) Decrease applied, each year, to the assumed recurring operating margin, including the final year, on the basis of the 2022 projections.

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

As of December 31, 2021, (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 13% 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 one CGU in the EDP Reporting Entity totaling €7 million.

As of December 31, 2020, 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.

Brands with indefinite useful lives

The Group's main brands are *Nutricia, International Delight, Silk* and *Alpro*. As of December 31, 2021, 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, 2021.

Impairment review of the main brands with indefinite useful lives

As of December 31, 2021, 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 for the key value in use 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 2022 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, 2021, the tests carried out on brands with indefinite useful lives other than *Nutricia, International Delight, Silk* and *Alpro* required partial impairment (totaling €45 million) of three brands in the EDP 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 2022 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, 2020, following the impairment tests of the other brands with indefinite useful lives, the Group recognized an impairment provision in respect of four brands in the EDP Reporting Entity and one brand in the Specialized Nutrition Reporting Entity in the aggregate amount of €288 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 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, 2020	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	Changes in consolidation scope	As of December 31, 2021
Financing managed at Company level									
Bonds – non-current portion	11,493	1,700				140	(1,693)		11,640
Bonds – current portion	1,846		(1,919)			131	1,693		1,751
Commercial paper [a]	1,492			(743)		8			757
Total	14,831	1,700	(1,919)	(743)	–	279	–	–	14,148
Lease debt									
Non-current portion	744					212	(190)	2	767
Current portion	222			(251)		51	192	–	215
Total	966	–	–	(251)	–	263	2	2	982
Other financing arrangements [b]									
Non-current portion	36			85		(8)	(80)	1	35
Current portion	202			784	(1)	(28)	86	1	1,044
Total	237	–	–	869	(1)	(36)	6	3	1,079
Total	**16,034**	**1,700**	**(1,919)**	**(124)**	**(1)**	**506**	**8**	**5**	**16,209**

(a) As of December 31, 2020 and 2021, 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 undated 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 on 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.

In September 2021, Danone carried out the early repurchase of the hybrid financing for an amount of €0.5 billion, and at the same time carried out the reissuance of a hybrid financing with an issue of undated securities for the same amount, denominated in euros, bearing an annual coupon of 1% and with a first call da on December 16, 2026.

Through this combination of transactions, Danone was able to take advantage of favorable market conditions and actively manage its hybrid debt portfolio, while keeping the total amount of hybrid debt unchanged.

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
	2020		2021	
(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]	1,008	–	953	–
Bank loans	–	–	749	–
Capital markets financing [a]				
EMTN financing [d]	NA	9,058	NA	9,620
Hybrid financing [e]	NA	1,250	NA	1,250
Bonds on the US market [d]	NA	4,281	NA	3,770
Short-term debt instruments	NA	1,492	NA	755

(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.
(e) Following the transactions carried out in 2021 and described in Note 11.3 of the Notes to the consolidated financial statements, the total amount of hybrid financing as of December 31, 2021 remained unchanged.

Main financing transactions in 2021

			Year ended December 31
			2021
(in millions of currency)	**Currency**	**Nominal**	**Maturity**
New financing			
Hybrid financing	EUR	500	2026
Eurobonds	EUR	1,000	2025
Eurobonds	EUR	700	2030
Repayments			
Eurobonds	EUR	1,000	2021
JPY private placement	JPY	6,000	2021
JPY private placement	JPY	8,000	2021
JPY private placement	JPY	10,500	2021
USD bond	USD	800	2021

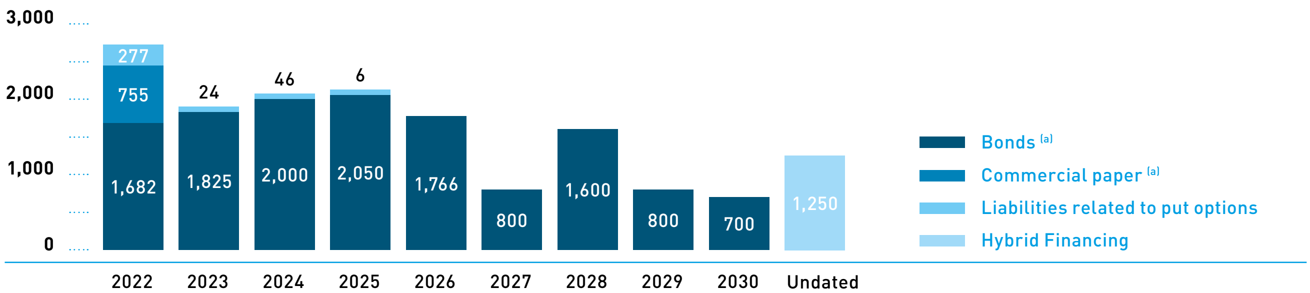
Main financing transactions in 2020

			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	1,000	2020
Eurobonds	EUR	500	2020

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

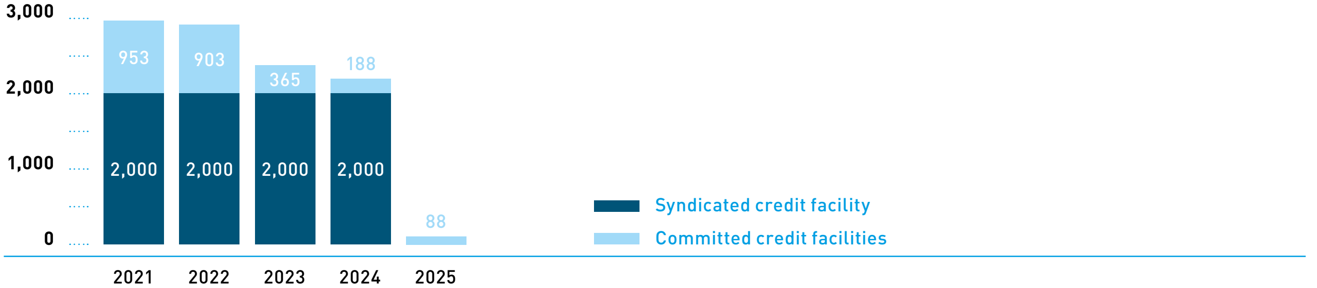
(in € millions)	Cash flows 2022	Cash flows 2023	Cash flows 2024	Cash flows 2025	Cash flows 2026 and after
Interest on debt [a]	(171)	(150)	(112)	(90)	(136)
Cash flows on derivatives [a] [b] [c]	54	49	38	28	90

(a) The floating interest rates are calculated on the basis of the rates applicable as of December 31, 2021.
(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

	2020		2021	
	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 senior debt issues with a maturity of more than one year.

Note 11.5. Short-term investments

Carrying amount

As of December 31

(in € millions)	**2020**	**2021**
Money market funds	2,739	4,237
Bank deposits, negotiable debt instruments and other short-term investments	942	960
Total	**3,680**	**5,197**

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)	**2020**	**2021**
Non-current financial debt [a]	12,343	12,537
Current financial debt [a]	4,157	4,048
Short-term investments	(3,680)	(5,197)
Cash and cash equivalents	(593)	(659)
Derivatives – assets – Non-current [b]	(259)	(120)
Derivatives – assets – Current [b]	(27)	(91)
Net debt	**11,941**	**10,519**

(a) Consists of €982 million of lease debt following the application of IFRS16 *Leases*.
(b) Used solely to manage net debt.

Changes in net debt in 2021

Danone's net debt totaled €10,519 million as of December 31, 2021, €1,422 million lower than as of December 31, 2020. It included €354 million of put options granted to non-controlling interests, €9 million lower than as of December 31, 2020.

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.

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 2021

During 2021, cost of net debt decreased from €(207) million in 2020 to €(167) million, 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, 2021 and December 31, 2020, 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 2021 as in 2020, 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 Group's 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 2021 as in 2020, the Group did not carry out any material transactions.

Carrying amount

	As of December 31	
(in € millions)	**2020**	**2021**
Investments in other non-consolidated companies	225	290
Bonds and money-market funds [a]	112	114
FPS Danone Communities	13	13
Other [b]	207	255
Other financial assets	332	382
Long-term loans	12	16
Other financial assets	**569**	**688**

(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 Accumulated 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, 2021, the Group's residual exposure after hedging of exchange risks on its highly probable commercial operating transactions is significantly reduced for 2022, the main unhedged currency being the Turkish lira.

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

			2020			2021
(in € millions)	Notional	Fair value	Of which recognized in equity	Notional	Fair value	Of which recognized in equity
Used to hedge operational currency risk	**(1,930)**	**(4)**	**(3)**	**(1,992)**	**(65)**	**(65)**
Cash flow hedge – currency options [a]	(318)	(2)	(2)	(318)	(6)	(6)
Cash flow hedge – forward currency contracts [a]	(1,612)	(2)	(2)	(1,677)	(60)	(60)
No hedge accounting applied	–	–	–	3	–	–
Used to manage raw materials	**132**	**9**	**9**	**262**	**16**	**16**
Used to manage net debt	**6,535**	**166**	**62**	**5,962**	**189**	**83**
Fair value hedge	2,517	192	–	3,147	102	–
Cash flow hedge	3,622	(26)	60	2,721	85	83
Net investment hedge	217	1	1	70	–	–
No hedge accounting applied	179	(1)	–	24	2	–
Total	**4,737**	**172**	**68**	**4,233**	**140**	**34**

(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)	2020 Forward currency contracts, net [a]	2020 Currency options, net [b]	2020 Total	2021 Forward currency contracts, net [a]	2021 Currency options, net [b]	2021 Total
(Sales) / Purchases of currencies						
GBP [b]	(446)	(177)	(623)	(418)	(164)	(582)
CNY [b]	(251)	–	(251)	(349)	–	(349)
HKD [b]	24	(82)	(58)	(303)	(94)	(397)
AUD [b]	(183)	(26)	(209)	(138)	(25)	(164)
MXN [b]	(137)	–	(137)	(125)	–	(125)
CAD [b]	(117)	(13)	(130)	(104)	(19)	(122)
RUB [b]	(94)	–	(94)	(85)	–	(85)
BRL [b]	(83)	–	(83)	(85)	–	(85)
USD [b]	(78)	(20)	(98)	136	(15)	121
Other [c]	(247)	–	(247)	(204)	–	(204)
Total	**(1,612)**	**(318)**	**(1,930)**	**(1,674)**	**(318)**	**(1,992)**

(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

	2020		2021	
(in € millions)	**Equity [c]**	**Gain (loss)**	**Equity [c]**	**Gain (loss)**
10% increase in EUR [a]				
GBP [b]	52	–	48	–
CNY [b]	26	–	33	–
HKD [b]	28	–	31	–
AUD [b]	18	–	14	–
MXN [b]	3	–	–	–
CAD [b]	2	–	1	–
RUB [b]	9	–	8	–
BRL [b]	2	–	2	–
USD [b]	11	–	14	–
10% decrease in EUR [a]				
GBP [b]	(54)	–	(49)	–
CNY [b]	(32)	–	(40)	–
HKD [b]	(29)	–	(36)	–
AUD [b]	(22)	–	(16)	–
MXN [b]	(3)	–	(2)	–
CAD [b]	(3)	–	(1)	–
RUB [b]	(10)	–	(10)	–
BRL [b]	(3)	–	(3)	–
USD [b]	(11)	–	(16)	–

(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 2021, as in 2020, 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 2021, as in 2020, 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 2021 as in 2020, 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 2021, as in 2020, the corresponding amounts are not material.

Management of raw material price volatility risk

As of December 31, 2021, the commodity portfolio consisted of diesel, plastic, dairy, sugar and soya 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.

Exposure related to derivative instruments

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.

	As of December 31	
(as a percentage of the total fair value as of December 31) [a]	**2020**	**2021**
Counterparty rating (Standard & Poor's)		
AAA, AA and A	98%	99%
BBB, BB and B	2%	1%
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, 2021 and December 31, 2020, 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	**2020**	**2021**
Risk on Company shares			
Treasury shares	14.2	1,595	2,380
Risk on other shares			
Investments in associates	5	915	771
Assets held for sale	4.3, 5.6	851	251
Investments in other non-consolidated companies	12.2	225	290

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, 2021						
Financial assets						
Investments in other non-consolidated companies	36	254	–	290	290	1-3
Long-term loans and long-term financial assets	127	–	271	398	398	1-3
Derivatives – assets [a]	126	84	–	211	211	2
Trade receivables [b]	2,862	–	–	2,862	2,862	–
Other current assets [b]	953	53	–	1,006	1,006	–
Short-term loans	–	–	8	8	8	–
Money market funds	4,237	–	–	4,237	4,237	1
Other short-term investments	–	–	960	960	960	2
Cash and cash equivalents	659	–	–	659	659	1
Carrying amount of financial assets by category	9,000	391	1,239	10,630	10,630	
Financial liabilities						
Financing	4,431	–	11,778	16,209	13,778	2
Derivatives – liabilities [a]	5	16	–	20	20	2
Trade payables [b]	–	–	3,998	3,998	3,998	–
Other current liabilities [b]	–	89	2,929	3,018	3,018	–
Carrying amount of financial liabilities by category	**4,436**	**105**	**18,705**	**23,245**	**20,815**	

(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 that is 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

Share buyback plan

Danone finalized the share buyback program it announced on July 29, 2021. The Company bought back shares with a market value totaling €800 million in the second half of the year.

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

(in number of shares)	As of December 31, 2020	Changes during the period			As of December 31, 2021
		Buybacks	Sales/Transfers	Delivery of shares	
Shares allocated to external growth transaction	30,769,360		(710,000)	–	30,059,360
Shares allocated to employee shareholding plans	284,325	–	710,000	(400,406)	593,919
Shares allocated to cancelation	–	13,158,315	–	–	13,158,315
Shares held by the Company	31,053,685	13,158,315	–	(400,406)	43,811,594
Shares held by Danone Spain	5,780,005	–	–	–	5,780,005
Total shares held by the Group	**36,833,690**	**13,158,315**	**–**	**(400,406)**	**49,591,599**

Note 14.3 Outstanding DANONE shares

		Year ended December 31					
		2020			2021		
(in number of shares)	Notes	Share capital	Treasury	Outstanding	Share capital	Treasury	Outstanding
As of January 1		686,120,806	(37,249,539)	648,871,267	686,629,600	(36,833,690)	649,795,910
Capital increase	8.5	508,794		508,794	1,052,889		1,052,889
Changes in treasury shares	14.2		415,849	415,849		(12,757,909)	(12,757,909)
As of December 31		**686,629,600**	**(36,833,690)**	**649,795,910**	**687,682,489**	**(49,591,599)**	**638,090,890**

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	**2020**	**2021**
Net income – Group share		1,956	1,924
Coupon relating to hybrid financing, net of tax [a]		(15)	(26)
Adjusted net income – Group share		1,941	1,898
Number of outstanding shares			
As of January 1		648,871,267	649,795,910
Effects of changes during the year	14.3	924,643	(11,705,020)
As of December 31		649,795,910	638,090,890
Average number of outstanding shares			
• Before dilution		649,331,592	646,155,699
Dilutive impact			
Group performance shares		637,251	290,129
• After dilution		649,968,844	646,445,829
Net income – Group share, per share			
• Before dilution		2.99	2.94
• After dilution		2.99	2.94

(a) Including the repurchase premium related to hybrid financing transactions carried out in 2021 (see Note 11.3 of the Notes to the consolidated financial statements)

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 2021 dividend

The Shareholders' Meeting on April 29, 2021 in Paris approved the dividend proposed relating to the 2020 fiscal year of €1.94 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)	**2020**	**2021**
Other non-current provisions	513	1,243
Other non-current liabilities [a]	591	580
Total [b]	**1,104**	**1,823**

(a) These relate to uncertain income tax positions.
(b) The current portion totaled €496 million as of December 31, 2021 (€71 million as of December 31, 2020).

Note 15.3. Changes in Other provisions

		Changes during the period						
(in € millions)	**As of January 1, 2021**	**Changes in consolidation scope**	**Increase**	**Reversal of provisions used**	**Reversal of provisions not used**	**Translation adjustments**	**Other**	**As of December 31, 2021**
Tax and territorial risks [a]	92	–	7	(5)	(4)	1	4	95
Employee-related and commercial disputes and other provisions	354	(1)	237	(19)	(43)	2	9	540
Restructuring provisions [b]	67	–	576	(31)	(5)	–	1	608
Total	**513**	**(1)**	**820**	**(54)**	**(52)**	**3**	**14**	**1,243**

(a) These concern those risks not relating to income tax, which are presented in Other non-current liabilities.
(b) Including a €551 million increase in respect of the Local First plan (see Note 3 of the Notes to the consolidated financial statements).

Changes in Other provisions in 2021 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, 2021, 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, as well as provisions relating to employee-related measures under the terms of the Local First plan (see Note 3 of the Notes to the consolidated financial statements).

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 2021, a number of putative class action law suits were filed in the United States against the U.S. subsidiary Nurture Inc. in which plaintiffs allege false advertising regarding the presence of certain heavy metals in its foods. In several additional actions, individual plaintiffs claim personal harm arising from consuming the foods. Nurture Inc. denies the allegations in these actions and maintains the safety of its products. Nurture Inc. is vigorously defending its interests in each of the actions.

In addition, on October 7, 2021, Danone received a Statement of Objections (*notification de griefs*) from the French Competition Authority. This Statement of Objections, which was sent to more than 100 companies and 14 professional organizations, concerns in particular issues related to the application of competition rules, and communication initiatives concerning the absence of bisphenol A from food contact materials before 2015.

Danone vigorously contests the French Competition Authority's allegations and intends to answer all of its questions in the context of the adversarial procedure, within the required time frame.

No provision has been recognized in the consolidated financial statements for the year ended December 31, 2021 as the Group is not currently in a position to make a reliable assessment of the potential impact of the outcome of these ongoing proceedings on its results and financial position.

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 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 2020, the amounts pertaining to 2021 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)	**2020**	**2021**
Compensation paid to corporate officers and members of the Executive Committee [a]	14.7	17.3
Attendance fees paid to Directors	0.9	0.8
Total	**15.6**	**18.2**
Carrying amount of shares subject to performance conditions granted during the year [b]	6.6	8.2

(a) Annual and multi-year fixed and variable compensation (gross amount excluding employer contributions), of which the variable portion totaled €5.6 million in 2021 (€8.1 million in 2020).

(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, 2021, in accordance with IFRS, i.e. a total of €29 million for Executive Committee members. Indeed, as regards the Chief Executive Officer Antoine de SAINT-AFFRIQUE, he does not benefit from this plan as it has been closed to new beneficiaries since 2003.

Loans and guarantees

In 2021, as in 2020, no loan or guarantee was granted or established by the Company or its subsidiaries on behalf of Executive Committee members.

NOTE 17. SUBSEQUENT EVENTS

To the Company's knowledge, no material events occurred after February 22, 2022, the date on which the 2021 consolidated financial statements were approved by the Board of Directors.

NOTE 18. FEES TO THE STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS

	PricewaterhouseCoopers Audit				Ernst & Young Audit			
(in € millions, except percentage)	2020		2021		2020		2021	
Statutory audit: certification of the individual and consolidated financial statements	4.2	76%	4.0	74%	5.2	90%	5.5	85%
Services other than the certification of the financial statements	1.3	24%	1.4	26%	0.6	10%	1.0	15%
Total [a]	**5.6**	**100%**	**5.4**	**100%**	**5.8**	**100%**	**6.4**	**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 2021, 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 2020), of which €1.2 million for PricewaterhouseCoopers Audit (€1.1 million in 2020) and €1.4 million for Ernst & Young Audit (€1.4 million in 2020). The fees for services other than the certification of the financial statements for the year ended December 31, 2021 totaled €1.5 million (€0.6 million in 2020), of which €0.7 million for PricewaterhouseCoopers Audit (€0.4 million in 2020) and €0.7 million for Ernst & Young Audit (€0.2 million in 2020) and included in particular fees for due diligences, for the independent third party report on the extra-financial performance statement, and fees for tax services related to reorganization projects.

The fees of the Statutory auditors' networks for services other than the certification of the financial statements to certain foreign subsidiaries of Danone totaled €0.9 million (€1.4 million in 2020), of which €0.7 million for PricewaterhouseCoopers Audit (€1.0 million in 2020) and €0.2 million for Ernst & Young Audit (€0.3 million in 2020) and included in particular diagnostic work in determining indicators for certain activities, due diligences, assistance with the transition to IFRS in the context of business combinations, and fees for tax services related notably to the review of technical documentation or 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 exemption options in respect of the year ended December 31, 2021, 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	Milupa GmbH, Nutricia Milupa GmbH, Danone Waters Deutschland GmbH, Alpro GmbH
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)

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 regulations 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 Annual General Meeting of Danone,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Danone for the year ended December 31, 2021.

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 December 31, 2021 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 the independence requirements of the French Commercial Code (Code de commerce) and the French Code of Ethics for Statutory Auditors (Code de déontologie de la profession de commissaire aux comptes) for the period from January1, 2021 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 for this period have been prepared and audited under special circumstances. Indeed, this crisis and the exceptional measures taken in the context of the health emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties regarding their future prospects. Some of these measures, such as travel restrictions and remote working, have also had an impact on companies' internal organization and on the performance of audits.

It is in this complex, 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 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.

Provisions for restructuring in respect of the Local First project

RISK IDENTIFIED	OUR RESPONSE
As stated in Note 3 to the consolidated financial statements, on October 19, 2020 the Group announced the implementation the new organization under the Local First plan. This resulted in the recognition of an expense in the amount of €727 million in the consolidated financial statements as of December 31, 2021. The costs notably include €551 million of provisions for restructuring recognized as of December 31, 2021. Due to the complexity of the estimation of the provisions for restructuring and their material amount, we considered the measurement of the provisions for the Local First project to be a key audit matter.	Within the scope of our audit of the consolidated financial statements, our work notably consisted in: • gaining an understanding of the process for the identification and evaluation of the commitments made within the framework of the "Local First" project in the various countries; • assessing the reasonableness of the assumptions used to estimate the amount of the provisions at year-end and, in particular, using sampling techniques to perform a critical review of the items concerned and the accompanying measures, if any, comparing them to the social partners /management collective agreements; • performing substantive procedures, for a representative sample, on individual commitments, notably reviewing the estimation of the accompanying measures, reference salaries and length of service of the employees and comparing this information with the data obtained from the payroll systems; • reviewing the appropriateness of the disclosures in the notes to the consolidated financial statements concerning this project.

Revenue recognition

RISK IDENTIFIED	OUR RESPONSE
As of December 31, 2021, total net sales were recorded for an amount of €24,281 million in the consolidated financial statements. As indicated in Note 6.1 to the consolidated financial statements, the 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 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 that we considered to be 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, using sampling techniques, 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

RISK IDENTIFIED	OUR RESPONSE
As of December 31, 2021, goodwill amounted to €17,871 million euros, brands amounted to €5,805 million and investments in associates amounted to €771 million. In the course of the financial year, the Group recognized a €52 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 for brands, with the exception of certain brands for which the group possesses third-party valuations, as explained in Notes 5.1 and 10.3 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 brands. In 2021, as indicated in Note 10.3 to the consolidated financial statements, management notably projected in its business plans: • the effects of the health crisis related to Covid-19 on the main activities affected, namely those of Waters; • the general acceleration of the inflation of raw material prices (milk and ingredients), packaging and logistics costs for the periods 2021 and 2022; • operating costs and investments linked to the operations transformation plan over the business plan period. The latter includes in particular the initiatives relating to the fight against climate change. In addition, as indicated in Note 5.6 to the consolidated financial statements, the Group noted an indication of impairment on the Yashili's investments in associates as of December 31, 2021. The impairment test performed, based on estimated future cash flows of the business plan prepared by its management and covering the period from 2022 to 2026, did not result in reviewing the amount of the impairment charge recognized in the previous years. Taking into account the sensitivity of these estimates, we therefore deemed the measurement of (i) goodwill and 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 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. For a sample of CGUs and brands, identified on the basis of quantitative and qualitative factors, we examined the methods and main assumptions used to determine the recoverable amount, 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 included in 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 of the approach adopted and the data used by the group (market valuation, recent performance and forecast results), to identify any indications of loss in value. For Yashili, we performed the procedures as described above for goodwill and brands, and we examined the main assumptions used to determine the recoverable amount, notably by comparison with external valuations. We also examined the disclosures provided in the notes to the consolidated financial statements, with respect to the sensitivity analysis.

Tax assets and liabilities

Risk identified	Our response
The 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 to the consolidated financial statements, liabilities for tax risks, including territorial risks, amounted to €675 million as of December 31, 2021. As of December 31, 2021, the amount of €281 million 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 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. 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 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 included tax specialists in the audit team 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 the consistency of the assumptions concerning the use of the tax loss carryforwards against future taxable profits with the business projections prepared by the management, 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 verifications required by laws and regulations of the information relating to the Group given in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its 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 (Code de commerce) is included in the information relating to the Group given in the management report, it being specified that, in accordance with Article L. 823-10 of said Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein.

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

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by statutory auditors regarding the annual and consolidated financial statements prepared in the European single electronic format, that 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), prepared under the CEO's responsibility, complies with the single electronic format defined in Commission Delegated Regulation (EU) No. 2019/815 of December 17, 2018. Regarding consolidated financial statements, our work includes verifying that the tagging thereof complies with the format defined in the above-mentioned regulation.

On the basis of our work, we conclude that the preparation of the consolidated financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the consolidated financial statements that will ultimately be included by your Company in the annual financial report filed with the AMF (Autorité des marchés financiers) agree with those on which we have performed our work.

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 on April 28, 2016 for ERNST & YOUNG Audit.

As at December 31, 2021, PricewaterhouseCoopers Audit was in its thirtieth year and ERNST & YOUNG Audit in its sixth year of total uninterrupted engagement.

Previously, ERNST & YOUNG et Autres was statutory auditor from 2010.

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 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 risk 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 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 made 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:

- Identifies and assesses the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains 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 auditor is 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 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 significant deficiencies, if any, 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) No. 537/2014, confirming our independence within the meaning of the rules applicable in France as set out in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code (Code de commerce) and in the French Code of Ethics for Statutory Auditors (Code de déontologie de la profession de commissaire aux comptes). Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine and Paris-La Défense, March 10, 2022

The Statutory Auditors

French original signed by

PricewaterhouseCoopers Audit		**ERNST & YOUNG Audit**	
Marjory GODEC	François JAUMAIN	Gilles COHEN	Alexandre CHRÉTIEN

4.2 FINANCIAL STATEMENTS OF DANONE SA, THE PARENT COMPANY

FINANCIAL STATEMENTS OF DANONE SA

Income statement

		Year ended December 31	
(in € millions)	Notes	**2020**	**2021**
Sales		622	635
Other income		52	65
Total operating income	3	**674**	**700**
Personnel costs	4	(260)	(254)
Other operating expense	5	(544)	(583)
Total operating expense		**(804)**	**(837)**
Net operating expense		**(130)**	**(137)**
Income from equity interests		2,070	4,038
Interest on loans and receivables and similar income		205	207
Interest on borrowings and similar expense		(255)	(233)
Other financial income (expense)		3	(4)
Net financial income	6	**2,022**	**4,008**
Net income before non-recurring items and tax		**1,892**	**3,871**
Net non-recurring income (expense)	7	**(34)**	**(244)**
Income tax	8	73	47
Net income for the year		**1,931**	**3,674**

Balance sheet

Assets

As of December 31

(in € millions)	Notes	2020 Net amount	2021 Gross amount	2021 Depreciation, amortization and provisions	2021 Net amount
Intangible assets		78	228	(130)	98
Property, plant and equipment		24	44	(25)	19
Equity interests		28,697	27,946	(108)	27,838
Other financial assets		4,590	5,477	–	5,477
Financial assets	9	33,287	33,423	(108)	33,315
Non-current assets		**33,389**	**33,695**	**(263)**	**33,432**
Short-term loans and receivables	10	301	253	(1)	252
Marketable securities	11	22	44	–	44
Cash and cash equivalents		–	–	–	–
Current assets		**323**	**298**	**(1)**	**297**
Deferrals and prepaid expense		508	161	–	161
Total assets		**34,220**	**34,153**	**(264)**	**33,889**

Equity and liabilities

As of December 31

(in € millions)	Notes	2020	2021
Share capital		172	172
Share premium		5,689	5,735
Revaluation adjustment		4	4
Other reserves		3,790	3,790
Retained earnings		1,945	2,604
Net income for the year		1,931	3,674
Regulated provisions		21	21
Equity	12	**13,552**	**16,000**
Other equity	14	1,250	1,250
Provisions for risks and charges	13	59	155
Bonds	14	13,263	13,277
Other financial debt	14	1,498	1,503
Other liabilities	15	4,128	1,587
Deferrals and accrued expense	15	470	117
Total equity and liabilities		**34,220**	**33,889**

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, 2021 were approved by Danone's Board of Directors on February 22, 2022 and will be submitted for approval to the Shareholders' Meeting on April 26, 2022. 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 pro rata 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

Local First plan for Danone's new organization

Background

In light of the global spread of the Covid-19 health crisis and the emergence of a radically changed environment, on October 19, 2020, Danone announced that it was implementing a new organization (Local First plan) 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;
- 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.

Impacts on Danone SA's statutory financial statements

Since it was a strategic restructuring, its effects have been accounted for as Net non-recurring income (expense).

Employee-related measures

Employee-related measures consist mainly of severance packages and supporting measures. Provisions for their related costs are recognized once the main features of the plan have been announced to the affected employees or their representatives where applicable.

In 2021, the costs relating to the employee-related measures totaled €137 million. A provision was recognized for most of this amount.

The deployment of the Local First plan in France is being carried out in two phases: a voluntary redundancy plan, which was closed in December, to be followed by a compulsory redundancy phase in 2022.

As of December 31, 2021, the provision recognized in France related to both of these plans. To calculate this provision, the Group has made its best estimate, as of that date, on the basis of the supporting measures after consultation with the social partners, and based on:

- data from the files of employees identified as eligible for the voluntary redundancy plan: the actual number of voluntary redundancies and their severance packages, valued taking into account (i) the individual data on the employees concerned (age, seniority and salary), and (ii) average assumptions on certain supporting measures (in particular the reclassification period);
- the following estimates for the compulsory redundancy phase:
  - number and categories of positions targeted for elimination as announced to the social partners and not already covered by the voluntary redundancy plan and positions already vacant;
  - assumptions concerning severance payments based on the average age and seniority and the average salary by qualification level for the positions concerned;
  - average assumptions concerning the cost and duration of supporting measures (in particular the reclassification period): the same assumptions were used for the voluntary redundancy plan.

In addition, as of December 31, 2021, off-balance sheet commitments for retirement obligations and other long-term benefits have been revalued to take into account the impact of the plans that have been announced.

Other expenses for the period

		Year ended December 31, 2021
(in € millions)	Notes	**Related income (expenses)**
Employee-related measures [a]	13	(137)
Project teams, consulting and other external supports		(45)
Other [b]		(5)
Total		**(186)**

(a) Of which €128 million corresponds to provisions.

(b) Mainly costs relating to the information systems.

Share buyback program

Danone finalized the share buyback program it announced on July 29, 2021. The Company bought back shares with a market value totaling €800 million in the second half of 2021.

As these buybacks were carried out for the purpose of canceling shares, the shares thus bought back were recognized in Other financial assets at their acquisition cost, excluding acquisition-related costs, in accordance with the accounting principles set out in Note 1 of the Notes to the financial statements of the parent company Danone (*DANONE treasury shares*).

Hybrid bond refinancing

As part of its permanent focus on optimizing its capital structure, Danone finalized its partial repurchase of hybrid bonds on September 16, 2021. The Company repurchased 500 million existing bonds issued on October 30, 2017 bearing an annual coupon of 1.75% and with a first call date on June 23, 2023. After this transaction, the remaining outstanding principal amount of the Existing Notes was €750 million.

This transaction complements the issuance of €500 million undated deeply subordinated fixed rate resettable notes bearing an annual coupon of 1% and with a first call date on December 16, 2026. This hybrid financing is also fully accounted as Other equity.

Other

Danone received dividends totaling €4.0 billion, mostly from its subsidiaries in the Specialized Nutrition business and the sale of its indirect stake in the Mengniu group.

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 €635 million in 2021 (€622 million in 2020).

Other income totaled €65 million in 2021 (€52 million in 2020) 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)	**2020**	**2021**
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.

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 €583 million in 2021 (€544 million in 2020).

NOTE 6. NET FINANCIAL INCOME (EXPENSE)

Net financial income totaled €4,008 million in 2021 (€2,022 million in 2020).

Income from equity interests

Income from equity interests consisted of dividends received from the Company's equity interests. In 2021, these dividends totaled €4,038 million (€2,070 million in 2020), mostly from its subsidiaries in the Specialized Nutrition business and the sale of its indirect stake in the Mengniu group.

Interest on loans and receivables and similar income

In 2021, interest on loans and receivables and similar income comprised mainly (i) interest received on loans and receivables granted to certain direct or indirect subsidiaries for €143 million (mainly in the United States), (ii) interest received from cross-currency swaps for €32 million, and (iii) interest on interest rate swaps for €30 million.

Interest on borrowings and similar expense

	As of December 31	
(in € millions)	**2020**	**2021**
Bonds [a]	251	235
Current account with Danone Finance International [a]	10	5
Short-term borrowings from indirect subsidiaries [a]	–	–
Commercial paper [a]	(6)	(7)
Total	**255**	**233**

(a) Interest paid and accrued in respect of the year. In 2021, it also includes the repurchase premium on undated subordinated notes as described in Note 2 of the Notes to the financial statements of the parent company Danone.

NOTE 7. NET NON-RECURRING INCOME (EXPENSE)

In 2021, Danone generated a Net non-recurring expense of €244 million. Its main components were the expenses relating to the Local First plan (see Note 2 of the Notes to the financial statements of the parent company Danone) and the capital reductions carried out by the Asian subsidiaries following the sale of the stake in the Mengniu group. In 2020, Danone generated a Net non-recurring expense of €34 million, which consisted mainly of allocations to and reversals of provisions and restructuring expenses.

NOTE 8. INCOME TAX EXPENSE

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 2021

	As of December 31, 2021
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
MICHEL ET AUGUSTIN	

(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 2021, the tax group recorded a taxable income. As of December 31, 2021, tax loss carry-forwards accumulated within the tax group in France amounted to €950 million, compared with €966 million as of December 31, 2020.

Other information

In accordance with Article 39.4 of the French Tax Code, in 2021 the Company recognized €0.1 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 2021.

As of December 31, 2021, items likely to result in a reduction of future tax liabilities consisted mainly of accrued charges and provisions. They totaled €153 million and would reduce future tax charges by €40 million..

NOTE 9. FINANCIAL ASSETS

Carrying amount and changes during the period

(in € millions)	As of December 31, 2020	Changes during the period			As of December 31, 2021
		Increase [a]	Decrease [b]	Reclassification, translation	
Gross amount					
Equity interests	28,809	–	(863)	–	27,946
Long-term loans and receivables	3,003		(89)	217	3,131
DANONE treasury shares	1,578	800	–	(36)	2,342
Other	9	–	(4)	–	4
Other financial assets	4,590	800	(93)	181	5,477
Total	**33,399**	**800**	**(956)**	**181**	**33,423**
Provisions [c]	(111)	(26)	29	–	(108)
Net total	**33,287**	**774**	**(927)**	**181**	**33,315**

(a) Share buyback program carried out in the second half of 2021.
(b) Capital reduction carried out by the Asian subsidiaries following the sale of the stake in the Mengniu group.
(c) Consists mainly of provisions for impairment of Equity interests.

Equity interests

Equity interests held in portfolio as of December 31, 2021

(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	Net sales [b]	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	165	100%	1,602,357	43	43	–	676	4	
COMPAGNIE GERVAIS DANONE	9,338	515	100%	370,575,203	9,755	9,755	–	–	228	
DAN INVESTMENTS	82	(14)	100%	4,100,000	82	50	–	–	2	
DANONE CORPORATE FINANCE SERVICES	142	127	100%	8,875,000	179	179	–	–	3	
DANONE NUTRICIA AFRICA & OVERSEAS	27	6	100%	266,421,480	2	2	–	161	1	
HOLDING INTERNATIONALE DE BOISSONS	324	818	100%	161,768,722	1,116	1,116	–	–	3	
Foreign investments										
DANONE ASIA PTE LTD	563	(1,102)	88%	979,032,009	469	469	–	–	1,071	922
DANONE BABY AND MEDICAL NUTRITION BV	1,305	13,806	100%	5,221,575,800	13,575	13,575	–	–	1,339	3,000
DANONE FINANCE NETHERLANDS	8	1	100%	800,000	94	26	–	–	–	
DANONE SINGAPORE HOLDINGS PTE LTD	71	(123)	61%	82,769,847	49	49	–	–	133	83
FPS DANONE COMMUNITIES	24	(4)	72%	20,859	16	15	–	–	–	
NUTRICIA RUSSIA BABY	–	6	70%	4,445,000	153	153	–	153	7	3
Investments in associates (at least 10% to 50% of the share capital held by the Company)										
NV DANONE SA	186	1,213	23%	21,988	400	400	–	326	24	12
DANONE FINANCE INTERNATIONAL	965	4,971	33%	4,034,154	2,012	2,004	2,000	–	44	18
Total					**27,946**	**27,837**				

(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, 2021, this balance sheet item comprised €253 million of loans and receivables due to the Company within less than one year, including tax receivables totaling €113 million, accounts receivable totaling €54 million, derivative instruments totaling €23 million and other receivables totaling €62 million.

NOTE 11. MARKETABLE SECURITIES

Carrying amount and changes during the period

(in € millions)	As of December 31, 2020	Changes during the period				As of December 31, 2021
		Increase	Decrease (delivery)	Reallocation	Reclassification	
DANONE shares						
DANONE shares hedging Group performance shares [a]	9		(15)		36	31
Total	**9**	**–**	**(15)**	**–**	**36**	**31**
SICAV Danone Communities [b]	13					13
Total	**22**	**–**	**(15)**	**–**	**36**	**44**

(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, 2020		Changes during the period				As of December 31, 2021
	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]	*686,629,600*	*686,629,600*	–		*1,052,889*		*687,682,489*
Share premium	5,689	5,689	–		46		5,735
Legal reserve	25	25	–				25
Other reserves	3,769	3,769	–				3,769
Retained earnings	1,945	2,604					2,604
Net income for the year	1,931	–	3,674				3,674
Regulated provisions	21	21		–	–		21
Total	**13,552**	**12,280**	**3,674**	**–**	**46**	**–**	**16,000**

(a) Ordinary shares with a par value of €0.25.
(b) Following shareholder approval at the Shareholders' Meeting of April 29, 2021, €1,272 million of the amount available for allocation of net income from the year ended December 31, 2020 was allocated to the dividend, and the remainder to retained earnings.
(c) Issues totaling €0.3 million carried out on May 18, 2021 and September 23, 2021 under the terms of the Company Savings Plans. These issues generated a share premium of €46 million.

NOTE 13. PROVISIONS FOR RISKS AND CHARGES

Carrying amount and changes during the period

(in € millions)	As of December 31, 2020	Changes during the period				As of December 31, 2021
		Reclassification [a]	Allocation	Reversal, used provision	Reversal, unused provision	
Provisions in respect of stock options and Group performance share plans	37	6	31	(16)	(17)	41
Restructuring provisions [b]	–	(16)	119	–	–	103
Other provisions	21	(6)	2	–	(6)	11
Total	**59**	**(16)**	**151**	**(16)**	**(23)**	**155**

(a) Reclassification as accrued expenses.
(b) Relating to the Local First plan (see Note 2 of the Notes to the financial statements of the parent company Danone).

NOTE 14. BONDS, OTHER EQUITY AND OTHER FINANCIAL DEBT

Bonds and Other equity

Carrying amount of bonds

(in € millions)	As of December 31 2020	2021
Nominal	13,199	13,223
Accrued interest	64	54
Total	**13,263**	**13,277**

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.

2021 transactions

(in millions of currency)	Year ended December 31 2021 Currency	Nominal value	Maturity
New financing			
Euro bond	EUR	1,000	2025
Euro bond	EUR	700	2030
Repayments			
Euro bond	EUR	1,000	2021
Euro bond	USD	800	2021
Japanese Yen bond	JPY	24,500	2021

Bonds: fixed rate / floating rate breakdown (after hedging where applicable) and changes during the period

(in € millions)	As of December 31, 2020	Changes during the period				As of December 31, 2021
		New borrowings	Repayment	Change in accrued interest	Revaluation	
Fixed rate portion						
Bonds	13,199	1,700	(1,919)		243	13,223
Accrued interest	64			(10)		54
Floating rate portion						
Bonds	–					–
Accrued interest	–					–
Total	**13,263**	**1,700**	**(1,919)**	**(10)**	**243**	**13,277**

Breakdown by currency with interest accrued as of the reporting date

(in € millions except Nominal value in foreign currency, in currency millions)	As of December 31, 2021		
	Nominal value in foreign currency	Historical value	Carrying amount
Bonds in euros or in currencies hedged in euros			
Euro	9,490	9,490	9,490
U.S. dollar	4,366	3,901	3,787
Bonds in currencies not hedged in euros			
None			
Total		**13,391**	**13,277**

Portfolio of cross-currency swaps hedging certain foreign-currency denominated bonds

(in € millions except Nominal value in foreign currency, in currency millions)	As of December 31, 2021	
	Nominal value in foreign currency	Historical value in euros
Euro – U.S. dollar	1,350	1,121
Total		**1,121**

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, 2020	Changes during the period				As of December 31, 2021
		New borrowings	Repayment	Change in accrued interest	Revaluation	
Fixed rate portion						
Loan from Danone Finance International	–					
Floating rate portion						
Commercial paper [a]	1,498		(751)		8	754
Short-term loan from ING	–	749				749
Other	–					
Total	**1,498**	**749**	**(751)**	**–**	**8**	**1,503**

(a) Net changes.

Maturity of Bonds and Other financial debt

	As of December 31	
(in € millions)	**2020**	**2021**
Due date less than 1 year	3,400	3,239
Due date between 1 and 5 years	8,161	8,441
Due date more than 5 years	3,200	3,100
Total	**14,761**	**14,780**

NOTE 15. OTHER LIABILITIES

Composition of Other liabilities

	As of December 31	
(in € millions)	**2020**	**2021**
Amounts owed by the Company to certain subsidiaries and affiliates	3,722	1,223
Trade payables	49	64
Unrealized foreign exchange gains	–	–
Accrued expenses	357	300
Total	**4,128**	**1,587**

Composition of Accrued charges

	As of December 31	
(in € millions)	**2020**	**2021**
Services provided	139	133
Personnel costs	–	99
Social charges	122	47
Tax liabilities	2	–
Financial debt	94	20
Total	**357**	**300**

NOTE 16. NET DEBT

Composition of net debt

	As of December 31	
(in € millions)	**2020**	**2021**
Bonds	13,263	13,277
Other financial debt	1,498	1,503
Amounts owed by the Company to certain subsidiaries and affiliates [a]	3,722	1,223
Total debt	**18,482**	**16,003**
Marketable securities	22	44
Cash and cash equivalents		–
Total cash and cash equivalents	**22**	**44**
Total net debt	**18,460**	**15,959**

(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)	**2020**	**2021**
Supplementary benefits in addition to defined benefit retirement plans [a]		
Gross commitments	697	673
Commitments net of retirement plan assets	528	513

(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)	**2020**	**2021**
Gross commitments	573	580
Commitments net of retirement plan assets	439	456

Main actuarial assumptions

	Year ended December 31	
	Retirement plan for senior managers	
(in percentage, except for ages in number of years)	**2020**	**2021**
Discount rate	0.8%	1.4%
Expected return on plan assets	0.8%	1.3%
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)	**2020**	**2021**
Supplementary benefits in addition to defined benefit retirement plans [a]		
Gross commitments	34	29

(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)	**2020**	**2021**
Put options held by non-controlling interests over some of the Company's direct and indirect equity interests [a]	363	354
Post-employment benefits [b]	528	513
Rents	117	109
Services provided	66	21
Derivative instruments [c]	4,806	4,171
Security interests [d]	2,000	2,000
Guarantees	2	1
Total	**7,881**	**7,169**

(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 and interest rates swaps for €4,171 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, 2021

Other obligations

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)		**2020**		**2021**
Executives and managers	826	83%	830	82%
Supervisors and technicians	106	11%	103	10%
Clerical staff	58	6%	76	8%
Total	**990**	**100%**	**1,008**	**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)	**2020**	**2021**
Gross amounts	28,809	27,946
Provisions for impairment	(111)	(108)
Carrying amount	**28,697**	**27,838**

DANONE treasury shares

As of December 31

(in € millions, except number of shares)	2020		2021	
	Number of shares	Carrying amount	Number of shares	Carrying amount
Treasury shares classified as Financial assets [a]	30,769,360	1,578	43,217,675	2,342
Treasury shares classified as Marketable securities [a]	284,325	9	593,919	31
Total	**31,053,685**	**1,587**	**43,811,594**	**2,373**

(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

	2017	2018	2019	2020	2021
Capital at year-end					
Share capital *(in €)*	167,677,600	171,263,800	171,530,202	171,657,400	171,920,622
Number of shares issued	670,710,400	685,055,200	686,120,806	686,629,600	687,682,489
Operations and results for the year *(in € millions)*					
Sales	609	666	593	622	635
Net income before tax, depreciation, amortization and provisions	105	820	431	1,877	3,807
Income tax [a]	100	104	79	73	47
Net income after tax, depreciation, amortization and provisions	176	899	471	1,931	3,674
Dividends paid [b]	1,274	1,329	1,441	1,272	1,334
Earnings per share *(in € per share)*					
Income after tax but before depreciation, amortization and provisions	0.32	1.35	0.74	2.84	5.60
Net income after tax, depreciation, amortization and provisions	0.26	1.31	0.69	2.81	5.34
Dividend per share	1.90	1.94	2.10	1.94	1.94
Personnel					
Average number of employees for the year	869	888	919	990	1,008
Payroll expense *(in € millions)*	207	193	200	169	160
Amounts paid in respect of employee benefits (social security, social benefit schemes, etc.) *(in € millions)*	115	94	95	91	94

(a) Income (expense).
(b) Amount relating to the 2021 fiscal year estimated as of December 31, 2021 based on the number of treasury shares held on that date by the Company. The 2020 dividend corresponds to the amount actually paid during the 2021 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 22, 2022, the date on which the Board of Directors approved the financial statements of the parent company Danone for the year ended December 31, 2021.

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 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 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' Meeting of Danone,

Opinion

In compliance with the engagement entrusted to us by your annual general meeting we have audited the accompanying financial statements of Danone for the year ended December 31, 2021.

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 December 31, 2021 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 January 1, 2021 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 December 31, 2021, equity interests amounted to 27 838 million euros out of a total balance sheet of 33 889 million euros. As stated in Note 1, section "Financial assets", to the notes to the financial statements, an impairment loss is recorded when the realisable value of the equity interests is lower than their carrying amount. The realisable value 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 realisable value 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. In view of the materiality of equity interests in the company's balance sheet and the judgment required to estimate their realisable value, 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 consistency 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 forecasted operating cash flows for the activities of the entities concerned and reconciling them with the forecast data provided in the latest strategic plans; – 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 1 and Note 9 to the Notes 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 the 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 the directors and any other commitments made in their favour, 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 controlling and controlled companies. 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 public 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

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the 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*), prepared under the responsibility of chief executive officer, complies with the single electronic format defined in the European Delegated Regulation No 2019/815 of 17 December 2018.

Based on the work we have performed, we conclude that the presentation of the financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the financial statements that will ultimately be included by your company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

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 30th year and 6th year of total uninterrupted engagement respectively.

Previously, ERNST & YOUNG et Autres held office as statutory auditor of Danone since 2010.

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 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 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.

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Neuilly-sur-Seine and Paris-La-Défense, March 10, 2022

The Statutory Auditors

French original signed by

PricewaterhouseCoopers Audit		**ERNST & YOUNG Audit**	
Marjory GODEC	François JAUMAIN	Gilles COHEN	Alexandre CHRÉTIEN

4.3 INFORMATION ON PAYMENT TERMS GRANTED TO SUPPLIERS AND CUSTOMERS OF THE PARENT COMPANY, DANONE SA

As of December 31, 2021

(in € millions unless stated otherwise)	Invoices received, unpaid and overdue as of the reporting date					
	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	55					**610**
Total amount of invoices concerned (including taxes)	3.7	0.6	2.7	0.5	5.3	**9.1**
Percentage of total purchases for the year (excluding taxes)	0.7%	0.1%	0.5%	0.1%	1.1%	**1.8%**
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						463
Total amount of excluded invoices						1.6
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, 2021

(in € millions unless stated otherwise)	Invoices issued, unpaid and overdue as of the reporting date					
	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	112					**1,094**
Total amount of invoices concerned (including taxes)	4.6	7.9	34.7	0.6	6.7	**49.9**
Percentage of total purchases for the year (excluding taxes)						
Percentage of sales for the year (excluding taxes)	0.7%	1.2%	5.5%	0.1%	1.1%	**7.9%**
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.

5

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 2021 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 2021 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.*

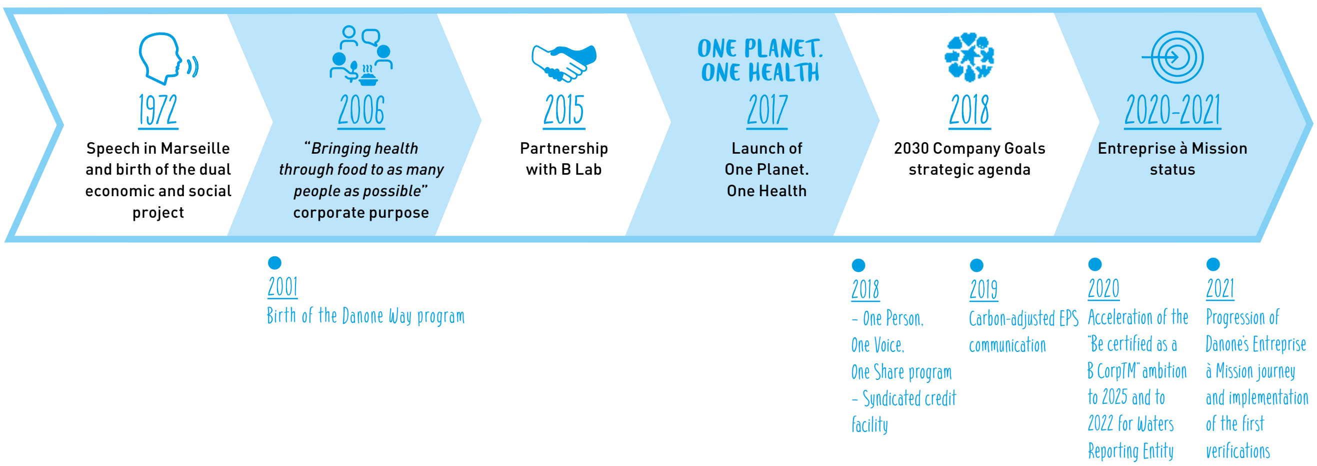
⦿ *Performance indicators monitored as part of Danone's Entreprise à Mission status.*

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



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 necessary evolution of the food system and to create 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 Objectives 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 Objectives and has defined short term key performance indicators and targets to enable independent third party to verify the Company's progress toward its Mission Objectives from the start of the journey. In 2021, the Company began engaging the Mission Committee, Danone's management and experts to set its 2025 ambition (see section 2.2 *Strategic priorities and outlook*).

Adopting the Enterprise a Mission status is in line with the Company 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 ensure its daily food supply.

GOVERNANCE ESTABLISHED TO SUPPORT DANONE'S ONE PLANET. ONE HEALTH FRAME OF ACTION

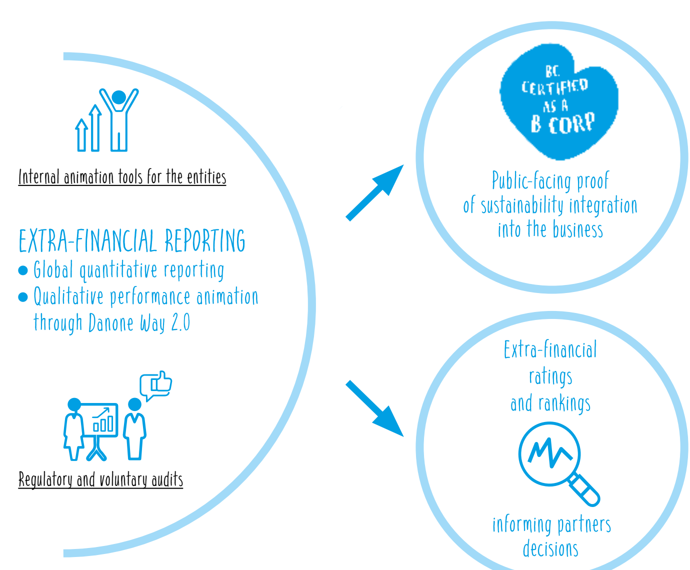
Internal organization and governance

Sustainability permeates Danone's entire organization, thus, all departments support the sustainability ambition and journey 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 mission 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 social innovation funds' decision-making bodies; • better serve the brand agendas and ensure coordination with the Growth Strategies and Capabilities Committee.
Danone addresses specific sustainability topics within thematic committees which are mentioned throughout chapter 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 the 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 external global B Corp™ certification as well as its dialogue with financial and non-financial partners, notably by sustaining 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 contributing to societal issues important for consumers and for the world. Their commitments allow them to connect with consumers around shared values and purposes which include 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 12 most material issues for both Danone's business success and for external stakeholders, as listed in the table below. In 2021, the Company renewed this materiality assessment. The full results of the analysis are available on the Company's corporate website.

This materiality analysis is the result of a global consultation with more than 380 internal and external stakeholders outlined below 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, through a joint effort by the departments responsible for Sustainable Development and for Strategy and Risks. In 2021, the Company reviewed these risks internally in light of the ongoing evolution of 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 12 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 sustainability into the business (for all issues below)	
COMPLIANCE		Responsible practices: ethics and integrity	• Integration of sustainability into the business	5.1 *An integrated approach of sustainable business model*
HEALTH & NUTRITION	IMPACT PEOPLES HEALTH LOCALLY	Unique product portfolio to impact people's health	• Product safety/quality • Nutritional quality of overall product portfolio • Food/water access and affordability • New consumption patterns/planetary diet • Consumer behavior change	5.2 *Offering safe, healthy products*
		Responsible communication Marketing of breast milk substitutes	• Product safety/quality • Nutritional quality of overall product portfolio	
ENVIRONMENT (including the fight against climate change)	PRESERVE AND RENEW THE PLANETS RESOURCES	Regenerative agriculture	• Climate change • Sustainable farming/land use • Local sourcing and rural/farmer development	5.3 *Preserve and renew the planet's resources*
		Circular economy	• Climate change • Circular economy/packaging/waste	
		Preservation of water resource	• Climate change • Water stewardship • Food/water access and affordability	
SOCIAL (including workplace health and safety)	ENTRUST DANONE PEOPLE TO CREATE NEW FUTURES	Inclusive talent development Social dialogue Employee security	• Integration of sustainability into the business	5.4 *Building the future with Danone employees*
RESPONSIBLE SOURCING & HUMAN RIGHTS	FOSTER INCLUSIVE GROWTH	Business practices and price fixing Responsible sourcing Human rights	• Responsible procurement/supply chain management • Local sourcing and rural/farmer development	5.5 *Promoting sustainable, inclusive growth with suppliers through Responsible Sourcing and Human Rights*

RESPONSIBLE PRACTICES: ETHICS AND INTEGRITY

Definition

Danone works actively against corruption, bribery, payments in kind, conflicts of interest, theft, fraud, embezzlement, inappropriate use of company resources and money laundering.

Governance

Danone's worldwide compliance program is approved and supported by its Chief Executive Officer as well as by its Executive Committee, under the supervision of the Corporate 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 Global Compliance 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, Global Integrity Director, Global Head of Internal Audit, Global HR Compliance and Labor Law Director, Global Head of Investigations and the Chief Security Officer.

Danone created a People Ethics Commission whose responsibilities include promoting respect and dignity for people 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 section 5.5 *Focus on Tier 1 suppliers other than milk farmers: RESPECT Program*). It also reports on its work to the Board of Directors' Engagement Committee.

Policies

Danone has established policies and procedures for responsible practices that apply to all of its employees, its subsidiaries, the companies controlled by the Company and, in some cases, its business partners. Danone has a compliance framework which sets out the most important principles with regard to standards, responsibilities, organization and processes for its policies and programs.

General Policies	

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, money laundering, international trade sanctions and anti-competition;
	• includes section on how to raise a concern about a breach or a potential breach of the code including a reference to Danone's Ethics Line.

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.
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, interactions with Government Officials, advocacy and third-party due diligence; • describes the expectations that must be met by specific functions, such as Executive Committee members, General Managers, Human Resource Directors, Public Affairs and Medical and Healthcare teams.
Third Party Vetting Compliance Policy	• 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.

Thematic Policies	
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.
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.

Advocacy Policy	• describes the Company's vision of advocacy and the way it engages with external stakeholders. In particular:
	  • Danone interacts with governmental and non-governmental players as part of its dialogue with stakeholders and in the regular course of business to fulfil its purpose of "bringing health through food to as many people as possible". Where the company does engage in advocacy activities, this will be with the interests of the consumer in mind and the will to meet public health goals.
	  • Danone does not use any corporate funds or assets to make political contributions or independent expenditures on behalf of candidates or parties.
	• sets out the behaviours expected of its employees, as well as the expectation that all advocacy efforts must comply with the Code of Business Conduct and the Integrity Policy described above on top of all applicable national and international laws and regulations. The policy also describes how Danone's advocacy activities are monitored, and the external reporting linked to its advocacy. In particular:
	  • Danone is listed in the EU Transparency Register, as well as the French (*Haute Autorité Française pour la Transparence de la Vie Publique, or HATVP*) and US registers of interest representatives.

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.

Regular internal controls and audits are conducted for major compliance risks such as: governance 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.

Whistleblowing system: Danone Ethics Line

Danone has developed a confidential whistleblowing system for employees, suppliers and any other third party 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 15 languages.

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.

When responding to alerts, Danone enforces its clear whistleblowing policy, as stated in its Compliance Framework Policy, of not retaliating against whistleblowers if they report a genuine concern in line with the Code of Business Conduct.

The Danone Ethics line is communicated to all employees on an ongoing basis *via* the Code of Conduct, compliance trainings, posters on site and within all Danone's compliance policies.

Employee training and information

Danone has a comprehensive compliance training program incorporating a compliance fundamental e-learning for all employees with access to a laptop and a more targeted integrity essentials training for those employees identified at higher risk. In addition, Danone has specific trainings on healthcare and International Trade Sanctions.

A new Third Party Vetting digital solution is being implemented worldwide and as part of the roll out, a comprehensive training program has been made for every Danone employee involved in the purchasing of goods and services. In 2021, 70% of countries where the Company operates have deployed this digital solution.

Outcomes

In 2021, Danone received 568 alerts on various issues, including human resources, corruption and fraud. None of these cases had a material impact on the Company's consolidated accounts.

In 2021, due to the rollout of the new third-party due diligence solution, over 14,425 third parties have already been vetted. Among them, 95% were approved, 4.7% were approved with mitigation and 0.3% were rejected.

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 regular 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 onto 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. In 2021, Danone identified the "nutritional quality of overall product portfolio" and "product safety and quality" as two of its most material issues through an outreach of 380 internal and external stakeholders (see Danone's website for more information).

Offering consumers healthy products

Definition

Impact people's health locally is one of Danone's strategic goals which is anchored in the objectives that the Company set as part of its Entreprise à Mission status. The Company aims to contribute to the food model transformation by focusing on nutritional needs at local level, proposing relevant solutions anchored in local food cultures, and developing local routes to market. The intent of its health and nutrition strategy is thus to create a positive impact on health through healthier and more balanced diets. To do so, the Company works to evolve its product portfolio toward healthier food categories by reformulating, innovating and renovating on its product range while also drawing on its in-depth knowledge of public health concerns, eating habits and local cultural traditions.

Governance

In 2021, the health and nutrition strategy is implemented by the Alimentation Science Department, which reports to the Chief Growth Officer, who is a member of the Executive Committee. The Research and Innovation Department in charge of the products' formulation now reports to the COO End-to-End Design to Delivery, who is a member of the Executive Committee, allowing Danone to achieve both its health and business objectives together.

The health and nutrition strategy governance is supported by:

- the OPOH Integration and Investment Board (see section *5.1 An integrated approach of sustainable business model*);
- the Growth Strategies and Capabilities Committee, animated by the Chief Growth Officer and global heads of Reporting Entities, which contributes in particular to the strategic discussions: this Committee reflects on how to embed the health and nutrition strategy and objectives into the brands' strategy and contributing to their growth.

Policies, action plans and outcomes

Danone aspires to impact people's health locally. It means to create a positive contribution through its products and its brands, in line with both consumer and stakeholders' expectations. To have an even greater impact, Danone works *via* its social funds. For example, the Danone Ecosystem Fund enables to support systemic change in eating practices and health (€13.6 million spent to date in health-related issues).

In 2021, Danone decided to extend selected nutritional commitments which were backed by new targets for the year to come for its entire product portfolio. Across all categories, Danone's strategic focus remains on (i) portfolio healthiness and nutritional quality, (ii) responsible marketing and (iii) transparent nutritional labeling.

Simultaneously, Danone is defining enhanced nutritional commitments at global level for the horizon 2025-2030.

Improving the nutritional quality of the portfolio through innovation and reformulation

Danone strives to continuously improve its recipes not only 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 within each of its Reporting Entities with more products sourced organically, locally and naturally to meet consumers expectations.

2021 COMMITMENT	ACTION PLANS AND OUTCOMES
Danone is committed to offer products with a high nutritional quality. 2021 transition objectives: • Volumes of healthy categories: 90% ⦿ • Volumes sold without added sugars: 80% ⦿ • Volumes compliant with internal sugar target: 95% ⦿	In 2021, 90% ⦿ of product volumes sold are in healthy categories, stable relative to 2020 (see Health and Nutrition scope, Methodology Note). The other categories are mainly low-sugar drinks and occasional "indulgence" products. In 2021, 85.7% of product volumes sold comply with Danone nutritional targets (in slight decreased compared to 86% in 2020). Danone exceeded its target of volumes without added sugar, reaching in 2021 83% ⦿ versus the targeted 80% (see Health and Nutrition scope, Methodology Note). The Company has been progressing in added sugar reduction across all categories. For example, in dairy products, the reduction of added sugar reached 14% between in 2014 and 2021 and 25% in aquadrinks between 2008 and 2021. The Company performance in increasing its compliance with internal sugar target was, however, slightly below its plan, achieving 92% ⦿ versus 93% in 2020. This has been caused by Covid-19, the overall market context and the Company's reorganization plan. Despite these challenges and the slight decrease in the overall performance in this indicator, Danone continues its efforts, for example, the Specialized Nutrition Reporting Entity has progressed from 98% to 99% of compliance in 2021. 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. At the same time, Danone continues to gradually roll it out to the EDP Reporting Entity's product portfolio. In 2021, this label was applied to its products in Austria, Belgium, France, Germany, Latvia, Luxembourg, Poland, Portugal, Slovenia, Spain, Switzerland, Romania, Bulgaria, Hungary, the Czech Republic and Slovakia. In 2021, 89.3% of volumes of products sold were compliant with Nutri-Score A or B (or equivalent) compared to 88.3% in 2020.

⦿ Performance indicators monitored as part of Danone's Entreprise à Mission status.

The Access to Nutrition Index (ATNI) has ranked Danone first for the sub-category on Product Profile, recognizing the Company's performance in terms of nutritional quality of its products. At the same time, in 2021, Danone was confirmed as a member of the FTSE4Good Index calculated by FTSE Russel for the fifth consecutive year.

Developing responsible marketing practices through brands

Danone is committed to responsible marketing in compliance with the International Chamber of Commerce Code for Responsible Food and Beverage Marketing Communication and national and regional standards (For more information, see *Responsible communication* hereinafter). With this commitment, Danone promotes healthier choices and products for the consumers.

2021 COMMITMENT	ACTION PLANS AND OUTCOMES
Danone has a global company Pledge on responsible marketing, especially towards children, and is committed to translate this Pledge into local declarations in each country in which the Company operates.	In 2021, 22 of Danone's major selling 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) vs 20 at end 2020.

Fostering healthier eating and drinking habits through transparent and informative labeling

To encourage healthier choices for consumers, Danone is encouraging and developing extensive nutritional labeling on a large range of products.

2021 COMMITMENT	ACTION PLANS AND OUTCOMES
Danone is committed providing full and relevant nutritional information on its products, to guide consumers. 2021 transition objective: • Volumes sold with Front of Pack labeling: >96% ⦿	Danone supports initiatives to better inform consumers and help them become active participants in their own health. Thus, in 2021, 91.2% of Danone products displayed comprehensive nutritional information (nutritional table on the back of the packaging; a summary of the information on the front; guidance on portion size; information provided in other ways, such as the website) compared with 82.6% in 2020. In particular, in 2021, 97% ⦿ of products displayed nutritional information on the front of their packaging (versus 96% in 2020) and 92% of these volumes provided a portion size and number guidance (versus 83% in 2020).

⦿ Performance indicators monitored as part of Danone's Entreprise à Mission status.

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 aspires to foster inclusive growth for the most vulnerable partners in its value chain in collaboration with its social innovation funds.

The Company aims to expand healthy, affordable products to vulnerable groups based on targeted distribution models that make them more accessible.

Danone improves its portfolio for these communities not only by making the products more affordable, but also enriching selected products with key nutrients. For instance, its subsidiary in Poland (Specialized Nutrition Reporting Entity) offers *Bobovita My First Cereal*, a range of milk cereals without added sugar and fortified with vitamins C and D, thiamine, calcium, iron and iodine.

In 2021, Danone continued to support the populations most affected by the sanitary crisis through its various initiatives. At the local level, this involved (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 several product launches in Asia (mainly in Indonesia and Malaysia) and Latin America. In 2021, 55% 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 partnerships, with support from several of its social funds. These include (i) the Danone Communities Fund, which invests equity in social businesses in three fields: access to safe drinking water, access to healthy local nutrition and access to sustainable food systems. (ii) the Livelihoods Fund for Family Farming, which helps smallholders become more resilient and develop subsistence farming strategies that improve their diets, and (iii) the Danone Ecosystem Fund which develops inclusive and sustainable projects with several value chain stakeholders including projects related to promotion of healthy drinking and eating habits at key stages of life. 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.

Ensuring quality and food safety

Definition

Danone, because of its purpose 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.

Governance

In 2021, the responsibilities for defining standards, implementing action plans and monitoring commitments lies with:

- the Quality and Food Safety (QFS) function, led by the QFS SVP, who is reporting to the COO End-to-End Design to Delivery, member of the Executive committee. This function is responsible for defining the Danone QFS strategy, defining the Quality standards, and implementing the QFS policy and standards at all levels of the organization. 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.
- the Danone Food Safety (FS) department, led by the Danone Chief Food Safety Officer which reports to the General Secretary, a member of the Executive Committee and ensuring independence from the operational teams. It is in charge of establishing and maintaining the Danone food safety management system (FSMS), defining the highest food safety standards, maintaining, and assessing compliance and effectiveness of the whole system.

Policies

Danone's approach to QFS encompasses the entire value chain, from product design and supply to manufacturing, distribution, sale, as well as service to consumers. 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).
- Danone QFS Manual which describes the way Danone operates.
- Danone's Food Safety policy which refers to a Company-wide management system aligned with ISO 22000 and FSSC 22000 operating guidelines, rooted in the latest science and technology to enable robust risk anticipation, assessment and management under continuous improvement.

Action plans

Identifying emerging and evolving issues

Danone has developed an end-to-end risk anticipation process which aims to anticipate any emerging food safety issues and to reinforce its FSMS, with the objective of remaining at the leading edge on food safety science. It covers any new or evolving food safety risk related to the safety of raw materials, ingredients, food contact materials, manufacturing processes and finished products.

As part of this process, the map of potential risks for product category is regularly updated by the Danone FS department and adequate preventive plans are defined with the QFS operational departments responsible for local risk control.

Strategic collaborations and partnerships all over the world

The Danone FS department ensures tight connections with the scientific and regulatory ecosystem and maintains numerous collaborations and partnerships in the different regions (*i.e.*, European Union, the United States, China) with standardization & certification organizations, academia, governmental & intergovernmental organizations, industry associations and peers.

In 2021, the Danone FS department strengthened its external engagement through, among others:

- its collaboration with the China National Center for Food Safety Risk Assessment (CFSA) in food safety capability building and scientific research. Danone entity in China is the official partner of the EU-China-Safe project, co-led by the Queen's University of Belfast and the CFSA. This is an inter-governmental project aiming to deliver an effective, resilient, and sustainable EU-China food safety partnership.
- its partnership with Mars Company in the field of food safety with a co-hosted global summit on the future of food safety, that focused on advances in science, technology and research contributing to food safety and food security in the service of UN Sustainable Development Goals (SDGs).

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 defining its own company Quality & Food Safety requirements based on the latest science and highest international standards.

In 2021, a new QFS Standard Operating Procedure (SOP) has been released to reinforce Danone's principles of risk-based approach and guidance has been shared with local teams. The scope covers design, sourcing, manufacturing, and supply chain, where QFS is engaged in risk management decisions. The SOP details notably the uncertainties list, responsibilities, and principles.

In order to continue strengthening the requirements of FSSC 22000 standards in 2020-2021, the Danone FS department upgraded its internal FS standards in two main areas:

- safety qualification of new ingredients: the safety assessment process for new ingredients has been reviewed to cover in a tailored way all types of substances intentionally added to products' recipes (for example, microbiological strains, botanical ingredients, flavorings, additives, enzyme). This assessment process is supported by expert-built databases and tools.
- Hazard Control and Verification Planning: the internal methodologies and terminology have been aligned with the latest concepts developed in ISO 22000:2018 to deploy consistent practices all over Danone production sites to ensure robust, efficient and risk-based management of food safety risks.

Compliance and performance evaluation

Under the responsibility of the Danone FS 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;
- external food safety certification processes: Danone's objective is to earn FSSC 22000 certification for all production sites by the end of 2022 (see section *Results*).

Strengthen the quality and food safety culture

Danone developed the iCare program to strengthen its employees' quality and food safety culture with a focus on the following priorities:

- develop a consumer-first mindset;
- engage all its employees on quality and food safety topics;
- promote visible engagement by leaders and management;
- ensure that quality and food safety-related requirements and messaging are consistent and easy to understand;
- encourage employees to get involved and share ideas to improve performance.

As part of its partnership with the Safe Secure Approaches Field Environments (SSAFE), Danone supported in 2021 the development of the "Food Safety Culture Tool", a free entry level tool to help food companies to measure and accelerate the development and implementation of strong food safety cultures.

The Company aims for continuous improvement and conducts assessments to measure the maturity of this culture on a regular basis. An assessment has been conducted in 2021, which results showed improvements and confirmed the "Improving" maturity status of Danone.

Employee training and awareness

Danone relies on numerous initiatives and training courses to raise awareness and train all its employees in order to strengthen the food quality and safety culture within the Company. In 2021, Danone made an internal awareness campaign on the 4 pillars of the Danone QFS ambition and expanded its training offerings to include notably a new e-learning course accessible to all employees on the food safety risk analysis.

Listen to consumers

Being preferred means continuously improving consumer satisfaction and playing a key role in the evolution of food systems. As consumer feedback is key to achieving the highest product quality and innovation, Danone ensures that, in each market, consumers can easily share their questions and opinions either over the phone or online. In 2021, as every 2 years, Danone conducted a census of its consumer contact centers, allowing to identify strengths and improvement areas and to build a strategic plan for the next 3 years.

Outcomes

External certifications: Danone reached a site certification rate of 93% (89% in 2020). In 2021, 190 FSSC 22000 certification audits were conducted by independent certification bodies (140 in 2020). As of December 31, 2021, 175 sites were certified and 186 are planned to be audited in 2022, postponing the initial commitment to reach 100% by the end of 2022 (see Production Site Food Safety scope, Methodology Note).

Internal audits: in 2021, the Global Food Safety Audit team conducted 50 in-house food safety audits (50 in 2020) (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 the families' 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 to promote healthier habits.

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.

Responsible Marketing Policy is overseen globally by the Vice President Public Affairs reporting to the General Secretary who is a member of the Executive Committee.

Policies

As 90% of Danone's product volumes are sold in healthy categories, 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 restricted its marketing communications to children under the age of 13 (The IFBA's and EU Pledge's 2021 enhanced Policy on Marketing Communications to Children now extends to children under the age of 13, rather than 12 years old), 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.

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). To ensure the greatest transparency and the highest level of compliance, Danone decided to embed its commitments at local level: at the end of 2021, 95.6% of its major selling countries have published a local declaration on marketing to children (87% in 2020).

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.

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 13.

More generally, Danone has established the following principles for marketing to children:

- no misleading messages;
- no parental influence undermining, but supporting the role of parents or other responsible for 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 benefits of the product involved;
- no encouragement of unhealthy dietary habits;
- no blurring of the boundary between marketing and branding;
- striving that marketing materials primarily appealing to children under 13 years old promote healthy, balanced diets and lifestyles as well as positive values.

The details of the measures taken, including with respect to the use of influencers and licensed characters on packaging and at points of sale, are set out in the Danone Pledge (see Danone's website for more information).

In 2021, 80% of Danone's entities monitored their compliance with the Danone Pledge (see Danone Way scope, Methodology Note).

Outcomes

In a 2021 audit conducted in Bulgaria, France, Germany, Italy, Poland and Spain, Danone's television advertising was found to be 99.4% compliant with the EU Pledge criteria across all six countries.

In 2021, 100% of brand-owned websites, brand-managed social media profiles and brand-recognized influencer profiles analyzed in 8 different countries were compliant with the EU Pledge commitment.

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.

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 General Manager is responsible for implementing the Policy for the Marketing of Breast-Milk Substitutes (BMS Policy) and for monitoring its procedures in the relevant geographic region.

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 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 a global policy, applicable in all the countries it operates, on marketing breast milk substitutes from birth to six months of age.

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, made commitments encompassing, amongst others, a new approach to product differentiation and Health Care Professionals (HCP) engagement, and developed a roadmap for promoting, protecting and supporting breastfeeding over the next 10 years. In 2021, the Danone Nutricia Campus, an open science and educational platform for HCP, went live.

Action plans

Every year, Danone appoints an independent third party to conduct three market-based assessments of its breast milk substitute marketing practices the summary report is publicly accessible. Additionally, the Company publishes an annual report on BMS Policy management and compliance called *Raising the bar: responsible marketing of baby formula which includes:*

- a summary of the external audits and checks for the previous year;
- suspected and reported non-conformities;
- action plans.

Danone has also rolled out e-learning training on its BMS Policy which is accessible to all employees and external partners and has been translated into 13 languages. Additionally, an in-depth e-learning for all its marketeers working in the field of baby formula was rolled out in 2021.

For the third-party stakeholders, a toolkit was created to increase the awareness around responsible marketing of baby formula.

Outcomes

In 2021, 5,858 employees were trained on Danone's Policy for the Marketing of Breast-Milk Substitutes (versus 6,387 in 2020). Danone changed its methodology in 2021 in terms of tracking the number of employees trained. Instead of tracking over a two-year period for 2020 and before, the Company now tracks only over the corresponding one-year (see section 5.8 *Methodology Note*). In 2021, Danone continued its journey in progressively rolling out e-learning trainings, which contributed to the high number of trained employees.

The Access to Nutrition Index (ATNI) ranked Danone first for the sub-category on marketing of breast milk substitutes and complementary foods, for the second year in a row. At the same time, in 2021, Danone was confirmed as a member of the FTSE4Good Index calculated by FTSE Russel for the fifth 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 including supporting regenerative organic agriculture;
- circular economy;
- preservation of water resources.

Governance

In 2021, Danone's environmental strategy is sponsored by the CEO and the COO End-to-End and Design-to-Delivery who is a member of the Executive Committee. In coordination with the Chief Cycles & Procurement Officer and the VP Nature and Water Cycle, they review its implementation, priorities and key issues on a quarterly basis.

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.

Furthermore, the strategy is monitored through the following global and local departments:

- 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 the 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 through training sessions and 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, available 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. In 2021, an additional e-learning module on net zero emission was made available to all its employees to support Danone's 2050 commitment.

In addition, Danone launched a new training course to support the launch of Danprint 2.0, the upgraded version of its carbon footprinting tool. The software facilitates the measurement of a product's carbon footprint over its entire life cycle and allows the comparison of the impact of various design scenarios.

The Nature & Water Cycle Department continues to train employees involved 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	
	2020	**2021**
ISO 14001 certification [a]		
Number of certified sites	82	83
Percentage of certified sites	46%	46%
Percentage of volumes covered	65%	65%

(a) Production Site Environment scope, see Methodology Note.

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	
	2020	**2021**
Sites having undergone a GREEN audit		
Number of sites	121	129
Percentage of sites	67%	72%
Percentage of production covered by a GREEN audit	79%	81%
Compliance with GREEN standards		
Number of compliant sites	104	108
Percentage of compliant sites	86%	84%
Percentage of compliant production	94%	91%

Focus – Application of the European Taxonomy to Danone's activities

Under European Regulation 2020/852 (the "Taxonomy" Regulation) on the establishment of a framework to facilitate sustainable investments in the European Union (EU), Danone is required to publish performance indicators for fiscal year 2021 for its entire financial consolidation scope. These indicators must show the share of its eligible net sales, capital expenditures (CapEx) and operating expenditures (OpEx) derived from products and/or services associated with economic activities qualifying as sustainable within the meaning of this Regulation for two climate objectives: climate change mitigation and climate change adaptation.

The eligibility of Danone's activities was assessed and its indicators for 2021 were defined (i) based on the provisions relating to application of the Taxonomy Regulation, *i.e.* the Climate Delegated Regulation of June 4, 2021 and the Delegated Act of July 6, 2021, and (ii) in accordance with the methodology described in section 5.8 *Methodology note*.

Presentation of Danone's Taxonomy indicators

Sales

For the first two climate objectives applicable as of 2021, the European Commission prioritized business sectors that contribute significantly to greenhouse gas emissions at the EU level. As the food and beverage sector is not regarded as contributing substantially to these first two objectives, Danone's activities are not eligible within the meaning of the Taxonomy Regulation. Consequently, no eligible sales were identified in 2021. Danone will therefore carefully monitor the future publication of regulatory texts relating to the four other environmental objectives in the Taxonomy Regulation and their application to its activities.

Operating expenditures (OpEx)

The amount of OpEx within the meaning of the Taxonomy Regulation represents less than 3% of Danone's operating expenditures for fiscal year 2021 and is not considered to be significant.

Capital expenditures (CapEx)

Because its activities are not eligible, Danone's eligible CapEx (i) does not include CapEx associated directly with its activities and (ii) only concerns CapEx used for "individually sustainable measures", as defined in the Taxonomy Regulation, that aim to reduce greenhouse gas emissions. Eligible CapEx represented 23.7% of acquisitions of property, plant and equipment and intangible assets for fiscal year 2021 (8.8% excluding leased assets).

This eligible CapEx relates mainly to long-term leases on buildings and vehicle fleets and to the construction and renovation of existing buildings, irrespective of technical criteria. It also includes CapEx that improves energy efficiency of buildings.

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, 2021.

FIGHT AGAINST CLIMATE CHANGE

Definition

Identifying the risks related 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 based notably on IPCC's Representative Concentration Pathways (including 1,5°C pathways), carbon prices, evolution of agricultural production systems and consumer dietary patterns. It also enabled Danone to 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.

Over the period 2020-2030, transition risks and opportunities are the most significant for Danone, as illustrated in below table, while physical risks are expected to become more significant over the period 2030-2050.

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 net zero emissions 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 2019, Danone underlined its pledge by signing the "Business Ambition for 1.5°C pledge" at the UN Climate Summit. In order to reach its Net Zero 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;
- offsetting remaining GHG emissions.

Cutting greenhouse gas emissions

Danone's greenhouse gas emissions reduction trajectory is consistent with 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) and are in line with 2°C pathways:

- 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 on building 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 pathways for the Forest, Land and Agriculture sectors (FLAG project).

Lastly, as part of the RE100 initiative, Danone has pledged to shift to 100% renewable electricity by 2030, with the first interim milestone of 50% achieved in 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*).

Eliminating deforestation from the supply chain

At the end of 2021, Danone continued to progress towards its goal to eliminate deforestation in its supply chain, focusing on key forest risk raw materials—palm oil, paper and 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). Danone publishes a dedicated report annually on its website on the progress made regarding key ingredients.

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. Danone is currently reviewing its Deforestation Policy.

Palm Oil Policy

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, in particular High Conservation Value (HCV) and High Carbon Stock (HCS) or tropical peatland. Also, the plantations must respect the rights of indigenous populations and local communities as well as the rights of all workers.

In 2021, Danone used approximately 67,498 metric tons of palm oil (compared with 65,600 metric tons in 2020).

Danone works with Earthworm Foundation (a not-for-profit that supports the creation and development of solutions that address environmental and social issues) to ensure traceability of palm oil. In 2021, through detailed mill mapping for the first semester of 2021, Danone was able to demonstrate the full effect of the North America volume transition to RSPO (Roundtable on Sustainable Palm Oil) Segregated. Globally, 93% of the palm oil sourced by Danone was certified RSPO Segregated, 5% was certified RSPO Mass Balance and the remaining 2% was "conventional" palm oil purchased in Africa. The slight drop of RSPO Segregated compared to 2020 is due to volume changes and local sourcing in Africa. In the first semester of 2021, according to its most recent mill mapping, Danone reached 99.8% traceability to plantation, up from 84.7% in the second semester of 2020.

These initiatives were recognized by the CDP and enabled Danone to obtain for the second year in a row the highest score possible in the CDP Forests–Palm Oil questionnaire for its transparency and its environmental performance in fighting deforestation.in the CDP Forests–Palm Oil questionnaire for its transparency and its environmental performance in fighting deforestation.

In addition, the Company continues to publish updated list of its palm oil direct suppliers and mills as well as the grievance process 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. Danone also works with the Round Table on Responsible Soy (RTRS) association for the purchase of credits supporting the transition toward sustainable soy.

Danone's soy consumption and its use in its plant-based products are described in section 5.5 *Upstream supply chain transparency*.

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 towards 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 2021, Danone used 99.8% of paper and board packaging made of recycled fibers or virgin certified (FSC, PEFC, SFI) fibers (98% in 2020).

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.

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 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 net zero commitment around the carbon neutrality of 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) brand has committed to do so by 2025 and the brands *Karicare* (Specialized Nutrition Reporting Entity) and *Happy Family* (Specialized Nutrition Reporting Entity) by 2030.

In addition, the production plant Poços de Caldas in Brazil has been certified by the Carbon Trust in 2021 on the 3 environmental

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goals: carbon neutrality, water reduction and zero-waste to landfill. The site is fully powered by renewable electricity, part of which is generated by the 1,500 solar panels covering the parking lots and walkways of the production site.

Outcomes

External recognition

In 2021, CDP recognized Danone as one of the world's leading companies in terms of its environmental performance and its transparency in fighting climate change, fighting deforestation and protecting water resources, for the third consecutive year, being one of only fourteen companies in the world awarded with the "triple A" rating for its 2020 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 1,500 of its senior executives, based on its CDP Climate Change score. In 2021, Danone strengthened this environmental performance condition by taking into account, in addition to its performance in the CDP Climate Change, its performance in the CDP Forests and CDP Water (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 of its 2021 actions, it was included for the fourth consecutive year in the CDP Supplier Engagement Leaderboard.

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 14.8% between 2020 and 2021, mainly due to the switch to renewable electricity sources in Indonesia, Russia and Mexico. On a like-for-like basis, these emissions decreased by 14.9% compared to 2020 and 48.3% compared to 2015.

		Year ended December 31
Scope 1 and 2 emissions, market-based *(in ktCO₂)* [(a)]	**2020**	**2021**
Scope 1	668	683
Scope 2	479	295
Total Scopes 1 & 2	**1,147**	**978**
Absolute emissions reduction, scopes 1 and 2, market-based since 2015	**38.1%**	**48.3%**

(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 ktCO2 eq)	**2020**	**2021**
Purchased goods and services	19,921	19,371
Upstream transportation and distribution of goods	322	300
Downstream transportation and distribution of goods	1,627	1,365
Use of sold products	1,886	1,545
End-of-life treatment of sold products	783	769
Fuel and energy related activities	284	259
Waste generated by operations	153	125
Total Scope 3	**24,974**	**23,733**

Greenhouse gas emissions on scopes 1, 2 and 3

	Year ended December 31	
(in ktCO2 eq) [a]	**2020**	**2021**
Scope 1	668	683
Scope 2 [b]	479	295
Scope 3	24,974	23,733
Total Scopes 1, 2 and 3	**26,122**	**24,711**
Emissions intensity ratio scopes 1, 2 and 3 *(in grams of CO2 eq/kg of product sold)*	**756**	**679**
Reduction in intensity on a like-for-like basis since 2015	**24.5%**	**27.1%**

(a) Greenhouse Gas scope, see Methodology Note.
(b) Market-based.

Danone's total emissions from its value chain in 2021 for scopes 1, 2 and 3 amount to 24.7 million metric tons of CO_2 equivalent compared to 26.1 million in 2020, mainly due to a methodological alignment with the Product Environmental Footprint Category Rules (-0.75 million metric tons CO_2 equivalent), the results of the action plans relating to regenerative agriculture (-0.35 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 (- 0.2 million metric tons CO_2 equivalent). In 2021, Danone reduced its full scope GHG emissions by 3% ⦿ on a like for like basis, compared to 2020.

The ratio of Danone's total emissions across its value chain on scopes 1, 2 and 3 decreased by 10.1% between 2020 and 2021. On a like-for-like basis, this ratio decreased by 2.4% compared to 2020, due to the results of regenerative agriculture projects and the adoption of energy sources that produce lower CO_2 emissions. On a like-for-like basis, this ratio is decreasing by 27.1% 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.

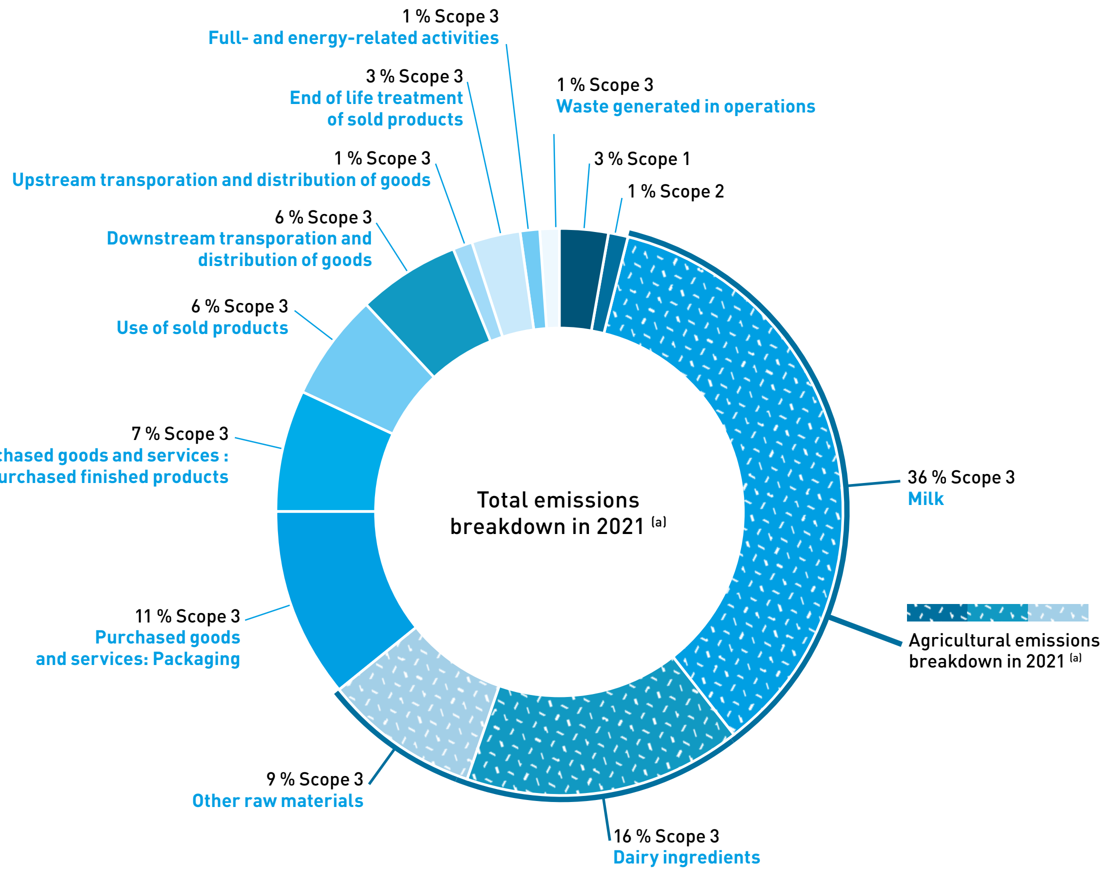
In 2021, Danone continued to measure the effects of its ambitious plan to shift to regenerative agriculture, particularly in the following countries (see section *Transition toward Regenerative Agriculture*):

- in Russia, due to continuous improvement of cow performance to reduce methane emissions; through genetic improvement and overall optimized herd management and feed efficiency and increase use of low carbon feed with increase by-products and reduce soy-based feed;
- in Brazil, due to action plans to convert manure into organic fertilizers through compost and biodigesters, the traceability of animal feeds in areas with no deforestation risks and improved cow productivity;
- In France, Danone measured the results of Les 2 Pieds sur Terre program launched in 2017 with the objective of reducing the emission factor of partner farms by 15% by 2025, in collaboration with Danone Ecosystem fund, Livestock institute, and Miimosa that helped French farmers in their environmental footprint reduction journey thanks to training, diagnosis and technical support. Overall, around 1,400 farmers participate to the program and helped to achieve almost 10% reduction of emission factor of partner farms compared to 2016.

⦿ Performance indicators monitored as part of Danone's Entreprise à Mission status.

With 96% of Danone's total emissions across its value chain, scope 3 represents the largest contributor, more than those from scope 1 (2.8%) and scope 2 (1.2%).

In 2019, Danone reached the peak of its carbon emissions on scopes 1, 2 and 3, five years ahead of its original target (2025).



(a) Greenhouse Gas scope, see Methodology Note.

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. In 2021, and following the decrease of full scope emissions, the cost of carbon per share has decreased by -4.9%, following a -4.1% decrease in 2020. In 2021, the carbon adjusted recurring EPS increased by 1.7% when the recurring EPS decreased by -1.1% (see section 3.2 *Examination of consolidated income* and 5.8 *Methodology Note*).

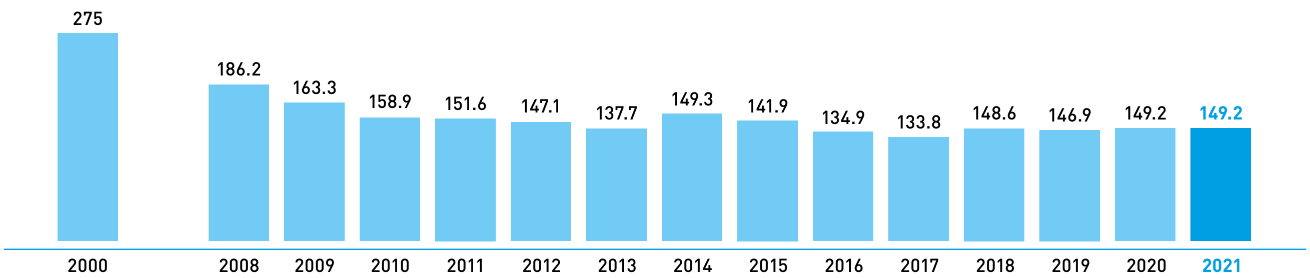
Energy efficiency and renewable energies

	Year ended December 31	
(in MWh)	**2020**	**2021**
Thermal energy [a]	3,223,381	3,203,185
Electricity [a]	2,015,977	1,995,902
Total	**5,239,358**	**5,199,087**
Energy consumption intensity *(in kWh per metric ton of product)*	149.2	149.2
Total reduction in energy intensity since 2000 *(in kWh per metric ton of product)*	**46%**	**46%**

(a) Production Site Environment scope, see Methodology Note.

Energy consumption intensity remains stable in 2021 compared to 2020.

Intensity of total energy consumption at production sites
(in kWh per metric ton of product)



At end-2021, total energy consumption intensity at production sites declined by 46% compared to 2000 (stable compared to 2020).

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	
	2020	**2021**
Production sites purchasing 100% renewable electricity [a]	74	87
Percentage of renewable electricity [a]	54.3%	68.5%
Percentage of renewable energy [a]	24.5%	29.8%

(a) Production Site Environment scope, see Methodology Note.

As part of the RE100 initiative, 87 production sites purchased electricity from 100% renewable sources (wind, hydro, etc.) in 2021, contributing to a total of 68.5% of Danone's electricity purchases in 2021 (compared to 54.3% in 2020). Furthermore, its total energy use from renewable sources (electricity and thermal) represented 29.8% of its total energy use in 2021 (compared to 24.5% in 2020).

Opportunities

Danone works closely with all stakeholders in the value chain to strengthen the traceability of its supplies and deploy Regenerative Agriculture practices 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.

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

Definition

For Danone, agriculture is the biggest source of greenhouse gas emissions (representing 61% of total emissions in 2021), and the main source of water use. Believing that agriculture can be a part of the response to climate change, Danone is firmly committed to regenerative agriculture that includes organic agriculture and promotes practices that protect the soil, biodiversity and animal welfare while also supporting farmers in the transition toward more resilient agricultural models that protect natural resources.

Policies

In 2021, Danone published its Regenerative Agriculture Framework that complements and strengthens the earlier White Paper (2015). This framework details the concept of regenerative agriculture as well as it defines a set of practices and a plan to drive the transformation on the ground. Danone's regenerative agriculture approach is based on the following three pillars:

- protecting soils, water and biodiversity (reinforced by the Water Policy);
- empowering new generations of farmers;
- respecting animal welfare.

Concerning the last pillar, Danone has made a number of pledges which are formalized in the Animal Welfare Position Paper and for which it publishes a progress report every year. Danone's approach was developed in collaboration with the NGO Compassion in World Farming (CIWF) and is based on the five freedoms internationally recognized by the Farm Animal Welfare Council.

Action plans and outcomes

In 2021, 66% 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 70% in 2020. For example, the Company's French subsidiaries have pledged to produce 100% of the ingredients grown in France from regenerative agriculture by 2025. In order to achieve this, Danone France is working on various projects such as the "Pachamama" project in collaboration with the *Blédina* brand, the Danone Ecosystem Fund and French associations supporting French fruits, vegetables and cereals farmers in the application and dissemination of regenerative agriculture practices that respect soil health and biodiversity.

With regard to its employees, Danone has deployed an e-learning module in 2021 that covers the three pillars of its Regenerative Agriculture Framework and the actions of its brands to implement them.

Protecting soils, water and biodiversity

Danone aims to restore the quality of soils through regenerative agriculture with a focus to enhance soil organic matter content, help sequester more carbon, strengthen biodiversity, and retain more water (see section *Preservation of the water resource*).

To this end, Danone works directly with farmers to develop action plans and help them implement new soil protecting practices. In France, through the "C'Haies Parti!" project, the Company helps farmers preserve biodiversity by planting hedgerows around their crops. With this project, Danone is expecting to plant 30,000 meters hedgerows. The project will also help improve biodiversity, soil health, water quality while storing carbon.

Danone is working on good soil health practices at farm level (such as reducing tillage or use of cover crops and inter-crops) that are implemented in France, the United-States and South Africa. These practices allow the regeneration of the natural biodiversity of the soil ecosystem and the local farming ecosystem.

Danone's approach includes working with many partners, NGOs, universities and agricultural technicians to promote the adoption of best agricultural practices. For example, Danone created the worldwide Farming for Generations (F4G) alliance in 2019 that brings together 8 leading agricultural players across the entire dairy value chain and 3 world renowned advisory partners (Wageningen University, WWF France and Compassion in World Farming). This alliance aims to provide a forum for peer-to-peer exchanges of information on topics such as animal welfare, herd management, emissions reduction, soil health or biodiversity, with a continuous improvement approach. With more than 50 case studies from the field Danone is already applying the learnings and best practices on its own farms. In 2021, the Company set up programs in 34 farms in 8 countries (in Europe, Russia and the United States). By the end of 2022, F4G expects to reach more than 2000 farmers with best practices for increased profitability and positive environmental impact.

The Company also collaborates within its supply chain with the suppliers of key ingredients by developing partnerships such as the one co-developed with Friesland Campina on projects of greenhouse gas emissions reduction in farms. 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 of December 31, 2021.

All of these measures reduce greenhouse gas emissions from farms and increase the rate of carbon sequestration in the soils, thus they contribute to Danone's net zero emissions objective.

Empowering new generations of farmers

Development of sustainable relationships with farmers

Since farmers are the main actors in the transition toward regenerative agriculture, Danone has developed dedicated farmer-support mechanisms. A global regenerative agriculture scorecard developed with WWF France has been deployed to support the improvement of farmers' practices and to assess the impact of the new Regenerative Agriculture Framework on the ground. In addition, the Company works on the generations' renewal issue in farming. To this end, Danone has deployed several projects as for example in Spain where it supports young people to become farmers by providing them training, technical and business planning support, and creating farmers network for experience sharing. Finally, Danone ensures health and safety as well as the respect of human rights across its agricultural supply chain (see section 5.5 *Focus on Agricultural supply chain*).

Danone North America responded to the ongoing complexity and regional challenges related to organic dairy in the Northeast US. This resulted in a strategic shift to prioritize organic farms in closer proximity to the Company's manufacturing footprint. Danone worked to provide support directly to the impacted dairy farmers beyond industry standard and in an effort to partner in the transition by providing: (i) 18 months of notice prior to contract non-renewal, (ii) a premium on purchases during the last six months of the contracts, (iii) farm consultants to farmers. The Company remains connected with government officials and advocates to ensure ongoing support of the farmers in this region.

Access to training, equipment and funding

The social innovation funds financed by Danone are one example of how the Company provides farmers with access to additional funds to support a positive and sustainable transformation of agricultural chains. For example, the "Beet it!" project in France aims to support and train 200 farmers and 14 agronomists and technicians in the transition to regenerative agriculture, so that sustainable practices can be implemented on 2,500 hectares of land by 2025. The project will provide technical and financial support, research and development on machine adaptation, and market access to ensure farmers' economic stability during the transition.

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, 69% of its raw materials grown in France (fruit, vegetables and cereals) have been evaluated with Danone regenerative agriculture scorecard.

In addition, in 2021, Danone launched a Regenerative Agriculture Knowledge Center to provide resources to farmers and others interested in regenerative agriculture practices.

These actions all contribute to the target that Danone has set as part of its strategic 'Enterprise a Mission' agenda: to have 15% of its volume of key ingredients sourced directly from farms having started the transition towards regenerative agriculture by the end of 2021. This is a key initial step for Danone, which aims to have all of its partner farmers adopt this approach. In 2021, Danone reached 19.7% ⦿.

Respecting animal welfare

Danone views animal welfare as an essential element of its strategy since animals can bring circularity to agriculture, particularly for livestock that eat grass, food industry by-products or crop residues inedible to humans, and thanks to the use of their manure as a natural fertilizer for the fields.

In 2021, Danone has assessed animal welfare for 84% of volume of its fresh milk produced *via* the Company's animal welfare assessment tool for diary cows or the Validus certification in the case of USA-based farms, vs. 87% in 2020. Danone also carried out nearly 2,700 audits at a farm level, which scores farms on a scale from 0-100 points. In 2021, the average score was 70 points and increased by 3 points compared to 2020. Furthermore, the number of farms not compliant was reduced by 75% between 2020 and 2021, emphasizing the best practices implemented.

In 2021, the Danone animal welfare assessment tool won the "Special Recognition Award 2021" in the Innovation category, organized by the global NGO Compassion In World Farming (CIWF).

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. In the Specialized Nutrition Reporting Entity, 100% of sheep and beef cattle had access to pasture in 2021. As for eggs and egg ingredients, 100% come from cage-free farms. Since the beginning of 2020, 100% of Danone's contracts related to eggs and egg ingredients comply with the Company's "cage-free" pledge. Danone reports its progress on its animal welfare commitments in a dedicated report available on the Company's website.

In 2021, Danone was rated Tier 2 by the Benchmark for Farm Animal Welfare, showing Danone's commitment to include animal welfare in its business strategy.

Opportunities

In 2021, Danone has continued to bring together farmers, agricultural experts and public and private sector partners to advance the transition to regenerative agriculture.

⦿ Performance indicators monitored as part of Danone's Entreprise à Mission status.

CIRCULAR ECONOMY

Circularity of packaging

Definition

Danone works to offer nutritious, high-quality food and drinks in packaging that is 100% circular. This means eliminating the packaging it does not need, innovating so all the packaging it needs is designed to be safely reused, recycled or composted and ensuring the material it produces stays in the economy and never becomes waste or pollution. 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 is translated into a series of commitments described below as well as in the WeActForWater initiative by the Waters Reporting Entity (see the Danone website for more information).

All these commitments are translated into local roadmaps and action plans.

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 circularity 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, cafés and restaurant industry. In 2021, more than 50% of worldwide sales volumes by the Waters Reporting Entity were sold in reusable packaging; • **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 2021, the Company has continued its transformation with the launch of PET yoghurt pots in Belgium in addition to UK, France and Spain. Danone also launched multiple SKUs in paper-based cups in France and Germany. It has also eliminated more than 230 million plastic drinking-straws and eliminated or replaced 18 million plastic spoons, mainly in Europe. Danone works on eliminating PVC since it interferes with the recycling process for PET. In 2021, Danone phased out PVC sleeves from the bottles of *Mizone* (Waters Reporting Entity, China) and *Blédina* (Specialized Nutrition Reporting Entity, France). • **innovating in consumption models:** after successful piloting phase, *evian* started the commercialization through evianchezvous.com, of its "(re)new" system, an innovation in home hydration dispenser that significantly reduces plastic packaging (consuming 66% less plastic than a 1.5-liter bottle). Danone also launched two references of lactic ferments that allow consumers to make their own homemade Danone yogurts and reduce waste. Consequently, 84% ⦿ of the packaging is recyclable, reusable or compostable in 2021 (81% in 2020). Specifically for plastic packaging, it represented 74% (67% in 2020). During the year, the Company used 750,994 metric tons of plastic (compared with 716,500 in 2020).

⦿ Performance indicators monitored as part of Danone's Entreprise à Mission status.

PILLARS AND COMMITMENTS	ACTION PLANS AND OUTCOMES
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 collection and recycling channels, through a collaborative approach with its ecosystem. Danone is supporting Extended Producer Responsibility principle including Deposit Return Schemes for beverage bottles. Danone is also working on co-building efficient collection systems, engaging with local partners notably in Europe and North America to create sustainable recycling streams for yogurt pots. The Company also supports countries where infrastructures and recycling systems are not fully developed. After a first pilot in 2020, *AQUA* brand (Water Reporting Entity, Indonesia) set up with Reciki, one of Indonesia's leading waste management companies, a second material recovery facility in September 2021. *AQUA* has also secured ambitious plans to expand across Indonesia through a co-investment with Circulate Capital Ocean Fund where Danone is a Limited Partner. In addition, *AQUA* partnered with VEOLIA Indonesia to build the largest recycling and processing factory for the used PET plastic bottles in Indonesia. This partnership will allow the *AQUA* brand to reach its objective of having an average of 50% recycled plastic in its bottles by 2025. Lastly, the Danone Ecosystem Fund continues to support inclusive recycling projects in six countries. In 2021, close to 800 jobs were created and more than 1,000 people were able to secure their income or see it increase, notably thanks to the Fund's support.
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 Reporting Entity (100% in Europe).*	Danone works to reintegrate recycled materials in its packaging and increase the use of renewable materials. In 2021, Danone achieved the following results: • 10.4% recycled materials on average in its plastic packaging (compared with 10.3% in 2020); • 20.6% recycled PET (rPET) used on average by the Waters Reporting Entity (compared with 19.8% in 2020) and 27.4% in countries where local standards and regulations allow (compared with 25.5% in 2020); • 38.7% of rPET is used on average in the evian bottle range (compared with 31% in 2020) In 2021, Danone launched new 100% rPET bottles in France, Spain, Indonesia, Brazil and Uruguay. Lastly, in order to further reduce fossil resource use, Danone is exploring the development of renewable and bio-based materials. Beyond paper-based cups, the Company has launched bio-based plastic packaging for its EDP Les 2 Vaches brand yogurt pots in France, which are made in PLA.

Alongside its commitments, the Company is continuing to actively work with the Ellen MacArthur Foundation (EMF) 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.

In 2021, Danone developed an e-learning module on circular packaging for all its employees, with experts' input from EMF, with the objective to create understanding on circular economy and packaging, awareness about Danone context and actions and encourage critical thinking to foster transformation.

Waste management

Danone monitors waste production and recovery through implementing practices such as 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.

	2020	2021
Industrial waste [a]		
Total quantity of industrial waste *(in ktons)*	433	364 [b]
Ratio of total quantity of industrial waste per metric ton of product *(in kg/tons)*	12.3	10.4 [b]
Proportion of industrial waste recovered	91.2%	91.9% [b]
Packaging industrial waste [a]		
Total quantity of packaging industrial waste *(in ktons)*	116	115
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	96.7%	97.3%
Proportion of plastic packaging waste recovered	96.6%	96.5%

(a) Environmental scope Production sites, see Methodology Note.
(b) Excluding Water Division sites for Food Waste.

The amount of industrial waste generated per metric ton of product declined by 16% between 2020 and 2021, due mainly to a decrease of food waste generated in production sites. In 2021, the recovery rate for industrial waste increased by 0.7 point compared to 2020 (Production Site Environment scope, see Methodology Note).

The recovery rate for plastic packaging waste at the production sites totaled 96.5% in 2021 (compared with 96.6% in 2020). In 2021, 2.7% 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.

The Company strengthened this ambition by aligning with Sustainable Development Goal (SDG) 12.3's 10x20x30 Initiative and by going beyond non-recovered waste. To achieve this, Danone has committed to halve its food waste ratio (excluding waste intended for animal feed and the processing of biomaterials) throughout its operations and distribution chain between 2020 and 2030, on a like-for-like basis.

Action plans

Danone adopts a collaborative approach to reducing food waste – from farm to fork – across its entire product portfolio, involving consumers, suppliers, distributors and partners in the process. The Company reduces food waste not only within its operations but all along its value chain as follows:

- **upstream,** by working with its suppliers. For example, the Company engaged three of its main fruits' preparation suppliers into the 10x20x30 platform, committing to reduce by half their food waste by 2030;
- **in its production sites, warehouses and logistics centers,** by creating a Food Waste Champions network in each production site in order to track and reduce food waste and loss within operations. This network enables to (i) foster the sharing and deployment of best practices among Danone's operations, (ii) enable the consistency of the reporting on food waste and loss and (iii) develop and implement audit methodology with external experts. Furthermore, the Company redistributes its surplus food to specialist charities in order to support vulnerable communities. Lastly, any unavoidable food waste is preferentially sent to recovery streams with higher valorization, consistently with Sustainable Development Goal 12.3;
- **downstream,** by acting to reduce waste through new consumers channels: in 2021, Danone worked with local partners such as Too Good To Go to raise awareness around food waste and inform consumers on date labeling. The Company started to shift its date labels from "use-by" date to "best-before" date in key European markets. In addition, Danone Germany introduced an online clearance sales shop for wholesalers in Germany and Austria. Through these new sales channels, Danone exclusively offers products with a shorter minimum freshness at discounted rates. In 2021, this online clearance sales shop was awarded the "Too Good For The Bin" prize in the category "digitalization" by the German Federal Ministry of Food and Agriculture.

Outcomes

	Year ended December 31			
	Production sites [a][b]		Production sites and supply chain [b][c]	
	2020	2021	2020	2021
Food waste management				
Total quantity of food waste generated *(in ktons)*	313	249	409	321
Ratio of total quantity of food waste per metric ton of product sold *(in kg/tons)*	36.3	29.2	46.8	35.7
Ratio of total quantity of food waste recovered per metric ton of product sold *in kg/tons)*	32.4	26.1	38.5	29.0
Proportion of waste recovered	89.3%	89.4%	81.2%	81.1%
Ratio of total quantity of food waste non-recovered per metric ton of product sold *(in kg/ tons)*	—	—	8,8	6.8
Reduction in the ratio of total quantity of food waste non-recovered per metric ton of product sold since 2016, on a like-for-like basis [d]	—	—	-15.6%	-27.2%
Ratio of total quantity of food waste per metric ton of product sold, excluding waste intended for animal feed and the processing of biomaterials *(in kg/tons)* – SDG 12.3			24.3	23.00
Reduction in the total quantity of food waste per metric ton of product sold, excluding waste intended for animal feed and the processing of biomaterials – SDG 12.3, since 2020 on a like-for-like basis				-5.3%

(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.
(d) Based on constant consolidation scope and methodology.

The ratio of the amount of food waste generated per metric ton of product at production sites declined by 19.6% between 2020 and 2021, mainly due to improvement of food waste reporting quality. The recovery rates of production sites, and the combined recovery rate of production sites and supply chain remained constant between 2020 and 2021.

PRESERVATION OF THE WATER RESOURCE

Definition

Water stewardship is a strategic focus for Danone's operations and supply chain and the Company's recognizes the strategic importance of the topic for planet Earth and its communities. Thus, the Company acts to preserve and restore natural ecosystems, wetlands and the natural water cycle while also continuing its actions to make safe drinking water accessible to the most vulnerable communities. Three fundamental principles guide these actions:

- rethinking the value of water by recognizing its direct benefits on water quantity and quality but also indirect 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 data and sharing data as wells as knowledge relating to territorial challenges;
- thinking and acting locally and collectively as part of an integrated approach to bring tangible results and positive effects for highly water-stressed areas.

Policies

Danone has a Water Policy which sets 2030 objectives and promotes an innovative approach and integrated management of the resource. These are based on a thorough risk assessment and on local water cycle scientific diagnosis and performed with the support of Danone hydrogeological experts deployed in identified priority geographical areas in collaboration with local scientists. The actions involve the mobilization of all local water users, the joint design of action plans and the development of governance models ensuring long lasting of actions implemented. The actions are deployed within the following scopes:

- 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.

This policy has already been applied to the Waters Reporting Entity specific business through the movement WeActForWater. A series of measures, targets and investments tailored to watershed preservation needs, access to safe drinking water, carbon neutrality and responsible packaging were deployed.

Action plans and outcomes

In 2020, the Water Cycle team reviewed the water risk assessment process for its operations, 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 methodology behind this risk assessment as well as the development of local mitigation plans follows various steps:

1 WATERSHED RISKS ASSESSMENT

That uses the Water Risk Filter tool developed by WWF to identify **watersheds located in areas with water physical risk** (including floods, water stress, scarcity…)

2 OPERATIONAL WATER RISKS ASSESSMENT

That is based on the Water Risk Filter tool developed by WWF to identify **the water-related risks** faced by the operating sites on **Physical, Regulatory and reputational water risks**

3 LOCAL IMPLEMENTATION OF ACTION PLANS THROUGH LOCAL ROADMAPS

Danone has set up a specific tool that guides the teams in:
(i) defining and implementing a **water stewardship project** (using SWAN methodology, set up by Danone) particularly in water-stressed areas
(ii) adopting the **most suitable practices** for the context to mitigate local water risks

To understand the proportion of water withdrawn from stressed areas, Danone uses the Water Risk Filter, a public database and interactive mapping tool, that provides information on water-related risks based on the exact localization of the production sites.

In addition, Danone assessed the water risk of its main 69 ingredients from its supply chain, through the Aqueduct water risk tool, from the World Resources Institute. This analysis, focused on water stress, highlights priority ingredients to deep dive on.

Danone brings together all internal stakeholders needed for the effective implementation of the Water Policy by means of (i) committees for information-sharing and joint design 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.

Danone also works with its stakeholders on trainings. For example, during the COP26, Danone launched new open-source water stewardship training, developed in partnership with WWF and Ramsar, to help build local water stewardship capacities in and beyond Danone's value chain.

Preserving and restoring water resources in agriculture and watersheds

For this first pillar of the Water Policy, the Company pledges to:

- promote regenerative agriculture that respects the natural ecosystems and the water cycle;
- preserve and restore water resources by working collectively with all the water users and by using Nature Based Solutions (NBS). NBS provide actions to protect, sustainably manage, and restore natural and modified ecosystems that address societal challenges effectively and adaptively, simultaneously providing human well-being and biodiversity benefits.

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 landscape approach on a regional scale for five other key ingredients: milk, 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, Danone worked 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 69 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. In 2021, 20 ingredients, particularly milk, were identified at risk. For all these ingredients, Danone defined phased roadmaps as well as mitigation and adaptation plans. For example, together with the WWF, Danone South Africa developed a project in the Southern Drakensberg region, suffering from water scarcity. The Company aims to preserve water resources by actively working to improve water access to local communities as well as working with local dairy farmers to transition towards regenerative agriculture practices. Danone is also working on other key ingredients such as strawberries, beetroot, sugar cane, almonds (see Danone's website for more information).
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*	Danone has identified 54 watersheds at-risk 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 created and is currently leading 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. Between 2020 and 2021, Danone deployed 11 watershed protection plans among which 8 started in 2021 in Indonesia, Europe and Mexico.

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. This assessment remains still relevant for 2021.

COMMITMENTS	ACTION PLANS AND OUTCOMES
By 2030: • *implement a collaborative 4R Strategy (Reduce, Reuse, Recycle, Reclaim) 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 physical high risk production sites by 50% or reach Best in Class category?*	**Ensuring that water discharges are of high quality and increasing water circularity** In 2021, the Company has reviewed its internal standards, the Clean Water Standards (CWS) to align with the wastewater treatment plants capacities and with various country regulations. In 2021, 74% of its facilities comply with the CWS. Production sites implement improvement plans to achieve these standards. 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. For example, the EcoWash program in Indonesia has resulted in 30% water savings for *AQUA* (Waters Reporting Entity, Indonesia) brand factories compared to the previous generation of 20L returnable bottle washers. This program also enabled to reduce detergent and disinfectant consumption by 3% and 22% respectively. The EcoWash program has thus contributed to the 142 million litres of water saved by AQUA brand in 2021. In 2020, the Company boosted its approach by adding the fourth pillar, Reclaim, to its 3R Strategy (Reduce, Reuse, Recycle). In order to encompass these efforts in all production sites, and related to the water policy commitments, the 4R roadmaps and action plans are being deployed to optimize the water usage and reinforce second life for water. In 2021, 55% of its facilities had a 4R action plans, compared to 49% in 2020. For example, in 2021, Danone initiated new industrial "ReUT" facilities at two *Mizone* (Water Reporting Entity, China) production sites. Thanks to this program, 25% of the treated wastewater at the Wuhan site and 51% at the Xian site were reclaimed in 2021. Danone is committed to implementing second life projects for its industrial wastewater through (i) internal uses, with reuse as industrial water or (ii) external uses with for example road washing by the municipality to support air quality. In parallel, at a bottled water production site in France, the Company has initiated a project to reuse its wastewater internally, which will save 500 million litres of water by 2024. In 2021, this production site started a 14-month pilot phase. Co-financed by the Agence de l'Eau Loire Bretagne, the objective is to demonstrate the potential of reuse of treated wastewater as process water. 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. Lastly, Danone is using the Water Risk Monetizer tool to consolidate the local cost of water and the risk related to local situation. The objective is to have a better vision on water cost, including all the aspects of water risk.

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. Globally, across its operations, nearly 89% of Danone's production sites were compliant with the WASH Pledge self-assessment in 2021. Regarding local communities, 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. Overall, all of Danone Communities' investments in social businesses provided access to drinking water for 10.3 million ⦿ people around the world in 2021. Indeed, the Fund, invested for example in Indonesia in a social enterprise called Nazava that provides high quality and affordable households water filter, providing access to safe drinking water to more than 400,000 low-income people. Moreover, since 2019, through the Danone Communities fund, each litter of Volvic plain water consumed helps supply 1 litter of safe drinking water to people in need around the world in countries such as Cambodia, India, Bangladesh, Haiti, Mexico, Nigeria, Kenya, Indonesia and Senegal. In 2021, this initiative enabled 5.3 million people in need to access 1.3 billion liters of safe drinking water. Danone's brands of the Waters Reporting Entity also play a key role in providing access to safe drinking water such as for example, *AQUA* in Indonesia partnered 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 addition, the *AQUA* brand also deployed a program to support the Indonesian Government objective to achieve 100% universal access to clean water by 2030, aligning with the UN Sustainable Goal targets. In 2021, thanks to this program, *AQUA* has provided water access for about 56,037 beneficiaries.

⦿ Performance indicators monitored as part of Danone's Entreprise à Mission status.

Outcomes

Water use in operations

(in thousands of m^3)	Year ended December 31 2020	2021
Water drawn from the surrounding area [a]		
River water	2,852	2,822
Municipal water	22,986	22,475
Well water	43,312	42,452
Total water drawn volume	**69,150**	**67,749**

(a) Production Site Environment scope, see Methodology Note.

In 2021, the total volume of water withdrawn decreased by 2.0% compared to 2020. The uses associated with this total volume of water withdrawn in 2021 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.

(in thousands of m^3)	Year ended December 31 2020	2021
Water related to the production process [a]		
Consumption *(in thousands of m^3)*	39,714	38,559
Intensity of consumption *(in m^3 per metric ton of product)*	1.13	1.11
Reduction in water consumption intensity since 2000	**49%**	**50%**

(a) Production Site Environment scope, see Methodology Note.

At the end of 2021, the reduction in water consumption intensity since 2000 has increased by 1 point compared to 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 (CWS) 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	
	2020	**2021**
Final discharge of chemical oxygen demand (COD) [a] *(in thousands of metric tons)*	5.95	5.06
Net COD ratio [a] *(in kg/ton of product)*	0.17	0.15

(a) Périmètre Environnement Sites de Production, voir Note méthodologique.

In 2021, the upgrade of existing on-site wastewater treatment plants and the construction of new installations in the United States, Russia and New Zealand enabled a reduction of the Net COD ratio per ton of product by 14% compared to 2020.

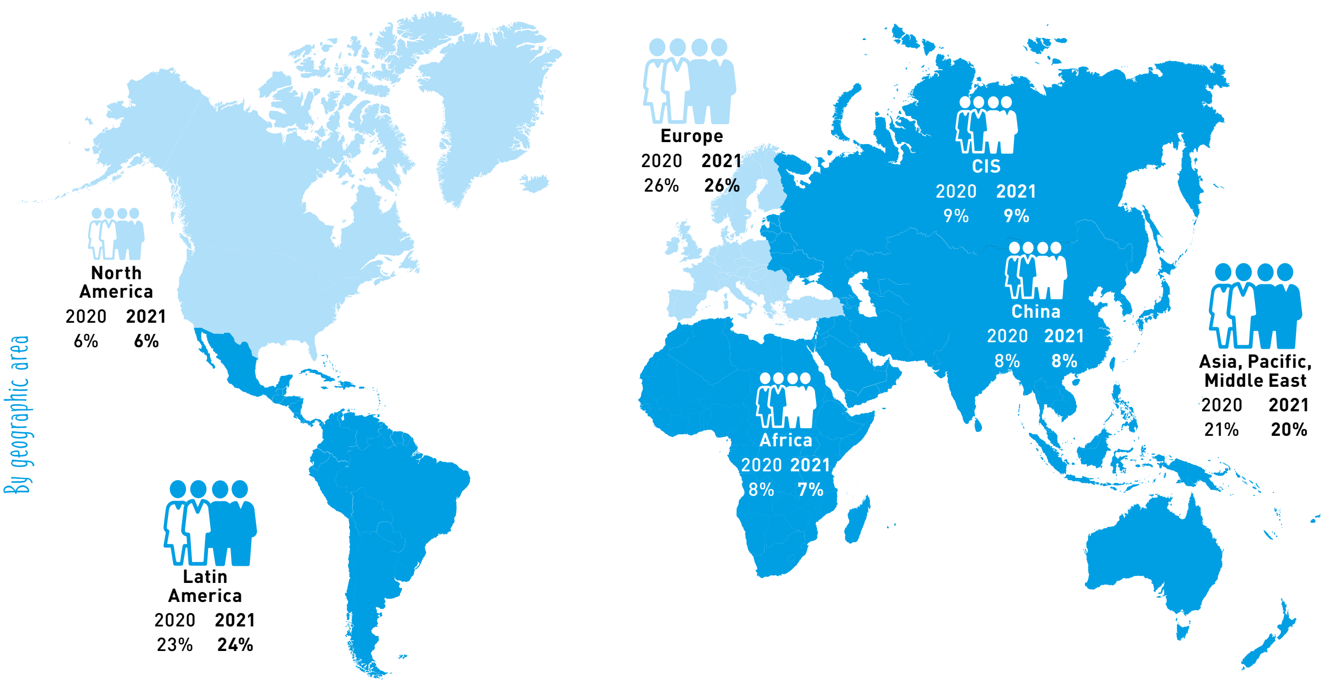
5.4 BUILDING THE FUTURE WITH DANONE EMPLOYEES

Contents

DANONE'S EMPLOYMENT APPROACH

Employees

By geographic area

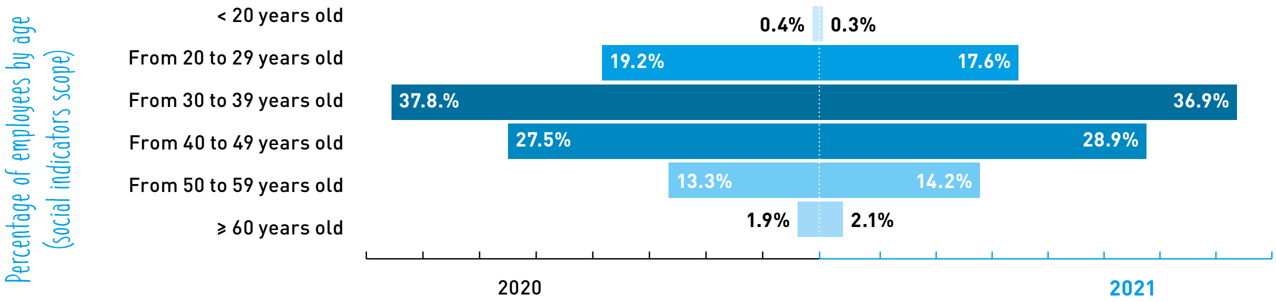


Total number of employees		Europe & North America		Rest of World	
2020	2021[(a)]	2020	2021	2020	2021
101,819	97,737	32%	32%	68%	68%

(a) This number does not include 0.4% of Danone's workforce (*i.e.* 368 employees), which corresponds to the entities having integrated the scope of social indicators in 2021 (Social indicators scope, see Methodological Note). The total number of employees including these 368 employees is 98,105.

By Reporting Entity

	2020	2021
Essential Dairy & Plant-Based	41%	41%
Specialized Nutrition	21%	22%
Waters	35%	34%
Other: Headquarters sites, Evian Resort, Danone Research	3%	3%



Percentage of women in the organization

	2020		2021	
	Total	% women	Total	% women
Board of Directors	16	43%	13	45%
Executive Committee [a]	7	43%	7	29%
Managers, directors and executives	23,367	51%	22,469	52%
Senior managers: executives (excluding Executive Committee) and directors	1,792	41%	1,700	41%
Other managers	21,575	52%	20,762	53%
Non-management employees	78,452	25%	75,268	27%
Total employees	**100%**	**31%**	**100%**	**32%**

(a) For more information, see section 6.1 *Governance bodies*.

Conditions and organization of Danone's working time

	2020	2021
New hires[a]	12,550	13,808
Dismissals[a]	6,192	6,553
Absenteeism rate[a]	2.9%	2.9%
Employee turnover rate [a]	14%	19%
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 environment, for example by allowing part-time work or remote work, thus contributing to their well-being at work. In 2021, the Company launched the "Future of Work" study among its employees to reflect on how to transform the ways of working. Following this consultation, new solutions were co-built with employees to offer them the possibility to work from third parties' places, adapt their physical and digital work environment and adapt ways of working to a hybrid context.

INCLUSIVE TALENT DEVELOPMENT

The commitment, quality and engagement of Danone's people, as well as their adaptation to fast-moving environments, play an essential role in Danone's success. The Company's ability to attract and retain employees with the necessary skills or talents is critical for success. This is especially true in context of reorganization.

Danone relies on its human resources strategy to continue promoting inclusive talent development, as presented below.

Employee training and development

Definition

Danone is committed to providing a range of learning opportunities to all of its employees. In addition, to personalized managerial support, the Company offers functional and cross-functional training programs, most of which are developed in-house and delivered by Danone managers.

Governance

The topics surrounding talent management and employee training are managed by the Head of Global Human Resources, who reports to Danone's Chief Human Resources Officer, member of the Executive Committee.

Its governance is supported by the Talent and Learning Squad led by the Head of Global Human Resources with representatives of local Human Resources Directors.

In addition, operational teams at global and local levels have regular meetings to share updates and best practices on this topic.

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. Danone continued its digitalization with an increasing number of e-learning modules and online courses and online facilitator-led training. Employee skills development is based on the following approaches:

- the continued deployment of Campus X, Danone's digital learning platform, 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 this platform to all employees, in 2021 Danone extended access to all employees (including those who are at production sites level). For example, in Mexico, a new program called "Expert Wolves" was deployed for all employees including workers on production sites and is available on Campus X. Since the launch, more than 6,000 (among which 4,000 are workers) in 32 different sites in Mexico have had access to this annual training. The platform also gives the employees the opportunity to generate their own training for their peers on specific expertise;
- in 2021, Danone focused its learning offer on three main modules (i) category knowledge for growth, providing information on Danone's Reporting Entities, their brands and products and their strategic axis to deliver sustainable growth. This module was completed by 3,480 employees in 2021 (ii) modules to enable management of change focusing on how to react to change, and how to help employees and others go through change (iii) thematic One Planet. One Health learning – for instance the one on circularity of packaging (see section 5.3 *Preserve and renew the planet's resources*);
- 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.
- to continuously promote the culture of learning at Danone, the Global Learning team animates a community on its corporate social network, gathering more than 2,000 employees worldwide.

	2020	2021
Number of permanent employees who took at least one training course [a]	98,105	95,542
Total number of training hours [a]	2,532,056	2,322,335
Percentage of employees trained [a]	100%	100%
Average number of hours per person trained[a]	26	25

(a) Social indicators scope, see Methodology Note.

In 2021, Danone reaffirmed the importance of training for its employees through the FutureSkills approach (see *Social Dialogue* section).

Career development

Danone strives to promote inclusive 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, notably 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 2021, 81% 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).

Mobility

The Company offers its employees the opportunity to build a career track consistent with not only the company's needs, but with the individual's own aspirations and abilities, either in their home country or abroad.

Intrapreneurship program

Since 2019, Danone, BNP Paribas and ENGIE have been working together to promote and develop an intrapreneurship program called Intrapreneur4good which encourages the engagement of their employees in the development of business solutions that also meet social and environmental expectations.

Compensation and benefits

Definition

Danone offers its employees competitive compensation and benefits packages, including social and personal protection measures and employee profit-sharing (where applicable).

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 situation of the subsidiaries.

Action plans and outcomes

Compensation – Global Incentive Plan

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, growth and efficiency targets 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 1,500 executives and directors has gradually been based on social and environmental performance criteria such as improvement of the Company's environmental impact, 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, 2021*). Each year, every single new Danone employee receives a company share.

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 incentives 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. In 2021, Danone extend the program adding 24 new countries – Australia, Austria, Belgium, Brazil, Bulgaria, Colombia, Czech Republic, Denmark, Egypt, Finland, Germany, Greece, Hungary, India, Italy, Latvia, Lithuania, New-Zealand, Norway, Romania, Slovakia, Sweden, Switzerland and Thailand (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, 2021, and the expenses for the year are presented in Note 8.3 of the Notes to the consolidated financial statements.

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.

Governance

In 2021, two Executive Committee members were named sponsors of Inclusive Diversity: the COO End-to-End Design to Delivery and the Chief Growth Officer. 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.

Policy and outcomes

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.

Danone has published a position paper on inclusive diversity, supplemented by its global Policy on the fight against harassment and discrimination, which ensures that every employee is treated with dignity and respect (see Danone's website for more information). 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. As Danone has achieved most of the Inclusive Diversity 2020 goals, it has affirmed its commitment to continue the journey with the 2025 Inclusive Diversity Roadmap. Below are the KPIs to be tracked in this 2025 roadmap.

Priority	Goal by 2025	Situation in 2021
Promotion of inclusive behaviors	Score of 90% on the Inclusion index	Score of 87% on the Inclusion index [a]
Gender equality	50% of women in senior managers positions (directors and executives) [b]	41% of women in senior managers positions (executives and directors)
Gender Pay Gap	< 3 pts	3.1 pts ⦿

⦿ Performance indicators monitored as part of Danone's Entreprise à Mission status.
(a) 2020 data based on the results of the One Voice Survey.
(b) Target will be reexamined by the end of 2022.

Also, of the 10.9% positions with greater responsibility at Danone (10.3% in 2020), which include executives, directors and some other senior-level managers, 50% of these employees were women (same as in 2020).

In parallel, in order to support equal opportunities and the recognition of each employee profile and contribution, 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 2021 female-to-male ratio is 96.9 globally, in line with the Company's ambition.

In addition to the global KPIs, each country and function is also working on their local and functional Inclusive Diversity Roadmap and KPIs as part of its growth and people agenda.

Ethnicity and religion

Danone's ambition is to have culturally diverse teams that represent the cultural and ethnical diversity of the countries in which it operates. To do so, the Company has put in place several action plans such as:

- equipping its teams globally with cross cultural competencies and bias awareness;
- creating Employee Resource Groups for black and multicultural employees in Brazil, the United Kingdom and United States. For instance, in Brazil Danone joined the MOVER coalition with other 40 consumer goods companies, to accelerate the employability of black young talents in the country through investing in scholarship for universities, English classes, and technical courses;
- establishing a Global Religion Task Force consisting of inclusion and diversity champions from different countries as a platform to highlight, discuss and take actions on religion-related topics. For example, Danone has developed and shared globally a Religion Encyclopedia to build awareness about the different religions in the world and create respect and inclusion.

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 2021, Danone joined a global membership of the Business Disability Forum, a non-profit organization aimed at creating a disability-smart world by linking businesses, disabled people, and government. It also has created a global 'this-ability' community which will facilitate discussions and sharing of best practices between the different countries.

Parental Policy

Danone is committed to creating the conditions every employee needs to fully benefit from their 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.

In 2021, Danone deployed its parental policy in all countries, covering the 91,628 employees globally.

For example, 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.

Action plans

In 2021, Danone also held several internal events:

- for International Women's Rights Day, the Company shared its new commitment by signing the CEO LEAD Network Pledge to achieve 50% women in senior managers positions by 2025;
- Cross Cultural Week during the World Cultural Day in May to build cross cultural awareness as part of the inclusive leadership campaign. An inclusive language workshop was also held to guide employees on practical tips as inclusive leaders;
- Global Parents Day was celebrated to highlight the importance of parental leaves for both men and women to help them feeling supported and included in the company;
- pride terminology and flags were explained through the Pride encyclopedia that also highlighted the importance of pronouns;
- during the fourth edition of Inclusive Diversity Week, Danone highlighted the theme "Inclusive Leaders for Inclusive Growth". Various activations and education sessions were held both at global and local level.

Meanwhile, Danone continues to be a member of LEAD Network through the LEAD Network Global Conference and LEAD Network CEO Virtual Roundtable. Danone also announced its membership with WEConnect, which is a global network that connects women-owned businesses to qualified buyers around the world.

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 2021, Danone extended its partnership with UN Women and Bonafont in Mexico to train and equip women with entrepreneurship skills. It has trained more than 2,000 women since the beginning of the program in 2017.

External recognition

Danone maintained its position in the Bloomberg Gender-Equality 2022 index. The Company is ranked 39th in the Top 100 World for gender equality by Equileap in 2020. In 2021 Danone has improved its ranking to 26th in the Top 100 Globally and 7th in France.

In 2021, Danone received the Gender Equality Diversity and Internal Standard – Sustainable Development Goal Award of the Arborus Foundation for the "Canteen Ladies" project in Indonesia launched with the support of the Danone Ecosystem Fund, Danone Indonesia, Care France and the Food Bank of Indonesia. This project is helping women entrepreneurs launch a network of health food kiosks located inside schools. It also offers nutrition training to parents, teachers, and school children, in order to promote choosing healthier options.

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 that promotes both personal fulfillment for employees and efficient teamwork, with a view to developing solutions that are culturally relevant to consumers.

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 on the Company's priorities and on the definition of local and global roadmaps.

Also, in connection with this new governance model, 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.

SOCIAL RELATIONS

Danone works to promote responsible social dialogue that takes the interests of various stakeholders into account.

Social dialogue

Definition

Danone pursues building 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 reorganization. Listening to union representatives regarding employee expectations and maintaining an open dialogue with them helps to limit the threat of strikes and business interruptions.

Governance

Social relations issues are managed by the Human Resources Department, which reports to the Chief Human Resources Officer, a member of the Executive Committee.

Social relations at Danone are based on:

- **Social Dialogue meetings:**
  - the Information and Consultation Committee, supported by its own Steering Committee, whose members include representatives from Danone management and union representatives;
  - bi-annual meetings between the International Union of Food Workers (IUF) and the Human Resources Department, its executives and the managers of the main regions to build a common ambition and monitor the respect and deployment of the agreements.
- **Board and Committees involved in Social Dialogue:**
  - the Board of Directors' Engagement Committee, which monitors the implementation of action plans and initiatives, is regularly updated on any Social Dialogue topics (see section 5.1 *An integrated approach of sustainable business model*);
  - the Company's Work Council and the Information and Consultation Committee appoint two Directors representing employees sitting at the Board of Directors. A member of the Company's Work Council also participates in Board of Directors' meetings in an advisory capacity (see section 6.1 *Governance bodies*).

In addition, ongoing dialogue between Danone's Head of Social Relations and the Human Resources department heads in Danone's entities 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.

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 while ensuring that working conditions are continuously progressing. Since 1989, 10 agreements have been signed between Danone and the IUF, and a joint vision was established.

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 are the basis of Danone's responsible sourcing programs (see section 5.5 *Promoting sustainable, inclusive growth with suppliers through Responsible Sourcing and Human Rights*).
- Danone communicates its commitments to all employees through its Code of Business Conduct (see section 5.1 *Responsible practices: ethics and integrity*).

Local First Project and FutureSkills Initiative

In 2020, Danone announced a global transformation project called Local First, aiming to change the operating model to shift to a locally grounded organization. In 2021, the Company signed a method agreement with the IUF to frame the social approach of the Local First transformation.

In parallel, Danone is committed to supporting employees who need to acquire new skills. The Company worked with the IUF to develop an innovative approach called FutureSkills, which aims to better prepare employees who need new skills for the jobs of tomorrow (see the common statement available on Danone's corporate website). In 2020, Danone and the IUF signed a common statement aiming to allow Danone's employees to have the opportunity and the time to develop new skills that can facilitate internal repositioning within Danone but can also be of value and practical assistance in the broader jobs market.

Action plans

The Local First project is being deployed worldwide following three phases:

- study phase: managed by study teams in each of Danone's entities including the sharing of early information to unions or employee representatives;
- global and local social consultations: a comprehensive process with unions or employee representatives following the global IUF agreement on changes affecting employment (1997);
- implementation phase: includes regular follow-up committees with unions or employee representatives according to the IUF method agreement of January 2021.

The FutureSkills approach was locally deployed according to the following steps: (i) define the eligibility of employees, (ii) dialogue with local unions or employee representatives, (iii) identification of the jobs of the future, and (iv) design of the individual training journey. A digital toolkit was designed for local teams to support them in the implementation of the project. In France, as part of the construction of a new logistics center in Viry-Chatillon (merger of 2 existing logistics centers in Tremblay and Rungis) the FutureSkills program has been deployed and is currently being implemented in the form of professional trainings. Employees are supported in their new professional perspectives.

As Danone became an Entreprise à Mission in 2020, the topic of Social Dialogue and more precisely the FutureSkills project was closely monitored in 2021 by the Mission Committee. The FutureSkills program deployment is part of the set of performance indicators identified to track Danone's progress towards its Mission (see *Outcomes* below).

In addition, Danone and the IUF pursue their efforts to reduce precarious employment by applying specific definitions, methodology and processes, as defined in the global agreement on sustainable employment and access to rights signed in 2016.

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. In 2021, more sites have organized themselves, resulting into union recognition and negotiation of collective bargaining agreements in Bridgeton (New Jersey) and Eugene (Oregon).

Outcomes

In 2021, 74% of employees were covered by collective bargaining agreements (78% in 2020) (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 2021, a total of 62 sites visits were made.

In 2021, 100% ⦿ of Danone's entities discussed with unions or employee representatives and proposed to eligible employees the FutureSkills program if a validated project affects employees or their working conditions (see Danone Way scope, Methodology Note).

5

⦿ Performance indicators monitored as part of Danone's Entreprise à Mission status.

Focus – Respecting and promoting human rights in Danone operations

Danone's human rights approach is based on the Company Sustainability Principles which cover its operations and supply chain (see 5.5 *Promoting sustainable, inclusive growth with suppliers through Responsible Sourcing and Human Rights.)*

In November 2017, as part of a Consumer Goods Forum (CGF) initiative against forced labor, 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 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 progressively roll out the methodology to support Danone commitment.

As part of the launch of the CGF's new Human Rights Coalition – Working to end forced labor, Danone 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 external workers hired by temporary work agencies or by its subcontractors to carry out regular and continuous work at its entities. In 2021, Danone contributed to the coalition collective work to develop tools and processes necessary to launch the first assessments in 2022.

At the same time, Danone deployed its e-learning training program on human rights and the fight against forced labor, available to the Procurement, Human Resources and General Secretary functions to build the awareness of the local teams on the topic. More than 6,949 Danone employees had completed this training at the end of 2021.

Lastly, the Company continues to monitor its subsidiaries' human rights performance through its Danone Way program, in particular through the practices dedicated to temporary workers.

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.

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, 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.

Policies

Workplace Health and Safety Program – WISE²

Objectives by 2021	In 2020, Danone achieved its 5-year ambition to reduce by 50% its lost time accidents between 2015-2020. The target to achieve zero fatality remains the Company's main objective [a]. In 2021, in the context of Covid-19, Danone set incremental safety improvements. Its objective is to reduce by 2% its FR1+2 which includes lost-time accidents and non-lost-time accidents (see *Results* section hereinafter).
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: • promoting the culture of workplace health and safety at all Company sites; • ensuring compliance with standards for the most critical risk situations. To address these risk situations, the Company continuously defines and updates new standards, including those related to WISE 12 basics in plants (work at height, chemicals, confined spaces, explosive environments, hazardous gases, fire & evacuation, equipment safety, forklifts, racks & pallets, truck loading/unloading, trucks fleet, work permits and hazardous energy). Specific risks related to the sales and the head offices activities are being tackled thanks to WISE 12 basics related to these functions (pedestrians, ergonomics, field / merchandising, home office, travel & hotels, personal safety, events (team Building & conferences), risk analysis, office & facilities management, contractors and emergency planning). Finally, since 2019, Danone implemented WISE 12 basics in proximity distribution (driving for driver, driving for vehicle, vehicle maintenance, pedestrians, loading & unloading (Lifting), warehouse / racks & pallets, forklifts, chemicals, work at height, general installations, contractors and fire & evacuation).

(a) Following one fatal traffic accident in 2021, Danone has reinforced the preventive measures included in its standards to mitigate the risks of road accidents and defensive driving.

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 (i) to all Danone employees; (ii) on some sites 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 sales force are subjected to WISE² audits covering both the safety culture and compliance with standards. Since 2018, Danone has also deployed the WISE² "compliance standards" in countries where convenience store distribution is significant (Egypt, Indonesia, Mexico and Morocco). In 2021, following the improvement of the global sanitary situation, Danone was able to progressively resume WISE² on-site audits, thus achieving 26% of the annual audit plan at operations level, representing approximately 15% at global level.

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)	2020 Fatal accidents [(a)]	2020 Accidents with at least 1 day lost time [(a)]	2020 Frequency Rate 1 (FR1) [(a)]	2021 Fatal accidents [(a)]	2021 Accidents with at least 1 day lost time [(a)]	2021 Frequency Rate 1 (FR1) [(a)]
By Reporting Entity						
Essential Dairy & Plant-Based	–	127	1.3	1	102	1.1
Waters	2	70	0.8	–	87	1.1
Specialized Nutrition	–	35	0.7	–	24	0.5
Corporate functions	–	20	1.3	–	32	2.1
Total	**2**	**252**	**1.0**	**1**	**245**	**1.0**

(a) Safety Scope, see Methodology Note.

Year ended December 31

	2020	2021
Frequency rate 2 (FR2) [(a)]	0.95	0.79
Severity rate[(a)]	0.07	0.07

(a) Safety Scope, see Methodology Note.

In 2021, Danone reduced its FR1+2 rate, representing lost-time and non-lost-time accidents, by 8%, exceeding its target of 2%.

Focus – Promoting well-being in the workplace and stress prevention

Since 2014, Danone has included the promotion of health and well-being in the workplace in its WISE² program. Danone defined a systematic approach built around five pillars: (i) ensure a good work rythm (ii) make daily work meaningful, (iii) promote healthy ways of working (iv) manage employees with kindness and authenticity, and (v) 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 2021, Danone continued what was implemented in 2020 and reinforced its efforts in the Local First reorganization plan context. The Company continued psychosocial risks prevention and focused especially on:

- regular training and updating of Human Resources and change management teams on practices and activities to implement in order to protect the health and well-being of employees in a changing context;
- making sure employee assistance program exist everywhere to support employees;
- conducting Human Feasibility Studies to minimize the impact of Local First changes on individuals' well-being and mental health in all countries;
- a bi-monthly global Pulse survey to regularly monitor well-being of Danone's employees.

Health in the workplace

Definition

Access to health coverage and education regarding health challenges for all employees is a priority for Danone. The Company continues to support its employees with Dan'Cares program in countries where it operates. In the Covid-19 context, this priority has been reinforced for all employees worldwide.

Danone conducts regular market studies to assess where it stands in terms of employee health coverage relative to the market. Since 2020, Danone has extended the health coverage of its local programs (family health coverage, employee assistance program). In light of Covid-19. Danone is currently reviewing its benefits strategy by marking health coverage as stand out benefit for all employees.

Policies

In 2009 Danone launched the Dan'Cares program, with the 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.

Action plans

Danone has introduced Employees Assistance Program (EAP) as one of the key pillars of the extended Dan'Cares program. EAP is a professional service handled by an external company that helps Danone's employees with any emotional, practical or physical queries. The access to EAP is also extended to the direct family members of the employees. In 2021, 28 countries (same as in 2020) already implemented this initiative.

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, 2021, 91,672 employees (100,109 in 2020) in 55 countries (53 in 2020) received health coverage fully meeting or partially meeting the criteria defined by Dan'Cares.

Most of the beneficiaries under the Dan'Cares program were able to include family members.

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 this end, Danone analyzes security risks by country and develops preventive measures adapted to each situation in order to secure the workplace and, when necessary, respond effectively.

Policies

Danone developed a formal Security Policy that defines the Company's vision, mission 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 complement 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.

Governance

In 2021, the Chief Security & Competitive Intelligence Officer, 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 Resources 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. The Security team frequently publishes on the Company's internal social network with information related to travel security. It includes a weekly prospective security risks overview, reminders about the travel policies and procedures and tips to mitigate one's exposure during international trips.
- **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, 95% of the production sites have conducted security self-assessments. In 2021, in the context of the pandemic due to a lack of resources and other local priorities, security self-assessment focused on the most vulnerable sites. Consequently, 65% of the sites conducted their self-assessment (scope: 176 production sites). Furthermore, a new online Security Awareness Training has been developed and made available on Campus X in 2021.
- **response and incident management capabilities:** positioning resources that enable the Company to respond in the event of an incident and using past experiences 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. In 2021, the Security Department developed a digital dashboard production covering all security pillars through seven KPIs.

In 2021, Danone's Security Operational Center (SOC) noted 52 important or urgent events, all of which were reported to the Security team. For these events, the SOC contacted the Security team 4 times (vs. 11 in 2020) given that Danone employees were close to the impacted area. On one occasion, 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 2021 due to the Covid-19 health crisis.

5.5 PROMOTING SUSTAINABLE, INCLUSIVE GROWTH WITH SUPPLIERS THROUGH RESPONSIBLE SOURCING AND HUMAN RIGHTS

Danone has identified three risks linked to sourcing, namely: (i) trading and pricing practices, (ii) responsible sourcing, and (iii) human rights. These risks are detailed below, first through a global section covering the whole supply chain, and then through dedicated due diligence programs tailored to supplier types.

Regardless of supply chain specificities, Danone's responsible sourcing and human rights due diligence are based on the UN Guiding Principles on Business and Human Rights (UNGPs), which, inform the French law on Duty of Vigilance. As a result, this section is designed to cover the steps involved in complying with the French law on Duty of Vigilance: risk mapping, regular evaluation procedures, appropriate measures for risk mitigation and prevention of serious breaches, whistleblowing system and monitoring of measures and assessment of their effectiveness (see section 5.1 *An integrated approach of sustainable business model*).

RESPONSIBLE SOURCING AND HUMAN RIGHTS IN THE SUPPLY CHAIN

Definition

The global supply chains that power the food and beverage sector carry the risk of human rights and environmental violations, particularly upstream at farm level, but also at the Company's Tier 1 suppliers. In addition, responsible business conduct along agricultural supply chains is essential to ensure that the benefits are widespread, and that agriculture continues to fulfil its multiple functions, including food security, poverty reduction, and economic growth in the countries of origin of the ingredients. Both consumers and civil society are increasingly sensitive to fairness toward 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.

To address these risks, Danone has established a set of fundamental social and environmental principles and has made specific public commitments. It fulfills these commitments by working with suppliers towards more responsible business practices.

Governance

In 2021, Danone's responsible sourcing approach is sponsored by the Chief Cycles & Procurement Officer, with specific teams in charge of monitoring the related Company's agenda:

- The Agriculture Cycle, overseeing milk supplier relations at global and local levels and the rollout of the Company's milk sourcing roadmap. It works closely with the Nature & Water Cycle on the regenerative agriculture topic (see 5.3 *Preserve and renew the planet's resources*). In addition, dedicated resources ensure the implementation of the agenda on topics related to the sourcing of other supplies than milk and the elimination of deforestation.
- The Nature & Water Cycle, monitoring the compliance with the responsible sourcing and human rights programs, in collaboration with procurement teams in charge of the implementation.

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 2021. The governance of the environmental pillar is described in section 5.3 *Preserve and renew the planet's resources*.

Policies

Sustainability Principles

Danone's responsible sourcing approach is based on the Company's Sustainability Principles. They cover its operations and supply chain, address topics related to labor rights, environmental protection, and business ethics 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 Danone's contracts with Tier 1 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 (see 5.3 *Preserve and renew the planet's resources*).

The Company has made the following commitments:

- since the publication of its Forest Footprint Policy 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 2021, Danone continued to progress towards its goal to eliminate deforestation in its supply chain, in particular with 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;
- to implement sustainable practices with its farmers in priority supply chains as part of its regenerative agriculture strategy;
- 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 2021 Danone has strengthened its human rights risk assessment in its value chain by conducting a salient human rights impact analysis with the support of Shift, the leading center of expertise on the UN Guiding Principles on Business and Human Rights (see hereinafter). Once approved, the salient impacts will inform Danone's future human rights commitments.

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). As a member of the CGF's Human Rights Coalition – Working to end forced labor. 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 contributed to the coalition collective work to develop tools and processes necessary to launch the first assessments in 2022 (see section 5.4 *Focus – Respecting and promoting human rights in Danone operations*).

In 2021, Danone continued its contribution to the Business for Inclusive Growth coalition, which aims to scale up actions on economic inclusion, particularly with regards to human rights across the value chains.

Risk Assessment

Labor and environmental risk mapping

In 2021, the Company updated its global materiality analysis, which highlights the importance of responsible purchasing and respect for human rights (see Danone's website for more information).

At the same time, Danone, with the support of Shift, undertook a process to identify and prioritize the company's salient human rights impacts across its operations and value chain.

The process involved desk research together with external and internal stakeholders' engagement. The Company used this as an opportunity to raise awareness and build capacity on human rights internally, involving more than 110 employees in interviews or workshops. The resulting salient impacts and the related action plan development will shape Danone's actions and priorities in the years to come.

Danone performed in 2017 a global social and environmental impact assessment for its 20 main purchasing categories. 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 fair trade practices and environment.

Confirmed through the 2021 salient human rights impact assessment, the 2017 priority categories remain valid, namely (i) workers employed through outside labor providers and (ii) four agricultural raw materials (palm oil, cocoa, sugar cane 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 and cardboard packaging).

Having completed risk assessments, Danone is tailoring its responsible sourcing and human rights due diligence to its various specific supply chains.

FOCUS ON AGRICULTURAL SUPPLY CHAIN

Raw ingredients supply chains may have different structures, from the simplest ones with only one intermediary (as in milk sourcing), to complex supply chains involving several intermediaries including traders. Danone has set on a journey to develop the social pillar of its Regenerative Agriculture framework applying it gradually to raw milk and to other categories where transparency is established.

Supporting the next generations of farmers and farm workers

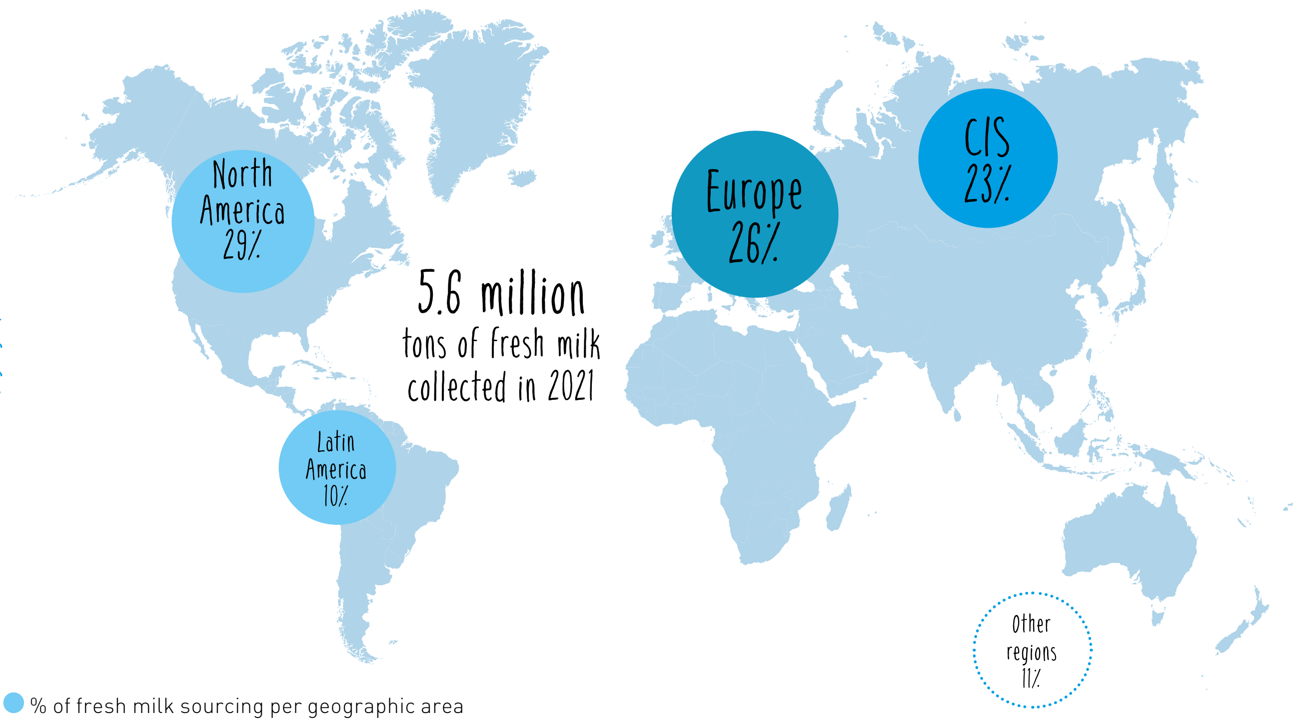
Danone has developed over the years its Regenerative Agriculture framework (see Danone's website for more information) based on three pillars to enable an integrated approach of social and environmental issues. The social pillar consists of empowering farmers and farm workers and supporting them in the transition toward regenerative agriculture practices and is described in section 5.3 *Transition toward regenerative agriculture*. In 2021, the Company developed a survey which focuses on farmers and farm workers who are covered by the social pillar of the Regenerative Agriculture framework.

The social pillar survey aims at collecting data on the farmers' economic resilience, livelihoods and their ability to transition to regenerative agriculture practices. It also addresses priority labor rights for the agricultural workers. The survey is organized around three themes: farmer livelihoods and autonomy, health and safety, and workers labor conditions. It is deployed via a dedicated digital tool developed to enable a holistic surveying approach. It will be launched in priority countries identified for milk, fruit and plant-based categories in 2022.

The survey has been extensively benchmarked against best agricultural standards and developed through internal and external stakeholder engagement with WWF, Fair Labor Association and SAI Platform. The questions reflect Farm Sustainability Assessment questions (SAI platform standard) to facilitate alignment with certification and best practices of the sector.

Danone's direct sourcing of fresh milk

By geographic area



Sourcing strategy

Danone favors local sourcing of raw milk from more than 59,000 farms in around twenty countries, both directly and indirectly. Most of the milk sourced by the Company comes from family farms.

About 94% of the partner producers own small family farms with fewer than 25 cows and are located primarily in emerging countries in Africa and Latin America. These small farms supply about 12% 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 6% of the Company's suppliers and nearly 88% 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.

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, which was created in 2019 and in which Danone participates, has identified 75 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 addition to these collaborative actions, specific tools and methodologies have been 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 15 entities in 2021, 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 15 countries (see section 5.3 *Transition toward regenerative 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 (see section 5.3 *Transition toward regenerative agriculture*).

Other ingredients than milk: upstream supply chain

Upstream 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 to ensure traceability of palm oil. In 2021, 93% of the palm oil sourced by Danone was certified RSPO segregated, 5% was certified RSPO Mass Balance and the remaining 2% was conventional palm oil sourced in Africa. In the first semester of 2021, according to its most recent mill mapping, Danone reached 99.8% traceability to plantation, up from 84.7% in the second semester of 2020 (see section 5.3 *Preserve and renew the planet's resources*);
- **fruit:** in 2021, 100% of Danone's fruit supplies were traceable up to the Company's Tier 2 suppliers;
- **cocoa:** in 2021, Danone reached 82% country-level traceability of cocoa products after engaging with its three largest cocoa suppliers. Based on volumes purchased, 86% is certified within one or more programs (Rainforest Alliance, Organic, Fair Trade, Fair For Life);
- **sugar cane:** in 2021, Danone maintained 88% traceability to mill. By starting to purchase Bonsurcro certified sugar cane for the United-States and Argentina, Danone has increased its certified volumes up to 33%;
- **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 order to identify the deforestation risks accurately, Danone has been conducting country by country assessment of soy feed volume and origin through its Cool Farm Tool. At the end of 2021, Danone has analyzed soy sourcing for 86% of its milk volume, of which 36% is from low-risk origin, 9% is certified, and the remaining 55% potentially at risk are compensated through RTRS credits (see section 5.3 *Soy Policy*); Danone will continue mapping the remaining 14%. The Company's key strategy focus to tackle deforestation risks for soy feed are:

    (i) increase traceability systemically;

    (ii) promote sustainable soy through engagement with farmers and dairy processors;

    (iii) encourage feed autonomy through local and/or alternative protein.

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 2021, 36% of milk collected in Europe (43% in 2020) and 54% of milk collected in the United States (55% in 2020) came from producers with CPM contracts. Altogether, 26% of the milk Danone collects is covered by CPM contracts (29% in 2020).

Mitigating risk and preventing serious violations

Certification

The Company uses many certifications, such as: RSPO for palm oil; Rainforest Alliance (recently combined with UTZ), Organic, Fair Trade, or Fair For Life for cocoa and for Danone North America's coffee; FSC, PEFC and SFI for paper; Bonsucro and Organic for cane sugar, and RTRS or Proterra for soy.

Impact 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:

- a vanilla plantation project in Madagascar supported by the Livelihoods Fund for Family Farming (L3F). 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;
- Together with the Livelihoods Fund for Family Farming (L3F), Danone has launched a 10-year project to help 2,500 smallholder palm oil farmers achieve a sustainable transition in Sumatra island, Indonesia. The project will build a transparent and deforestation-free supply chain thanks to locally adapted agroforestry models, regenerative agriculture, and biodiversity enhancement. The project is brought together with Mars Incorporated, L'Oréal, and implemented locally by Musim Mas and SNV. It will help regenerate 8,000 hectares of palm farms in degrading land areas, while restoring additional 3,500 hectares of local biodiversity over 10 years.

In addition, Danone also works with producers in its whole value chain. For example, the Danone Ecosystem Fund also works on collaborative projects such as the Cartoneros project in Argentina (see Danone Ecosystem Fund's website for more information).

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 Consumer Goods Forum.

Grievance mechanism related to raw materials

Since 2019, Danone has implemented a grievance mechanism for palm oil, with the support of the Earthworm Foundation. Currently this mechanism is also being used for other commodities. Danone is working to adapt the process to track and manage more effectively all commodity alerts.

A dedicated team meets regularly to address any incoming NGO and media alerts. When allegations of noncompliance against producers arise, the Company carries out an investigation with support from internal and external experts, and in particular Tier 1 suppliers. If a low-risk non-conformity has been confirmed, Danone asks the producers to develop an action plan to resolve the non-conformity.

In the case of a high-risk non-conformity, which has occurred most often for palm oil, the Company works with its Tier 1 suppliers and can choose to suspend the non-compliant producers until they demonstrate concrete progress towards its commitments. Danone informs all of its active suppliers about the suspension decisions and the suspended producer is only allowed to enter the Company's supply chain after demonstrating progress and, ultimately, with Danone's consent.

In 2021, Danone registered 28 new alerts linked to deforestation and human rights violations, 25 of which were related to palm oil and 3 to other commodities. In total, the Company is monitoring 31 alerts that have been brought to its attention by organizations such as Center for Reproductive Rights, GlobalWitness, LibertyShared and MightyEarth. All of these alerts are being investigated as mentioned above and are being monitored in dialogue with the parties involved and the supporting NGOs and experts. As a result, Danone currently has ongoing suspensions for 12 producers, including one suspension initiated in 2021.

FOCUS ON TIER 1 SUPPLIERS OTHER THAN MILK FARMERS: RESPECT PROGRAM

Danone implements responsible sourcing due diligence towards its Tier 1 suppliers other than raw milk (i.e., processed raw materials such as fruit preparations and powdered milk, packaging, production machinery and transport and other services) through its RESPECT program. 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).

Regular evaluation procedures for Tier 1 in scope suppliers

In 2021, Danone has streamlined evaluation procedures for Tier 1 suppliers. The company's RESPECT program encompasses these evaluation procedures, and is structured on three main pillars:

- Danone requires that in-scope Tier 1 suppliers register on the Sedex (Supplier Ethical Data Exchange) (direct procurement categories, as well as third party manufacturers, and producers of promotional items) or Ecovadis (indirect procurement categories) platform and complete the self-assessment questionnaire evaluating their sustainability performance. At the end of 2021, 3,489 supplier sites were registered on the Sedex or Ecovadis platform vs. 3,891 in 2020 (this drop was mainly due to the change in program approach and the launch of the Ecovadis requirement), and 92% had completed Sedex self-assessment or obtained an Ecovadis scorecard. These 3,489 sites represent 2,540 suppliers corresponding to an estimated 59% of purchase amount (excluding raw milk).
- Danone identifies high risk or high priority suppliers that should undergo an on-site assessment (audit). As of 2020, Danone is using a new risk analysis approach that combines risks and spend level for suppliers of its operating units and global categories. The Company developed an in-house human rights impact evaluation for suppliers based on (i) the inherent country social risk index as identified by the new Sedex risk tool, (ii) the spend level, and (iii) the purchase category risk. Based on its analysis, the RESPECT team worked with purchasing departments around the world to co-develop the 2021 audit plan, selecting 129 high risk or high priority sites. Among them, 117 sites have completed an on-site or virtual assessment, in accordance with the SMETA (Sedex Members Ethical Trade Audit) protocol or the Sedex Virtual Audit (SVA) protocol. Through the Sedex platform, Danone can also access audits of shared suppliers by peer companies and participates in mutual audit recognition through the AIM-Progress initiative. As a result, in 2021, Danone had access to 556 SMETA audits carried out on its suppliers, either by the Company itself or by its peers.
- Once an audit is conducted, Danone's goal is to establish regular dialogue with its Tier 1 suppliers on their responsible business practices and monitor audit corrective actions, including when audits of shared suppliers are conducted by peer companies. In 2021, the RESPECT team had leveraged new processes to increase the robustness and sustainability of its supplier remediation plans, through dedicated resources in China and Mexico. The objective is to support suppliers develop their corrective action plans by providing expert support, resources and regular engagements, and ultimately close audits according to the SMETA methodology.

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 2021, the RESPECT team released a four-module e-learning course covering the fundamentals of the program, which was included in the learning journey for the procurement organization. More than 570 buyers, champions or purchasing managers have completed at least one module of the course, with 500 buyers, champions or purchasing managers completing all 4 modules. This initiative significantly strengthened buyers' awareness and engagement with the RESPECT program. The RESPECT e-learning course compliments 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 2021, more than 6,949 Danone employees had completed this training.

Collaborative initiatives

The Company also contributes to collaborative food and beverage sector initiatives, such as AIM-Progress, Consumer Goods Forum (CGF), Business for Inclusive Growth (B4IG). Through the various coalitions and workstreams that Danone participates in, it is able to leverage multi-stakeholder projects and initiatives on a wide range of responsible sourcing topics, both globally and regionally (for example, the regional hubs within AIM-Progress, the Human Rights Coalition in CGF, Forest Positive Coalition in CGF, and human rights, living wage and inclusive sourcing workstreams in B4IG, etc.).

Whistleblowing system

Since 2017, the Danone Ethics Line has also enabled whistleblowers to report suspected human rights and environmental 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 2021, 38 alerts were made in the "human rights" category compared to 31 in 2020. This category selected by whistleblowers includes violations in the areas of child labor, forced labor, right to collective bargaining, working time and wages. During 2021, the set of issues related to discrimination, harassment, and employee health, safety and security has been brought under the umbrella of human rights reporting. As a result, in 2021, in total 395 alerts are accounted for in this newly defined human rights category, originating from 32 countries.

All alerts are initially reviewed by the Global Human Resources Compliance and Labor Law Director, who appoints an independent internal or external investigator. All alerts are investigated if needed. At year end, 391 alerts have been closed, including 323 opened in 2021, and 76 are still under investigation. Over half of confirmed alerts are related to 'workplace respect' (such as harassment, inappropriate behavior, management issues).

If serious violations are identified they are handled in collaboration with the Human rights team to determine appropriate approach and action plans. Further collaboration to improve remediation will be developed in 2022, and also to strengthen the grievance mechanism approach for the circle of stakeholders beyond employees.

In 2021, only one alert was raised in the "environmental violations" category, which was not confirmed after investigation.

All alerts 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.

Danone also has investigation and remediation process in place to manage grievances that come through other channels than DEL, in particular related to suppliers.

Tracking and assessing the effectiveness of supplier programs

Danone tracks its RESPECT program using three indicators. In 2021, the RESPECT program resumed the regular tracking of these indicators (due to the Covid-19 pandemic, in 2020 the indicators measured the procurement teams' efforts and involvement in planning, and follow up with suppliers).

- RESPECT KPI1 measures the supplier registration rate on Sedex or Ecovadis platform: it reached 98% ⦿ of in scope suppliers in 2021;
- RESPECT KPI2 measures the annual audit plan completion: 91% of SMETA audits planned were completed in 2021;
- RESPECT KPI3 measures the audit closure rate: 82% of audits that identified critical non-conformities (being commissioned by Danone on by peers on common suppliers) have been closed in the expected timeline. Audits that have not been closed continue to be monitored. In most cases, critical non-conformities were related to health & safety, working hours and compensation.

These RESPECT indicators are included in the calculation of the variable compensation of some 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 2020 and 2021.

	2020	2021
Total number of critical non-conformities identified	126	279
Percentage of critical non-conformities related to:		
• forced labor	1.6%	3.2%
• child labor	0%	0.4%
• health and safety	49.2%	43.7%
• discrimination	0%	0.4%
• freedom of association and the right to collective bargaining	2.4%	2.9%
• working hours and compensation	33.3%	26.2%
• the environment	4.8%	11.5%
• business ethics	4%	2.5%
• other	4.8%	9.3%

The critical non-conformities identified and reported above have been resolved or are being remedied with the suppliers.

⦿ Performance indicators monitored as part of Danone's Entreprise à Mission status.

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, 2021, the Danone Communities SICAV fund had a total of €88 million in assets under management. Of that total, 17% was held by Danone and 42% was held by its employees through the FCPE Danone Communities Solidaire, an employee investment fund (Fonds Commun de Placement d'Entreprise). As of December 31, 2021, Danone also directly held 72% of the FPS.

Danone Communities and its partners invest primarily in emerging countries in businesses that have a significant social impact in line with Danone's purpose of "bringing health through food to as many people as possible". In particular, Danone Communities invests equity in social businesses in three main fields: (i) access to safe drinking water, (ii) access to healthy local nutrition and (iii) access to sustainable food systems.

FPS Danone Communities backs 15 social companies in 22 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, 2021, total investments in these businesses came to €16 million for the Danone Communities FPS fund (€14 million as of December 31, 2020).

DANONE ECOSYSTEM FUND (FONDS DANONE POUR L'ÉCOSYSTÈME)

The Company created the Danone Ecosystem Fund in 2009, with initial funding of €100 million. It is an endowment fund headed by a board of directors, and tasked with strengthening and expanding general interest activities within the Danone ecosystem.

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 areas: regenerative agriculture, micro-distribution, inclusive recycling, healthy food and diet, 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 €1.7 million in 2021 (€1.4 million in 2020), are charged to the fund in full by Danone.

As of December 31, 2021, the Danone Ecosystem Fund had 33 active projects worldwide, representing a total commitment of €78.4 million (€78.6 million as of December 31, 2020).

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 regenerative 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 against climate change while improving living conditions for local communities.

Building on the results achieved by the Livelihoods Carbon Fund created in 2011 by ten private investors, eight of these investors created in 2017 a second compartment to accelerate their efforts in the fight against climate change and protect vulnerable people.

As of December 31, 2021, investors have pledged to invest:

- in compartment 1 a total of €45.9 million (with Danone accounting for €13.8 million of that amount), which currently supports nine projects;
- in compartment 2 a total of €65 million (with Danone accounting for €25 million of that amount), which had approved eight projects as of December 31, 2021.

Capitalizing on the 10-year experience of LCF, a new investment fund, Livelihoods Carbon Fund SICAV-RAIF ("LCF3"), was created in 2021 with 14 investors and with a first closing of €143 million (with Danone accounting for € 30 million of that total amount). This new fund will finance projects supporting rural communities in their effort to preserve or restore their natural ecosystems and improve their livelihood through sustainable farming practices.

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 their supply, both in terms of quality and quantity by granting small farmers access to more sustainable practices and higher revenues due to good connections with markets. These projects also help to preserve ecosystems through farming practices combining productivity and respect of the environment.

As of December 31, 2021, 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 eight projects focusing: on coconut (representing 2 projects), vanilla, shea, watershed protection (representing 2 projects), palm and cocoa.

5.7 VIGILANCE PLAN

In compliance with the French Duty of Vigilance Law, the table below summarizes Danone's Vigilance Plan, which governs the Company's activities and those of its sub-contractors and suppliers. Elements of the Vigilance Plan were developed based on a dialogue with Danone's external stakeholders.

The Company applies a continuous improvement approach and tailors its due diligence to its specific challenges and risks. Under the French Duty of Vigilance Law, Danone implements due diligence on its subsidiaries, suppliers and subcontractors with whom it maintains an established business relationship, mainly first tier and milk suppliers. In addition, Danone is also developing due diligence in its extended supply chain.

Risk mapping

	HUMAN RIGHTS	ENVIRONMENT	HEALTH AND SAFETY OF PEOPLE
Danone activities	**Review of the analysis of top non-financial risks, originally performed in 2018 and still relevant in 2021** **Renewed materiality analysis in 2021 (for more information, see Danone's website)**		
	• Risk mapping has included the situation of temporary workers since 2018 • Danone's salient human rights impact assessment across operations and value chain, performed in 2021	• GREEN Program: leveraged to identify key environmental risks at production sites, including water risks	• Compliance to WISE[2] safety standards applicable to mitigate Health & Safety risks has been adapted in the context of Covid-19 in Danone's various businesses and operations • Danone's salient human rights impact assessment across operations and value chain, performed in 2021 including Health and Safety issues
Activities of suppliers and sub-contractors	**2017 Risk mapping of the 20 purchasing categories with the highest exposure** **Traceability initiative targeting five high-priority agricultural categories: palm oil, fruit, cocoa, sugar cane and soy**		
	Review of the analysis of top non-financial risks, originally performed in 2018 and still relevant in 2021		• *Tier 1 suppliers: analysis of geographic and sector-based risks for suppliers listed on the Sedex or Ecovadis platforms* • *Danone's approach to milk procurement with historical social issues factored in* • *Danone's salient human rights impact assessment across operations and value chain, performed in 2021 including Health and Safety issues*
	• *Tier 1 suppliers: risk analysis combined with purchase amounts using an in-house impact score* • *Danone's approach to milk procurement with historical social issues factored in* • *Danone's salient human rights impact assessment across operations and value chain, performed in 2021*	• *Analysis of deforestation risks under Forest Footprint Policy* • *Assessment of water risks linked to the supply chain*	

In 2021 Danone accelerated its efforts to advance the respect of human rights in its value chain by conducting a salient human right impact analysis with the support of Shift, the leading center of expertise on the UN Guiding Principles on Business and Human Rights. Once approved, the salient impacts will inform Danone's future human rights commitments.

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 Focus on Agricultural supply chain (Milk direct sourcing section);*
- *5.5 Responsible Sourcing and Human Rights in the supply chain (Labor and environmental risk mapping section).*

Regular risk map-based evaluation procedures

	HUMAN RIGHTS	ENVIRONMENT	HEALTH AND SAFETY OF PEOPLE
Danone activities	• Guidelines and internal control referential for risks relating to temporary workers at the subsidiaries • Danone Way self-assessment including a human rights component covering temporary workers at Danone's operations	• GREEN program: production site audits including water risk assessment criteria • Review of the water risk assessment for Danone's operations considering physical, regulatory and reputational risks using the Water Risk Filter tool developed by the WWF	• Site-level risk assessment covering all people on site (Danone's employees and externals) • Tracking of workplace accidents covering all people on site (Danone's employees and externals) • Site-level WISE² audits covering all people on site (Danone's employees and externals) • Survey on well-being in the workplace (related to Covid-19 context) and creation of employee assistance program including a psychological support unit
Activities of suppliers and sub-contractors	**In scope tier 1 suppliers' self-assessment on Sedex or Ecovadis platforms**		
	• *Audit Plan for highest risk and priority suppliers, based on an in-house human rights impact score. Audits are performed by third parties using the SMETA 4 pillar methodology* • *Social pillar of Regenerative Agriculture Framework developed*	• *The Tier 1 supplier SMETA 4 pillar audit methodology includes environmental controls* • *The Aqueduct water risk tool to assess the water risks for Danone's main 69 ingredients from its supply chain* • *Regenerative Agriculture survey – environmental pillar – focusing on soil health, biodiversity and water started to be implemented* • *Animal Welfare tool to support and assess tier 1 suppliers of raw milk*	• *The Tier 1 supplier SMETA 4 pillar audit methodology includes Health and Safety controls* • *Social pilar of Regenerative Agriculture Framework developed*

In 2021, Danone complemented its supplier evaluation tools by introducing Ecovadis platform into the RESPECT program. Ecovadis approach focuses on evaluating a company's sustainability management systems, policies and processes. Aside from being more appropriate to suppliers whose operations are not site specific, mainly in indirect procurement, Ecovadis provides actionable scorecards that allow buyers to identify best practices, benchmark performance and prioritize improvement areas. 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 Focus on Agricultural supply chain;*
- *5.5 Responsible Sourcing and Human Rights in the supply chain (Labor and environmental risk mapping section);*
- *5.5 Other ingredients than milk – upstream supply chain (Upstream supply chain transparency section);*
- *5.5 Focus on Tier 1 suppliers other than milk farmers: RESPECT Program (Regular evaluation procedures for Tier 1 in scope suppliers section).*

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 • Engagement and capacity building of human resources and Sustainability managers worldwide while communicating on related internal control and Danone Way 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.)	• Proactive risk mitigation plans under the WISE² program and the related audits • Systematic in-depth incident investigation to identify deviations related to Danone's standards or needs to upgrade them
Activities of suppliers and sub-contractors	**Code of Conduct for business partners, Sustainability Principles for business partners included in suppliers contract clause**		
	Remediation support from dedicated experts to help suppliers develop their corrective action plan following SMETA audits findings on Tier 1 suppliers		
	Certifications (UTZ, FSC, RSPO, RTRS, Proterra, etc.) and implementation of appropriate corrective action plans following SMETA audits		
	Supplier engagement 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* • *Monthly engagement of RESPECT champions* • *Training of RESPECT champions and buyers on the RESPECT program*	• *Appropriate plans in connection with the Cool Farm Tool and the Animal Welfare tool*	• *WISE² program and related audits are applicable to outside workers at Danone sites. WISE² especially includes a contractors' element and third parties and interims are directly included in Danone employees safety performance*

Danone trains its RESPECT Champions and buyers on the RESPECT program and ensures that they are aware of Danone's due diligence approach and risks related to forced labor and the CGF's three priorities. In 2021, the RESPECT team released a 4 module e-learning course covering the fundamentals of the program, a course included in the learning journey for the procurement organization. This initiative significantly strengthened buyers' engagement with the RESPECT program. It supplements 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 Focus on Agricultural supply chain (Milk direct sourcing section)*
- *5.5 Other ingredients than milk – upstream supply chain*
- *5.5 Focus on Tier 1 suppliers other than milk farmers: RESPECT Program.*

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 (all cases related to safety are escalated to the chief of Health and Safety function and investigated and lead to a remediation action including sanctions)
Activities of suppliers and sub-contractors	**Danone Ethics Line is accessible to third parties including suppliers**		
	A dedicated team meets regularly to address any incoming NGO and media alerts		

For more information related to Danone Ethics Line and Danone's performance, please refer to the section 5.5 *Focus on Tier 1 suppliers other than milk farmers: RESPECT Program, Whistleblowing system section.*

For more information, see the following sections:

- *5.1 An integrated approach of sustainable business model*
- *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 Focus on Tier 1 suppliers other than milk farmers: RESPECT Program (section Whistleblowing system);*
- *5.5 Responsible Sourcing and Human Rights in the supply chain (Labor and environmental risk mapping section);*
- *5.5 Other ingredients than milk – upstream supply chain (Upstream supply chain transparency section).*

Monitoring of measures and assessment of their effectiveness

	HUMAN RIGHTS	ENVIRONMENT	HEALTH AND SAFETY OF PEOPLE
Danone activities	• Tracking of Danone Way results and deployment of additional educational content and improvement assistance including the human rights component. In 2021, 99% of entities have been assessed on their human rights respect processes focusing on temporary workers (see section 5.8 *Methodology Note*)	• Tracking of environmental performance indicators • Audits based on the risks. In 2021, 19 sites have been audited in connection with Danone's environmental risks.	• Monthly management of safety performance at all levels of the organization and tracking of workplace accidents • Audits to measure the effectiveness of the WISE[2] program • In 2021, a total of 116 entities assessed their compliance with Danone's global health and safety processes *via* Danone Way program (see section 5.8 *Methodology note*)
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*	• *Tracking of RESPECT program performance indicators* • *Performance monitoring using the Cool Farm Tool and the Animal Welfare tool* • *Improved traceability of priority ingredients* • *Regenerative agriculture scorecard to support and assess the improvement of farmer's practices in regard to regenerative agriculture*	• *Tracking of RESPECT program performance indicators*

In 2021, Danone increased the traceability of ingredients such as palm oil, cane sugar, cocoa and soy.

Danone tracks its RESPECT program using three indicators. In 2021, the RESPECT program resumed the regular tracking of these indicators (due to the Covid-19 pandemic, in 2020 the indicators measured the procurement teams' efforts and involvement in planning and follow up with suppliers).

- RESPECT KPI1 measures the supplier registration rate on Sedex or Ecovadis platform: it reached 98% of in scope suppliers in 2021;
- RESPECT KPI2 measures the annual audit plan completion; 91% of SMETA audits planned were completed in 2021;
- RESPECT KPI3 measures the audit closure rate: 82% of audits that identified critical non-conformities (being commissioned by Danone on by peers on common suppliers) have been closed in the expected timeline. Audits that have not been closed continue to be monitored. In most cases, critical non-conformities were related to health and safety, working hours and compensation.

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 Focus on Agricultural supply chain (Milk direct sourcing section)*
- *5.5 Other ingredients than milk – upstream supply chain (Upstream supply chain transparency section);*
- *5.5 Focus on Tier 1 suppliers other than milk farmers: RESPECT Program (Tracking and assessing the effectiveness of supplier programs section).*

5.8 METHODOLOGY NOTE

CONSOLIDATION SCOPES 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, 2021 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 2021, 189 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 2021, 150 entities representing 99.6% 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 2021, 190 entities representing approximately 99.9% 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, 2021 is reported up to the date of their deconsolidation but is not included in the headcount as of December 31, 2021.
Production Site Environment	Danone monitors the environmental performance of its production sites using an operational control approach. In 2021, 181 Danone production sites, representing more than 99% of total production, 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 Gas 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. Scopes 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 scope 1 and 2 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 99% of Danone's production volumes in 2021; • downstream emissions (physical flows exiting the plants) covered a scope representing approximately 99% of Danone's sales volumes in 2021. The increase in coverage relative to 2020 for both upstream and downstream emissions can be attributed mainly to the inclusion of the Sirma entity (Waters, Turkey) in the scope 3 reporting scope. Only scope 1 and scope 2 emissions are calculated for the Danone Proviva AB (EDP, Sweden), Danone Iran (EDP, Iran), Damavand (Waters, Iran) and IBIC (Waters, Brunei) entities. Within the Specialized Nutrition Reporting Entity, scope 3 emissions for about 10 sales entities, located mainly in South America, Europe and the Middle East, were excluded from the scope 3 emissions reporting scope in 2021. For the EDP Reporting Entity, scope 3 emissions from operations related to the *Vega* brand were excluded.

INDICATOR	SCOPE
Packaging	In 2021, data on packaging was collected from all Danone production entities, representing 99% of its 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.
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 33 countries covering all of Danone's Reporting Entities and geographic regions. In 2021, 75 entities representing 81% of consolidated sales reported health and nutrition indicators (82% in 2020).
Danone Way	In 2021, 144 entities conducted a Danone Way self-assessment, representing 98.3% of Danone's consolidated sales (99.5% in 2020). This program also covers 98.6% 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 2021 data has been restated using the same consolidation scope and constant methodology as that of 2020.

DEFINITION OF THE REPORTING ENTITIES

Essential Dairy and 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 the global level by the 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, 2021. 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 Site Environment indicators are reported by each production site's Environment manager using the PURE Platform tool implemented in 2018 with UL EHS Sustainability. This is the third 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 PURE Platform tool.

Danone Way indicators

The One Planet. One Health Integration Department is responsible for Danone Way, a qualitative program which guides subsidiaries toward the Danone 2030 Goals *via* a progressive framework of practices. The 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 PURE Platform data management tool. 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.

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 nine 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 2021, that was the case for ELN Qingdao (Specialized Nutrition, China) and Earth Island, Inc (Specialized Nutrition, United States) for a total headcount of 368 people, *i.e.* 0.4% of total headcount. The Harrogate Spring Water entity (Waters, United Kingdom), representing 0.09% of headcount, was included in the reporting scope for the first time in 2020, and was therefore consolidated in the social indicators scope in 2021, with the exception of its training data.

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, 2021.

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, 2021.

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 nine months) are not taken into account.

The assumptions used to calculate the theoretical hours worked are left to the discretion of the subsidiaries on the basis of 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 Waters of America (Waters, United States), Happy Family (Specialized Nutrition, 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 the Company level (Danone), the regional level, the country (or country cluster) level or the 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 2021, one accident without medical leave was reclassified, which had very little impact on the values published in 2020 in this document.

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 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 (2020 publication of energy mixes in 2018);
- 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 third 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 fourth 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 36% of Danone's emissions in 2021. 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 fourth year that, in order to calculate emissions for dairy ingredients, which accounted for 16% of Danone's emissions in 2021, 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.

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, Danone continues to present since February 2020 a 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 3.5 *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 scopes 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. 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.

EU Taxonomy

Danone has calculated its performance indicators in accordance with the provisions of European Regulation 2020/852 (the "Taxonomy" Regulation) and Annex I of the Delegated Act of July 6, 2021, using the methodology described below:

Justification of the non-materiality of operating expenditures ("OpEx") and application of the disclosure exemption

- OpEx, within the meaning of the Taxonomy Regulation, are limited to (i) direct non-capitalized research and development costs, (ii) direct maintenance and renovation costs, and (iii) direct short-term lease costs;
- it represented less than 3% of Danone's total OpEx in fiscal year 2021, which consisted of costs relating to products sold (procurement, logistics, transport) and to selling expenses (marketing, promotions, and personnel costs).

Calculation of the ratio that determines the share of Danone's eligible capital expenditures ("CapEx")

Calculation of the denominator

This corresponds to the increase in property, plant and equipment and intangible assets in fiscal year 2021, which totaled €1,353 million, of which €245 million for IFRS 16 right-of-use assets and €68 million for additions to the consolidation scope (see Notes 6.5 and 10.2 of the Notes to the consolidated financial statements).

Calculation of the numerator

This concerns "individually sustainable measures" within the meaning of the Taxonomy Regulation and breaks down as follows:

Type of asset	Share of total eligible assets	Source of data used to calculate the ratio
Buildings and vehicle fleets leased under long-term leases	63.0%	Accounting information systems
Buildings acquired, built and/or renovated	34.8%	Accounting information systems
Other, including energy efficiency equipment for buildings	2.2%	Internal CapEx approval tool

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 by 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 are 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, waste, whey, food waste collected on site and food waste discharged with wastewater, packaging waste, hazardous waste and, lastly, other non-hazardous waste. Since 2019, Danone has 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 2021, 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 Production Site 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 are 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.

Since 2020, Danone has 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 (m3, liters, Btus, etc.) and the standard reporting unit (MWh) are specified in the technical environmental guide prepared by Danone and provided to its subsidiaries. In certain cases, the subsidiaries use conversion factors provided by their suppliers.

Wastewater

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

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, plant-based products 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 (excluding plant-based products), 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. The information provided to consumers about portions consists of an indication of portion size and the number of portions in the package.

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 employees trained on the WHO Code and Danone's BMS Policy

This indicator tracks the number of 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 one-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.

Year ended on December 31, 2021

To the Shareholders's Meeting of Danone,

In our capacity as Statutory Auditor of Danone (hereinafter the "entity"), appointed as an independent third party and accredited by Cofrac (Cofrac Inspection Accreditation n°3-1060, whose scope is available at www.cofrac.fr), we conducted our work in order to provide a report expressing a limited assurance conclusion on the historical information (observed and extrapolated) of the consolidated non-financial information statement (hereinafter respectively the "Information" and the "Statement"), prepared in accordance with the Entity's procedures (hereinafter the "Guidelines"), for year ended on December 31, 2021, 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*).

Conclusion

Based on the procedures performed, as described in the "Nature and scope of our work" section, and the elements that we have collected, nothing has come to our attention that causes us to believe that the consolidated non-financial information statement is not compliant with the applicable regulatory provisions and that the Information, taken as a whole, are not presented fairly in accordance with the Guidelines.

Preparation of the non-financial performance statement

The absence of a generally accepted and commonly used framework or established practices on which to evaluate and measure the Information permits the use of different, but acceptable, measurement techniques that may affect comparability between entities and through time.

Consequently, the Information needs to be read and understood with reference to the Guidelines, significant elements of which are available upon request from the entity's headquarters.

Inherent Limitations in Preparing the Information

The Information may be subject to inherent uncertainty because of incomplete scientific and economic knowledge and due to the quality of the external data used. Certain Information are sensitive to the methodological choices, assumptions and/or estimates used to prepare the Information presented in the Statement.

The entity's responsibility

The Board of Directors is responsible for:

- selecting or establishing suitable criteria for preparing the Information;
- the preparation of the Statement in accordance with the legal and regulatory provisions, 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 those policies, including key performance indicators and if applicable the information required by Article 8 of Regulation (EU) 2020/852 (green taxonomy);
- designing, implementing and maintaining internal control over information relevant to the preparation of the Information that is free from material misstatement, whether due to fraud or error.

The Statement has been prepared in accordance with the entity's Guidelines as mentioned above.

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");

As we are engaged to form an independent conclusion on the Information as prepared by management, we are not permitted to be involved in the preparation of the Information as doing so may compromise our independence.

It is not our responsibility to comment on:

- the entity's compliance with other applicable legal and regulatory provisions (in particular the information required by Article 8 of Regulation (EU) 2020/852 (green taxonomy), the French duty of care law and anti-corruption and tax evasion legislation);

5

- the fairness of the information required by Article 8 of Regulation (EU) 2020/852 (green taxonomy);
- the compliance of products and services with the applicable regulations.

Regulatory provisions and professional standards applicable

The work described below was performed in accordance with the provisions of articles A. 225-1 *et seq.* of the French Commercial Code and with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements, as well as with ISAE 3000 (Revised) – *Assurance Engagements other than Audits or Reviews of Historical Financial Information*.

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 statutory auditors. In addition, we have implemented a system of quality control including documented policies and procedures to ensure the compliance with the ethical requirements, French professional guidance and applicable legal and regulatory requirements.

Means and resources

Our work was carried out by a team of 10 people between September 2021 and February 2022 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 15 interviews with people responsible for preparing the Statement, representing among others risk management and compliance.

Nature and scope of our work

We planned and performed our work considering the risk of material misstatement of the Information.

We consider that the procedures we performed were based on our professional judgment and allowed us to provide a limited level of assurance conclusion:

- we obtained an understanding of all the consolidated entities' activities, the description of the social and environmental risks associated with their activities;
- 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 information set out in article L. 225-105-1 II where relevant to the principal risks;
- 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, including key performance indicators related to the principal risks;
- we referred to documentary sources and conducted interviews to:
  - assessed the process used to identify and confirm the principal risks and the consistency of the outcomes and the key performance indicators used with respect to the principal risks and the policies presented, and
  - corroborate the qualitative information (measures and outcomes) that we considered to be the most important presented in the appendix. Our work was performed at the consolidation entity level;
- 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 asked what internal control and risk management procedures the entity has put in place and 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 presented in the appendix, 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 Produits Frais France (France), Danone US LLC (United States), Danone Egypt (Egypt), Danone Djurdjura Algeria (Algeria), Milupa Fulda Supply Point Baby (Germany), Nutricia Polska (Poland), Blédina France (France), Danone Ukraine (Ukraine), SA des Eaux Minérales d'Evian (France), Danone Belgium (Belgium), Alpro Sojinal (Germany), Danone Brazil Dairy (Brazil), Salus (Uruguay), Danone Trade Corporate (Nertherlands), Danone SA (France) et Danone Turkey (Turkey) and covers between 20% and 38% of the consolidated data selected for these tests;
- we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

The procedures performed in a limited assurance engagement are less extensive than those required for a reasonable assurance engagement performed in accordance with the professional guidance of the French Institute of Statutory Auditors ("CNCC"); a higher level of assurance would have required us to carry out more extensive procedures.

Neuilly-sur-Seine, March 10th, 2022

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 Universal Registration Document 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 KPI: • Number of third parties that have been checked as part of the deployment of the new third-party due diligence solution
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 product volumes meeting internal sugar targets • % of volumes sold with nutritional information on the front of the package • 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 KPI: • 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 Scopes 1,2 & 3 emissions • Pourcentage of renewable energy
Transition toward regenerative 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 volumes of key ingredients supplied directly from farmers actively involved in the regenerative agriculture approach
Circular economy	**Section 5.3 Preserve and renew the planet's resources** Including the KPIs: • Proportion of industrial waste recovered • Proportion of packaging waste recovered • % of recyclable, reusable or compostable packaging
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 • Net COD ratio • Proportion of facilities with a 4R action plan

Main risks or opportunitues identified (Danone's material issues)	Sections of the Universal Registration Document 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 • Hirings and dismissals • Turnover rate • Absenteeism rate • % of part-time employees • Gender pay gap • Number of employees covered by the parental policy • Number of women trained as part of the partnership between UN Women and Bonafont in Mexico • Total number of training hours • % of entities having planned, at least once every two years, a development interview for each staff member
Social dialogue	**Section 5.4 Building the future with Danone employees** Including the KPIs: • % of employees covered by collective bargaining agreements • % of Danone entities having discussed with unions or employee representatives and offered eligible employees the FutureSkills program when a validated project affected employees or their working conditions
Employee security (including health and safety at work)	**Section 5.4 Building the future with Danone employees** Including the KPIs: • Accident frequency and severity rate • % of the annual plan of WISE² audits carried out within the framework of operations • % of different sites audited as part of WISE² audits • Number of countries that have deployed the EAP (Employees Assistance Program) • Number of employees and number of countries benefiting from health coverage that fully or partially complies with the criteria defined by Dan'Cares • % of sites having carried out their safety self-assessment • 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 through Responsible Sourcing and Human Rights** Including the KPI: • % 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 through Responsible Sourcing and Human Rights** Including the KPIs: • % of the palm oil sourced by Danone certified RSPO Segregated • % of the palm oil sourced by Danone certified RSPO Mass Balance • % of supplier registration on the Sedex or Ecovadis platform • Total number of critical non-conformities identified during SMETA audits • Breakdown of critical non-conformities identified during SMETA audits by type • % of achievement of the annual audit plan • % of closure of audits having identified critical non-conformities
Other indicators [a]	**Section 5.3 Preserve and renew the planet's resources** Including the KPIs: • Total number 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
  - Circular economy
  - Water management
- Social
  - Inclusive talent development
  - Social dialogue
  - Employee security
- Responsible sourcing and Human Rights
  - Responsible procurement: 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.

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 and Finance departments. It was initially presented to the Governance Committee on February 7, 2022, and then approved by the Board of Directors on February 22, 2022.

6.1 GOVERNANCE BODIES

Contents

BOARD OF DIRECTORS

The Board of Directors in 2021

BOARD OF DIRECTORS

13 Members including:
1 Lead Independent Director – 8 Independent Directors
2 Directors representing employees

95% Attendance rate
12 Meetings

AUDIT COMMITTEE

3 Members

93% Attendance rate
5 Meetings

GOVERNANCE COMMITTEE

3 Members

94% Attendance rate
14 Meetings

ENGAGEMENT COMMITTEE

3 Members

95% Attendance rate
5 Meetings

STRATEGY & TRANSFORMATION COMMITTEE

5 Members

100% Attendance rate
2 Meetings

73% Independence rate

45% Percentage of women

27% Diversity / Directors with a non-French nationality

Independence rate

2021	73%
2020	64%
2019	57%
2009	43%

Average age of Directors

2021	61 years
2020	60 years
2019	59 years
2009	60 years

Average lengh of the terms of office

2021	7 years
2020	8,8 years
2019	8 years
2009	12 years

Composition as of December 31, 2021: 13 Directors

Personal information							Position on the Board			
Name	Gender	Age	Nationality	Primary function	Number of DANONE shares held	Number of directorships at listed companies [(a)]	Independence	Starting date of Director's term	Expiration date of Director's term [(b)]	Years on the Board
Directors										
Gilles SCHNEPP		63	French	Chairman of Danone's Board of Directors	5,000	4	•	2020	2023	1
Franck RIBOUD		66	French	Honorary Chairman of Danone / Director	84,009	1		1992	2022	29
Guido BARILLA		63	Italian	Chairman of the Board of Directors of Barilla	4,000	1	•	2018	2023	3
Cécile CABANIS		50	French	Deputy CEO of Tikehau Capital	41,550	3		2018	2022 [(d)]	3
Clara GAYMARD		61	French	Co-founder of Raise	4,256	4	•	2016	2022	5
Michel LANDEL		70	French	Lead Director of Legrand	4,000	2	•	2018	2023	3
Gaëlle OLIVIER		50	French	Deputy CEO, Chief Operating Officer of Société Générale [(c)]	4,340	2	•	2014	2022	7
Isabelle SEILLIER		61	French	Global Chairman of Investment Banking at J.P. Morgan	4,073	1		2011	2021 [(e)]	10
Jean-Michel SEVERINO		64	French	Lead Independent Director of Danone	4,505	3	•	2011	2022	10
Serpil TIMURAY		52	Turkish	CEO Europe Cluster of Vodafone group	7,271	1	•	2015	2023	6
Lionel ZINSOU-DERLIN		67	Beninese and French	Chairman of SouthBridge SAS	4,369	2	•	2014	2022	7
Directors representing employees										
Frédéric BOUTEBBA		54	French	Director representing employees	1 [(f)]	1	N/A	2016	2023	5
Bettina THEISSIG		59	German	Director representing employees	1 [(f)]	1	N/A	2014	2023	7

(a) Including at Danone.
(b) Date of the Shareholders' Meeting. As announced on July 29, 2021, the Directors whose terms are expiring in April 2022 decided not to seek renewal of their terms of office. The other Directors (except the Chairman and the two Directors representing employees) decided not to seek renewal of their terms of office a year ahead of schedule, *i.e.*, as of the 2022 or 2023 Shareholders' Meeting.
(c) Since January 17, 2022. Prior to this, Gaëlle OLIVIER was Chief Executive Officer for Société Générale Asia Pacific.
(d) Cécile CABANIS has indicated her intention to resign from her term of office as Director of the Company at the end of June 2022.
(e) Isabelle SEILLIER resigned as Director effective December 31, 2021. The Board of Directors co-opted Valérie CHAPOULAUD-FLOQUET as Director to replace Isabelle SEILLIER effective March 1, 2022.
(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 (Nordi BENASSEM) participates in Board of Directors' meetings in an advisory capacity and in Governance Committee meetings.

Pursuant to the Board of Directors' rules of procedure, in 2017 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 Chief Executive Officer, share his experience, speak to Danone's teams, represent Danone at an institutional level, particularly among its longtime partners, and take part in major events. If he is not a Director, the Honorary Chairman participates in Board meetings in an advisory capacity; he receives the same information as the Directors and is subject to the confidentiality rules applicable to the Directors.

Cécile CABANIS, Director, has supported the Board of Directors as Vice-Chairman since December 2020.

Danone's governance structure

Change in governance structure: separation of the functions of Chairman of the Board of Directors and Chief Executive Officer

In line with Danone's practice, in 2017 the Board of Directors made a reasoned decision to appoint a Chairman and Chief Executive Officer (Emmanuel FABER), while regularly reassessing, particularly during the annual discussion on the Board's operation, the relevance of this governance structure in light of the company's situation.

On March 1, 2021, following a series of discussions thanks to an open dialogue with the Company's shareholders and many other stakeholders, the Board of Directors decided in principle to begin the process of separating the functions of Chairman of the Board of Directors and Chief Executive Officer. The Board believed that this separation of functions would, on the one hand, best meet the Company's current needs at a time of profound transformation and enable it to continue its development under the best possible conditions, and, on the other hand, ensure separation between the operational and executive functions, which are the responsibility of General Management, and the functions that provide control and define the broad strategic orientations, for which the Board of Directors is responsible.

At its meeting on March 14, 2021, the Board of Directors, noting a disagreement on the conduct of future developments, decided to remove Emmanuel FABER as Chairman and Chief Executive Officer and to proceed with the immediate separation of the functions of Chairman of the Board of Directors and Chief Executive Officer by appointing Gilles SCHNEPP as Chairman of the Board in light of his recognized experience as a head of a large international listed company and his corporate governance expertise. The Board also appointed Véronique PENCHIENATI-BOSETTA, CEO International of Danone, who oversees all the Group's operational activities with the exception of North America, and Shane GRANT, CEO North America, as Chief Executive Officer and Deputy Chief Executive Officer, respectively, to co-lead the Company during the new CEO recruitment process.

The external selection process for the new CEO was actively led by the Governance Committee, under the guidance of the Lead Independent Director and with help from the Chairman of the Board of Directors and a world-renowned recruitment firm, on the basis of specific and rigorous selection criteria, including successful experience as the head of a company in the food and beverage sector, concrete knowledge of the operation and challenges of a listed company and ESG expertise.

The Governance Committee therefore met five times in less than two months to focus on recruiting the new CEO. The Board was regularly informed of the status of the recruitment process and carefully analyzed the profiles of several selected candidates. Several Directors were also involved in interviewing candidates. At the end of this process and further to the recommendation of the Governance Committee, the Board of Directors unanimously decided on May 17, 2021, to appoint Antoine de SAINT-AFRIQUE, with whom all the Board members had had an opportunity to interact during the recruitment process, as Chief Executive Officer as of September 15, 2021. Underscoring his excellent background and his track record in terms of innovation and results, the Board felt that Antoine de SAINT-AFRIQUE would bring to Danone the right blend of strategic vision, international experience in the food and beverage sector and excellence in execution, along with his proven ability to successfully implement a responsible and sustainable growth strategy fully in line with Danone's mission, values and long-term objectives.

This separation of functions therefore allows Danone to benefit from both the corporate governance expertise and experience of Gilles SCHNEPP and the managerial and operational background of Antoine de SAINT-AFRIQUE.

Chairmanship of the Board of Directors

Duties and powers of the Chairman of the Board of Directors

Pursuant to the Company's by-laws and the Board of Directors' rules of procedure, the Chairman of the Board of Directors:

- convenes and sets the agenda for Board of Directors' meetings;
- prepares, organizes and directs the work of the Board and leads discussions;
- ensures the proper functioning of Danone's corporate bodies and ensures in particular that directors are able to fulfill their duties by providing them with all necessary information;
- ensures that a relationship of trust is developed and maintained between the Board and the General Management, to allow permanence and continuity of the implementation of the strategic orientations decided by the Board.

Work of the Chairman of the Board of Directors in 2021

Following the separation of the functions of Chairman of the Board and Chief Executive Officer as decided by the Board of Directors, Gilles SCHNEPP was named Chairman of the Board on March 14, 2021. He took part in a comprehensive onboarding process that included meetings with Directors, General Management, the Secretary of the Board of Directors, numerous Danone teams and other stakeholders. He also participated in several site visits.

His 2021 agenda was marked by the governance crisis faced by Danone, which involved extra meetings of the Board (12 meetings in 2021 vs. an annual average of 5 prior to 2020) and the Governance Committee (14 meetings in 2021 vs. an annual average of 5 prior to 2020).

Gilles SCHNEPP closely oversaw the preparation of Board meeting agendas based on developments at Danone and ongoing key issues so as to ensure that the Directors had the best possible information. He actively led Board meetings and also attended Committee meetings, particularly Governance Committee meetings. He also met with the Chairman of the Mission Committee and participated in one of this committee's meetings.

6

Together with the Chairman of the Governance Committee, he also set up the interim management team, was involved in the external recruitment of the new CEO and implemented the overhaul of the Board by actively contributing to the search for new Directors (definition of the desired profiles and expertise, interviews with the candidates selected by the Committee).

As part of the preparation of the 2021 Shareholders' Meeting and in view of the governance crisis faced by the Company, he participated in the dialogue with shareholders within the framework of the management transition process. In particular, he presented the proposed changes in the governance structure and the ways in which shareholders' and institutional investors' expectations could be taken into account. He also sent a letter to all Danone's shareholders.

He fully supported General Management during the crisis and maintained an ongoing, direct and regular dialogue with the interim management team, the new CEO, the members of the Executive Committee and certain Danone executives, which allowed close coordination between General Management and the Board of Directors. He also met with Danone's social partners in connection with the implementation of the Local First reorganization project, visited industrial sites and participated in internal meetings related to significant events concerning Danone. Lastly, on behalf of Danone, he hosted the Franco-German Rencontres d'Evian in September 2021.

General Management

Duties and powers of the Chief Executive Officer

As required by law and pursuant to the Company's by-laws, the Chief Executive Officer is fully authorized to act on behalf of the Company in all circumstances, within the limit of its corporate purpose and subject to the powers assigned by law to Shareholders' Meetings and the Board of Directors. He represents the Company in its relations with third parties.

The Chief Executive Officer directs the Company's operations and, with the help of the Executive Committee, oversees the operational implementation of the strategic orientations decided by the Board of Directors.

Limits on the powers of the Chief Executive Officer

The Board of Directors' rules of procedure set limits on the Chief Executive Officers' powers. 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.

In particular, the Chief Executive Officer must obtain the Board of Directors' prior authorization for the following transactions:

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.

Board of Directors

Pursuant to the Company's by-laws and the Board of Directors' rules of procedure, the Board, a collegial body, exercises the powers conferred by law and acts at all times in the corporate interest of the company. It determines all strategic orientations of Danone's activity and oversees their implementation. It endeavors to promote long-term value creation by the Company while taking into account the social and environmental aspects of its activities. As part of its work, the Board of Directors continues to fulfill the purpose and the social, societal and environmental objectives embedded in the Company's by-laws since the adoption of Entreprise à Mission status by the Shareholders' Meeting on June 26, 2020, and takes into consideration the social, societal and environmental impacts of its decisions on all stakeholders of the Company'.

The Board of Directors meets as often as required to serve the Company's interests and at least five times a year. It conducts the verifications and controls that it deems necessary.

To prepare and inform its work, the Board of Directors may decide to create one or more special Committees, whose composition, prerogatives and operating rules it determines, and which conduct their activity under its responsibility. The Committees are comprised only of Directors who are appointed in their individual capacity by the Board of Directors, acting on the recommendation of the Governance Committee, and may not be represented.

Lead Independent Director

Presentation of the Lead Independent Director

The Lead Independent Director is appointed by the Board of Directors from among the Independent Directors, upon the proposal of the Governance Committee. The appointment of a Lead Independent Director is mandatory when the functions of Chairman of the Board of Directors and Chief Executive Officer are combined. In 2021, when it decided to separate the functions of Chairman of the Board of Directors and Chief Executive Officer, the Board of Directors maintained the function of Lead Independent Director and rotated this role by naming Jean-Michel SEVERINO on March 1, 2021, to replace Michel LANDEL, who had been appointed to that position in 2017.

Duties and powers of the Lead Independent Director

The powers of the Lead Independent Director were broadened and enhanced by the Board of Directors in 2017 to take into account the combination of the functions of Chairman of the Board of Directors and Chief Executive Officer. Specifically, the Lead Independent Director was given a greater role in relations with shareholders, enabling him/her to be informed directly of their requests, to meet with them, when necessary without the Chairman or the 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.

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 or the Chief Executive Officer in answering questions from shareholders, makes himself/herself available to meet with some of them, including without the Chairman or the 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 of the Lead Independent Director in 2021
Michel LANDEL, Lead Independent Director and Chairman of the Governance Committee since 2017 and between January 1 and March 1, 2021, oversaw the work of the Governance Committee during this period, including:

- continuation of the in-depth review of Danone's governance that began in late 2020; along these lines, he organized and chaired an executive session (meeting of Danone's outside Directors) in February 2021 and maintained regular and frequent contacts with each of the Directors;
- the review of performance conditions applicable to performance shares (Group performance shares) and the recommendation to the Board of Directors to submit to the 2021 Shareholders' Meeting, for the performance shares to be granted in 2021, a resolution calling for (i) the introduction of a financial criterion based on Danone's Total Shareholder Return (TSR) for the executive corporate officers and other members of the Executive Committee, and (ii) a more rigorous environmental performance condition that takes into account the score assigned by CDP under its Water and Forests programs, in addition to the Change Climate program.

Michel LANDEL also participated in the dialogue with shareholders in preparation for the 2021 Shareholders' Meeting.

On March 1, 2021, Jean-Michel SEVERINO succeeded Michel LANDEL as Lead Independent Director. He reported on the first months of his mission at the Shareholders' Meeting of April 29, 2021. Since his appointment, he has mainly focused on five areas:

- setting up an interim management team in light of the Chairman and Chief Executive Officer's departure and aligning its compensation with the Governance Committee's recommendations;
- recruiting the new Chief Executive Officer: as Lead Independent Director and Chairman of the Governance Committee, Jean-Michel SEVERINO oversaw the recruitment process through his involvement in defining the methodology and choosing a world-renowned recruitment firm to provide assistance with selecting candidates and defining the expertise criteria and profiles of candidates. He was involved in interviewing and selecting candidates, negotiating their compensation and making the final decision, with the assistance of the Chairman of the Board of Directors and the Governance Committee;
- updating Danone's governance structure by identifying and overseeing the work of the Governance Committee and Board of Directors on the renewal of the Board of Directors, changes in its composition and various rules related to its operation, and by helping to identify and recruit world-renowned recruitment firms;
- recruiting Directors whose appointment will be proposed at the 2022 Shareholders' Meeting, with the assistance of recruitment firms, by supporting the Chairman of the Board of Directors and overseeing the work of the Governance Committee;
- shareholder relations, in collaboration with the Chairman of the Board of Directors, through the various phases of consultation with shareholders (before and after the departure of the Chairman and Chief Executive Officer, in preparation for the 2021 Shareholders' Meeting and, more specifically, in November 2021 at the time of a governance roadshow, during which the Lead Independent Director met with some 15 investors representing

more than 30% of Danone's capital). During these meetings, the Lead Independent Director was able to discuss shareholders' expectations in terms of the Board's composition, the Director selection process and the performance conditions of long-term compensation schemes (see section *Dialogue with shareholders* hereinafter).

He also maintained close relations with the Chairman of the Board, the Directors, who were consulted individually on several occasions, and General Management.

Lastly, Jean-Michel SEVERINO organized and chaired two executive sessions, in March and December 2021, which focused on Danone's governance structure, interaction between the Board and the new management team, and the composition and operation of the Board of Directors.

Balanced distribution of powers

In addition to the separation of the functions of Chairman of the Board of Directors and Chief Executive Officer, the balance of powers is ensured by the following mechanisms:

- chairmanship of the Board of Directors by an independent Director;
- the existence of a Lead Independent Director whose duties, resources and responsibilities are described in section *Lead Independent Director* above;
- the independence of the Board of Directors, 73% of whom are independent Directors in strict compliance with the independence criteria of the AFEP-MEDEF Code, which allows it to exercise full oversight of the Chief Executive Officer;
- the free and independent review of Board agenda items, with the work in the Committees also enabling Directors to review certain matters in greater detail and work in direct contact with Danone's teams;
- the composition of the Board Committees, all of which are chaired by independent Directors;
- the diversity policy regarding the Board's composition, which aims to ensure the diversity and complementarity of profiles in terms of gender, skills and experience, and the independence of its members;
- the full involvement of the Directors in the work and discussions of the Board and the Committees, which translates into a high participation rate at meetings (see section *Attendance rates for Directors in 2021* hereinafter);
- regular meetings with Directors from outside the Company (executive sessions), organized by the Lead Independent Director, which enable them to discuss any topic of their choice freely and spontaneously and provide input for the Lead Independent Director's ongoing dialogue with the Chairman of the Board and the Chief Executive Officer; in 2021 there were three executive sessions during which the Directors discussed in depth the most appropriate governance structure for Danone, the organization of General Management to best serve the Company's business interest, and the composition and operation of the Board of Directors; and
- limits imposed on the Chief Executive Officer pursuant to the Board's rules of procedure, described above.

Dialogue with shareholders

The Company, through the Chief Executive Officer, the Chief Financial Officer and the Investor Relations team, maintains an ongoing dialogue with its investors and proxy advisors, particularly during special meetings and events, such as announcements of financial results and Investor Seminars. It posts the presentations made at these meetings and events on its website: www.danone.com (section Investors / Publications & Events / Investor Seminars and/or Investor Conferences). In addition to these meetings, the Investor Relations team interacts with Danone's investors and shareholders on a regular basis throughout the year.

Furthermore, the Lead Independent Director is the investors' main point of contact for issues related to Danone's governance, even though the Chairman of the Board of Directors may also have occasion to speak with investors from time to time as necessary. Thus, in 2021, amid the governance crisis faced by Danone, the Chairman of the Board of Directors met with many investors at their request and the Lead Independent Director participated in a number of meetings with shareholders, before and after the Chairman and Chief Executive Officer's departure. The topics discussed mainly included Danone's governance structure and investors' expectations in that regard.

In addition, as has been the case for several years, in the fall of 2021 the Lead Independent Director met with some 15 investors representing more than 30% of Danone's share capital to discuss governance issues, including changes in 2021, the upcoming renewal of the Board of Directors, the corporate officers' compensation and the Company's challenges in terms of CSR strategy. The Board was kept informed of these discussions.

This dialogue, which was enhanced and continued in early 2022, made it possible to take into account investor concerns and contributed to discussions on the new composition of the Board of Directors and the definition of performance criteria applied to the compensation of the Company's corporate officers. It was also an opportunity to discuss how Danone implements its Entreprise à Mission status, particularly concerning the Mission Committee's work, the definition of a roadmap related to the social and environmental objectives embedded in the by-laws and the verification by the independent third party. The discussions with investors also focused on the progress of the Local First reorganization project, particularly in terms of its impact on jobs and employee commitment.

Composition of the Board of Directors and Committees

Guiding principles for the composition of the Board of Directors and its Committees

Diversity policy of the Board of Directors and its 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, has led to a noticeable change in the composition of the Board of Directors with a balanced representation achieved, particularly in terms of independence, gender, expertise, age and seniority of its members.

The Board's policy with respect to diversity of its composition and that of its committees also aims to promote a variety of cultures, skills, experiences and nationalities and to ensure that the Board's tasks are performed independently and objectively, in a collegial and open-minded way. Thus, the Board:

- seeks to combine the necessary skills for the development and implementation of Danone's long-term strategy and ensures that these skills are varied and cover the food and beverage sector, the consumer goods sector, the customer / consumer experience, governance and leadership of large companies, international experience, finance, strategy, mergers and acquisitions, Research & Development, nutrition, digital and new technologies, corporate social responsibility and climate;
- pays close attention to ensuring that its members' profiles are complementary and in line with Danone's strategy and values;
- continuously aims to improve the representation of women and the international diversity of its members and ensures that generational balance is maintained;
- 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.

As part of the overhaul of the Board of Directors announced in July 2021, the candidates whose appointment as Director will be proposed at the 2022 and 2023 Shareholders' Meetings are being selected by the Board in accordance with the Board's diversity policy.

In addition, to ensure an optimal composition, each year the Board of Directors conducts an in-depth review of the individual situation of each Director in terms of:

- independence, by strictly applying the independence criteria of the AFEP-MEDEF Code;
- availability, such as by reviewing the number of external directorships of each Director and whether this number is compatible with the duties of Director at Danone to ensure that all its members have the necessary amount of time to fully focus on the work of the Board;
- participation, by analyzing each member's attendance rate at Board and Committee meetings.

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 works with several firms that specialize in the recruitment of directors with international profiles who have notably solid expertise in the food and beverage and consumer goods sectors and successful and recognized experience as managers of large listed companies to identify candidates who meet these criteria and reviews a list of candidates. The selected candidates meet with the Lead Independent Director, the Chairman of the Board of Directors, the Chief Executive Officer, several Directors and the Secretary of the Board of Directors. During these meetings, the candidates' availability is discussed in depth to ensure 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.

In 2021, following the decision to renew the Board of Directors in its entirety (with the exception of the Chairman of the Board and the two Directors representing employees) as announced on July 29, 2021, the Board of Directors conducted an in-depth review, under the guidance of the Lead Independent Director and with the assistance of world-renowned recruitment firms, focusing on both the types of profiles and the expertise of the future Directors to be appointed, so that they could be fully involved in developing Danone's strategy in line with its values.

Diversity and expertise of Directors and compatibility of their membership on the Committees

	Core skills				Sector-specific skills					Membership on Board Committees			
	Governance / Leadership	International experience	Audit, accounting and risk management	Strategy / M&A	FMCG / Food & Beverage industry	Brand management / Customer – consumer focus experience	R&D, Health & Innovation	CSR / Climate	Digital / New technologies	Audit Committee	Governance Committee	Engagement Committee	Strategy & Transformation Committee
Guido BARILLA	✓	✓		✓	✓	✓							•
Frédéric BOUTEBBA					✓	✓				•			
Cécile CABANIS	✓	✓	✓	✓	✓	✓		✓	✓				•
Clara GAYMARD	✓	✓	✓	✓				✓	✓		•		
Michel LANDEL	✓	✓	✓	✓	✓	✓		✓			•	•	
Gaëlle OLIVIER	✓	✓	✓	✓				✓	✓	P			
Franck RIBOUD	✓	✓		✓	✓	✓							•
Gilles SCHNEPP	✓	✓	✓	✓	✓			✓					
Isabelle SEILLIER [a]	✓	✓	✓	✓									•
Jean-Michel SEVERINO	✓	✓	✓	✓				✓			P		
Bettina THEISSIG					✓	✓	✓					•	
Serpil TIMURAY	✓	✓		✓	✓	✓			✓			P	
Lionel ZINSOU-DERLIN	✓	✓	✓	✓	✓	✓		✓		•			P
Total	**11**	**11**	**8**	**11**	**9**	**8**	**1**	**7**	**4**	**3**	**3**	**3**	**5**

(a) Isabelle SEILLIER resigned as Director effective December 31, 2021. On December 10, 2021, the Board of Directors co-opted Valérie CHAPOULAUD-FLOQUET as Director to replace Isabelle SEILLIER effective March 1, 2022.

Committee member: •
Committee Chairman: P

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 and nominees to the Board of Directors*.

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 that Director's independence, the Board uses quantitative and qualitative criteria, including the amount of sales generated between Danone and the company or group with which he/she is associated, both in absolute and relative value, and an 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, in February 2022 the Board of Directors reviewed, as it does each year, the independence of each Director based on the following criteria.

	Independent	Non-independent	Directors not subject to an assessment
Number	9	2	2
Independence rate	82%	18%	N/A
Directors	Guido BARILLA	Franck RIBOUD	Frédéric BOUTEBBA
	Valérie CHAPOULAUD-FLOQUET [a]	Cécile CABANIS	Bettina THEISSIG
	Clara GAYMARD		
	Michel LANDEL		
	Gaëlle OLIVIER		
	Gilles SCHNEPP		
	Jean-Michel SEVERINO		
	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.	

(a) Valérie CHAPOULAUD-FLOQUET was co-opted as Director, effective March 1, 2022, by the Board of Directors on December 10, 2021 to replace Isabelle SEILLIER, who resigned for personal reasons with effect on December 31, 2021.

Regarding Gaëlle OLIVIER	**Deputy CEO, Chief Operating Officer of Société Générale** 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, particularly for treasury management and financing in Europe, in light of Gaëlle OLIVIER's new functions at Société Générale (Deputy CEO, Chief Operating Officer) as of January 17. At the recommendation of the Governance Committee, the Board determined that Gaëlle OLIVIER did not have a 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 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 money market funds and 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 the two companies; • the insignificant proportion of sales resulting from the business relationship between Société Générale and Danone. The Board therefore deemed that Gaëlle OLIVIER continued to meet all the independence criteria of the AFEP-MEDEF Code.
Regarding Jean-Michel SEVERINO and Clara GAYMARD	It is recalled that Danone invests in numerous funds to support innovation and impact investing. As some of these funds are managed, on the one hand, by I&P, a company headed by Jean-Michel SEVERINO and, on the other hand, by Raise Conseil, a company co-founded by Clara GAYMARD, the Governance Committee and the Board reviewed the business relationships between Danone and these individuals. Upon the recommendation of the Governance Committee, the Board determined that both Jean-Michel SEVERINO and 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 for Danone 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 (as Danone has 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); and • 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, alongside many other public and private investors who invest under the same conditions as Danone, and (ii) Danone's investments in the funds 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 Jean-Michel SEVERINO and 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
Franck RIBOUD	Former Danone corporate officer
Cécile CABANIS	Former employee of Danone (during the past five years)

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
Gilles SCHNEPP	•	•	•	•	•	•	•	•
Franck RIBOUD	✘	•	•	•	•	✘	•	•
Guido BARILLA	•	•	•	•	•	•	•	•
Frédéric BOUTEBBA [a]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cécile CABANIS	✘	•	•	•	•	•	•	•
Valérie CHAPOULAUD-FLOQUET	•	•	•	•	•	•	•	•
Clara GAYMARD	•	•	•	•	•	•	•	•
Michel LANDEL	•	•	•	•	•	•	•	•
Gaëlle OLIVIER	•	•	•	•	•	•	•	•
Jean-Michel SEVERINO	•	•	•	•	•	•	•	•
Bettina THEISSIG [a]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Serpil TIMURAY	•	•	•	•	•	•	•	•
Lionel ZINSOU-DERLIN	•	•	•	•	•	•	•	•

• when the independence criterion is met, ✘ when it is not met.
(a) Director representing employees.

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 inform the Secretary of the Board of Directors of any conflict of interest, including potential or upcoming, he/she has or is likely to have, in order to obtain the Secretary's approval; the Secretary of the Board may, where applicable and if he/she deems it necessary, request the opinion of the Governance Committee before granting approval;
- to submit a sworn statement concerning the existence of a conflict of interest, or even a potential conflit (i) upon assuming his/her duties, (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 business days following the occurrence of any event making the previous sworn statement issued totally or partially inaccurate;
- 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 bankrupt, 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 (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.

6

Change in the composition of the Board of Directors and Committees

Changes in the composition of the Board of Directors and Committees in 2021

	Departures	Appointments	Renewals
Board of Directors	Emmanuel FABER	Valérie CHAPOULAUD-FLOQUET	Guido BARILLA
	Benoît POTIER		Cécile CABANIS
	Virginia A. STALLINGS		Michel LANDEL
	Isabelle SEILLIER		Serpil TIMURAY
Audit Committee	Jean-Michel SEVERINO	Gaëlle OLIVIER (Chair)	–
Governance Committee	Benoît POTIER	Jean-Michel SEVERINO (Chairman)	–
	Lionel ZINSOU-DERLIN		
Engagement Committee	Virginia A. STALLINGS	Michel LANDEL	–
	Jean-Michel SEVERINO		
Strategy & Transformation Committee	Benoît POTIER	Lionel ZINSOU-DERLIN (Chairman)	–
	Gilles SCHNEPP		

All these changes occurred on April 29, 2021, the day of the Shareholders' Meeting, except (i) the appointment of Jean-Michel SEVERINO as Chairman of the Governance Committee, which coincided with his appointment as Lead Independent Director on March 1, 2021, and (ii) the co-opting of Valérie CHAPOULAUD-FLOQUET as Director, which was approved by the Board of Directors in December 2021 and will become effective on March 1, 2022, to replace Isabelle SEILLIER who resigned as Director on December 31, 2021.

Board of Directors renewal program

On July 29, 2021, Danone announced the overhaul of its Board of Directors: all Directors – with the exception of the Chairman of the Board and the two Directors representing employees – will not seek renewal of their terms of office, in some cases ahead of schedule, and will leave the Board by the 2023 Shareholders' Meeting. In the meantime, the appointment of new externally-recruited Directors will be proposed, with the aim of forming a smaller, more independent Board of Directors with diverse profiles and a high level of expertise and sector and international experience.

Clara GAYMARD, Gaëlle OLIVIER, Franck RIBOUD, Jean-Michel SEVERINO and Lionel ZINSOU-DERLIN will therefor cease to be Directors at the close of the Shareholders' Meeting on April 26, 2022, with Isabelle SEILLIER having stepped down as Director for personal reasons effective December 31, 2021. Guido BARILLA, Cécile CABANIS, Michel LANDEL and Serpil TIMURAY will leave the Board of Directors by the 2023 Shareholders' Meeting. It should be noted that Cécile CABANIS has indicated her intention to resign from her term of office as Director of the Company at the end of June 2022.

This overhaul of the Board was unanimously approved by the Board of Directors on July 28, 2021, at the proposal of the Governance Committee. It is expected to take place gradually over two years between July 2021 and April 2023 and will include an enhanced onboarding program for new Directors (see section *Onboarding of new Directors* hereinafter). Following the governance crisis in 2021, the aim of this overhaul is to assemble a new Board, with fresh momentum, around the Chairman of the Board of Directors and the Chief Executive Officer to assist the new management team in the new strategic cycle that the company is entering and best support Danone's performance and mission in the years ahead.

The process for selecting new Directors under this renewal program was led by the Governance Committee, in collaboration with the Chairman of the Board of Directors, based on the Director selection procedure described above. Danone called on world-renowned recruitment firms to select candidates who meet the criteria set by the Board.

Proposals for the Shareholders' Meeting of April 26, 2022

In the context of the renewal of the Board of Directors described above, and following the selection process led by the Governance Committee, the Board of Directors decided to submit the appointments of the following people to the Shareholders' Meeting of April 26, 2022:

	Departures	Ratification of the co-opting	Appointments
Board of Directors	Clara GAYMARD	Valérie CHAPOULAUD-FLOQUET	Antoine de SAINT-AFFRIQUE
	Gaëlle OLIVIER		Patrice LOUVET
	Franck RIBOUD		Géraldine PICAUD
	Jean-Michel SEVERINO		Susan ROBERTS
	Lionel ZINSOU-DERLIN		

Candidates proposed to the Shareholders' Meeting of April 26, 2022

Valérie CHAPOULAUD-FLOQUET	Valérie CHAPOULAUD-FLOQUET is the former Chief Executive Officer of the Rémy Cointreau spirits group (2014-2019). She also spent 24 years at L'Oréal, where she held numerous Sales, Marketing and General Management positions within the Luxury Products Division in different countries and regions. She then joined the LVMH group where she held several General Management positions in Asia, Europe and North and South America. She will bring to Danone's Board of Directors her recognized FMCG expertise, her international background and her CEO-experience within large French multinational listed groups specialized the FMCG sector.
Antoine de SAINT-AFFRIQUE	In line with market practices and customary practices at Danone, the Board of Directors has decided to propose to the Shareholders' Meeting of April 26, 2022, the appointment of Antoine de SAINT-AFFRIQUE, Chief Executive Officer of Danone, as Director. The Board of Directors considers that the Chief Executive Officer's participation in the Board's discussions and decisions as a Director is essential to enrich its work, facilitate the Board's elaboration of the Company's strategic orientations, and facilitate and strengthen the collaboration between the Board of Directors and General Management. The Board also considers that this directorship is a helpful and necessary complement to the position of Chief Executive Officer. In accordance with the recommendations of the AFEP-MEDEF Code, the Chief Executive Officer will not attend and will not participate in discussions and decisions related to his compensation.
Patrice LOUVET	An American and French national, Patrice LOUVET is President and Chief Executive Officer of Ralph Lauren Corporation. Since joining Ralph Lauren Corporation in 2017, Patrice LOUVET has initiated the company's digital transformation and brand elevation strategy worldwide. Prior to Ralph Lauren, he spent nearly three decades in leadership roles across three continents at Procter & Gamble. He led and grew multi-billion-dollar global consumer brands – ranging from Gillette to Pantene and SK-II – across diverse distribution channels and geographies. Patrice LOUVET will bring to Danone's Board of Directors his expert knowledge of the consumer goods sector, his experience and strategic vision as CEO of a large listed group, as well as his expertise in international markets and in particular the US market.
Géraldine PICAUD	Géraldine PICAUD has been Chief Financial Officer of Holcim (formerly LafargeHolcim) and member of its executive committee since 2018. Between 2011 and 2017, she was Chief Financial Officer of Essilor International, a CAC 40-listed ophthalmic optics company. Prior to that, she was worked for the ED&F man group – an ingredient and commodity company notably specializing in agricultural products, coffee, sugar and animal feed – which she joined in 2007, first in London as Head of Corporate Finance, responsible for M&A, then in Switzerland as Chief Financial Officer of Volcafe Holdings, the group's Coffee business. Before joining ED&F Man, she spent thirteen years at the French specialty chemical group Safic Alcan, as Head of Business Analysis and then Chief Financial Officer. Géraldine PICAUD will bring to Danone's Board of Directors her extensive financial and M&A expertise, her international experience as CFO of major listed groups, as well as her knowledge of financial markets and the food and beverage sector.
Susan ROBERTS	A British and Canadian national, Susan ROBERTS is a professor of nutrition at the Friedman School of Nutrition Science and Policy at Tufts University in the United States, professor of psychiatry and staff member in pediatrics at Tufts University School of Medicine, and co-director of the Tufts Institute for Global Obesity Research. As an internationally-recognized researcher, she has received numerous awards for her major contributions to nutrition research. As part of her work, she is co-leading a consortium of scientists to understand the physiology of the weight-reduced state and co-leads the International Weight Control Registry which is collaborating with scientists in 19 countries to identifying successful weight management practices in different cultures. Her appointment to the Board of Directors will enable it to benefit from her wide expertise in health and nutrition and is perfectly in line with Danone's strategy and businesses as well as its purpose ("raison d'être") to bring health through food to as many people as possible.

All candidates whose appointment to the Board of Directors is proposed will have the status of independent Directors based on the criteria stipulated in the AFEP-MEDEF Code, with the exception of Antoine de SAINT-AFRIQUE given that he is Chief Executive Officer of Danone. As regards Antoine de SAINT-AFRIQUE's directorship at Barry Callebaut, the Board of Directors noted that the business relationship between Danone and Barry Callebaut was not significant, from both Danone's and Barry Callebaut's point of view, given its current nature and the fact that purchases made by Danone from this company represented less than 0.2% of its overall costs of raw materials and packaging.

Analysis of the composition of the Board of Directors in light of the proposed changes

	Composition following the Shareholders' Meeting held in		
	2020	**2021**	**2022**
Average age of Directors [a]	59.6 years	59.8 years	58.6 years
Average length of term of office [a]	8.4 years	7.5 years	2 years
Independence rate [a]	57%	73%	80%
Percentage of Directors of non-French nationality [a]	36%	27%	40%
Percentage of women [a]	43%	45%	50%

(a) In accordance with the recommendations of the AFEP-MEDEF Code and statutory provisions, the Directors representing employees are not included in the calculation of the independence rate and the percentage of women on the Board of Directors. 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.

Therefore, subject to a favorable vote by the Shareholders' Meeting on the proposed appointments, 80% of the Board members will be independent Directors, which is significantly higher than the 50% rate required by the AFEP-MEDEF Code. The proportion of women will be 50% and 40% of its members will be of non-French nationality.

Operation of the Board of Directors

The rules and method of operation of the Board of Directors are defined by law, the Company's by-laws and the Board of Directors' rules of procedure, which are published in their entirety on Danone's website at www.danone.com (Section Investors / Governance / By-laws & Rules of procedure). Adopted in 2002 and updated regularly, the Board of Directors' rules of procedure:

- specify the rights and obligations of Directors;
- are reviewed on a regular basis and were amended following changes in regulations and certain Board of Directors' self-assessments;
- 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) in December 2020 at the time of the creation of the Strategy & Transformation Committee;
- were amended in December 2021 to align the amended rules regarding Directors' compensation with the compensation policy for Directors approved by the Shareholders' Meeting on April 29, 2021.

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.* €218,360 based on the share closing price on December 31, 2021, or more than twice the amount of each Director's annual average compensation). As part of the overhaul of the Board of Directors announced in July 2021 and the search for new Directors with diversified international profiles, the Shareholders' Meeting of April 26, 2022 will be asked, under the terms of the 26th resolution, to reduce the number of shares that must be held by Directors to 2,000 (*i.e.* €109,180 based on the share closing price at December 31, 2021), maintaining a financial commitment well above the median value required at CAC 40 companies.

Directors' Code of Ethics

In accordance with the Board of Directors' rules of procedure:

Independence of Directors

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 and informs shareholders of its findings in the Universal Registration Document.

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. The measures implemented by the Company to prevent conflict of interest, even potential, are detailed in the section *Measures implemented with respect to potential conflict of interest* above.

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.

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.

Onboarding of new Directors

As part of the complete renewal of the Board of Directors announced on July 29, 2021, special attention has been given to the onboarding of new Directors, who are also receiving more in-depth training.

Thus, the new Directors are provided with a comprehensive onboarding program enabling them to know and understand the Company and to become better acquainted with its businesses and markets, its strategic challenges and priorities, the key stages of its development and issues of specific or long-term importance, its culture and values, and how its governance functions. The key elements of this program are as follows:

- all new Directors receive a welcome package that includes (i) presentations about the Company's activities, challenges and risks, (ii) the Board's rules of procedure which describe, among other things, the rules regarding confidentiality, market ethics and conflict of interest prevention applicable to Board members, (iii) the Company's by-laws, and (iv) other Group presentation documents, including the universal registration documents and Shareholders' Meeting documents for the last three years and the Mission Committee's report;
- individual meetings are held with the Chief Executive Officer, the Chairman of the Board of Directors, the Honorary Chairman, the Lead Independent Director, several current Directors and the Secretary of the Board of Directors, which focus on the Company's culture and history, the Board of Directors' method of operation and the recent changes in governance;
- meetings are also held with the Company's Executive Committee members and senior executives to help the new Directors deepen their knowledge of the Group's activities (their history, results, competitive environment and challenges and risks) and become familiar with the company's internal practices and approach in terms of sustainable growth, including its Entreprise à Mission status and the resulting requirements and objectives;
- lastly, they are given the opportunity to visit the production sites in order to learn about Danone's activities in a concrete and operational way.

The training of Directors continues after they have taken office and is an ongoing process. The Board of Directors' rules of procedure state that all Directors are entitled to the training they need to perform their duties throughout their term of office. The Directors representing employees also receive appropriate training to perform their duties. This internal or external training is organized and paid for by the Company.

Information for Directors

Prior to each meeting, the Directors receive a file covering agenda items requiring particular analysis and prior thought so that they can take an informed position with full knowledge of the facts.

The Secretary of the Board is responsible for providing them with working documents and, more generally, remains at their disposal for any request for information pertaining to their rights and duties, the operation of the Board or the life of the Company. The Directors may receive from the Chairman at any time all information and documents that they deem useful for the fulfillment of their duties.

At least once every six months, General Management presents Danone's financial situation, cash situation and main commitments to the Board of Directors.

The Directors have regular contact with management, including the Executive Committee members and the heads of the main functions, who present major issues in their areas of responsibility at Board and Committee meetings on a regular basis.

In addition, the Directors have access to a secure digital platform on which they can easily access the file of each Board of Directors' meeting at any time (agenda, minutes of the previous meeting, support documents). This platform is also a way to share useful and varied information that facilitates their work.

They also receive weekly press summaries containing articles about Danone and its environment, as well as financial analysts' reports regarding Danone's share.

A Board meeting is also held each year, whenever possible, at one of the Group's main sites in France or abroad, followed by an in-depth presentation of the activity in question and visits to production sites. These visits are an opportunity for Directors to meet with Danone's teams and speak with the operational managers. For instance, in 2019 a Board of Directors' meeting was held in the United States over the course of three days during which the Directors traveled to several sites and visited some of Danone's distribution networks in the United States.

Directors also regularly participate in significant events organized by Danone.

Availability of Directors

Directors must attend Board of Directors' meetings and Shareholders' Meetings and devote the time needed for the performance of their duties.

In particular, they must limit the number of board memberships in other companies, including their participation in these other companies' committees, so as to remain sufficiently available. Before accepting another board membership in 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.

When a Director is being recruited, the Governance Committee gives careful consideration to the candidate's level of availability.

Involvement of Directors outside of Board meetings

Directors demonstrate their commitment outside of Board meetings, particularly through discussions among themselves and with the Lead Independent Director and the Chairman of the Board, and by meeting several times a year 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 activities 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.

Assessment

In accordance with its rules of procedure, the Board of Directors conducts a formal assessment every two years which covers the composition, organization, operation and performance of the Board itself and of each of its Committees. This assessment may be a self-assessment, an assessment by the Governance Committee or an assessment by a third-party organization. Thus, an assessment is regularly performed by a specialized outside firm that assesses most French listed companies and analyzes in particular the individual contribution of each Director. The results of this assessment are reviewed by the Governance Committee. In addition, once a year the Board devotes one item on its agenda to a discussion of its operation.

In 2020, the Board was assessed by a specialized outside firm on the basis of a questionnaire and individual meetings with each Director. The results of this assessment and the measures taken based on the recommendations can be viewed in Danone's 2020 Universal Registration Document which is available on its website: www.danone.com (Section Investors / Publications & Events / Registration Documents/URD).

In 2021, in light of the changes in Danone's governance and as part of a continuous improvement process, a new formal assessment was conducted under the responsibility of the Chairman of the Governance Committee. The members of the Board of Directors were given an assessment questionnaire containing notably open-ended questions enabling them to comment on any topic of their choice.

In particular, this assessment revealed a generally positive view of the Board of Directors' operation. Some areas of improvement were noted, including a desire for greater diversity among the Board members and for more discussion time by the Board on the strategy, as the Strategy & Transformation Committee is regarded as not consistent with Danone's needs and specificities. In addition, the Directors are satisfied with the frequency and length of Board meetings, how they are conducted and how the Chairman of the Board leads the discussions, and with the quality of the presentations made, which are seen as promoting discussion and facilitating decision-making by the Board.

In 2022, the Board of Directors will review in depth the various measures that can be taken in response to the results of the assessment.

Annual review of the Board's operation

In 2021 as in each year, the Board conducted a review of its own operation and that of each of its Committees.

Procedure for related party and ordinary agreements

In accordance with Article L. 22-10-2 of the French Commercial Code and on the recommendation of the Governance Committee, on December 12, 2019, the Board of Directors approved an internal procedure related to the identification of related party agreements and the assessment of agreements entered into in 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 in 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 2021 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 7, 2022, which, after reviewing it, presented the findings of its assessment to the Board of Directors on February 22, 2022, at the time of the annual review of related party agreements. After analysis, the Board concluded that all the agreements entered into in the ordinary course of business and at arm's length continued to qualify as such.

Activity and work of the Board of Directors

Meetings and attendance

	Board of Directors meetings	Attendance rate	Average meeting duration
2021	12	95%	3:16
2020	12	97%	2:52

Amid the governance crisis faced by Danone in 2021, the Directors were frequently called upon. As in 2020 due to the health crisis, the Board of Directors met 12 times during the year. Directors demonstrated their involvement and commitment through the many meetings held over the last two years and their high attendance rate, despite the fact that these meetings were at times called on very short notice.

A number of meetings focused on the changes in Danone's governance and Directors were also regularly informed about the implementation of the Local First reorganization project. In a difficult context, all the Board members were committed to performing their functions and taking decisions in a responsible and constructive manner, guided only by the company's interest. In particular, the Board of Directors was able to make the appointments announced to the market efficiently and smoothly, including those of the new Chief Executive Officer and the new Directors invited to join the Board in 2022.

Attendance rates for Directors in 2021

Name	Board of Directors	Audit Committee	Governance Committee	Engagement Committee	Strategy & Transformation Committee
Gilles SCHNEPP	100%	–	–	–	100%
Guido BARILLA	83%	–	–	–	100%
Frédéric BOUTEBBA	100%	100%	–	–	–
Cécile CABANIS	92%	–	–	–	100%
Emanuel FABER [a]	86%	–	–	–	–
Clara GAYMARD	83%	–	93%	–	–
Michel LANDEL	100%	–	93%	100%	–
Gaëlle OLIVIER	92%	100%	–	–	–
Benoît POTIER [a]	86%	–	100%	–	100%
Franck RIBOUD	100%	–	–	–	100%
Isabelle SEILLIER	100%	–	–	–	–
Jean-Michel SEVERINO	100%	100%	100%	50%	–
Virginia A. STALLINGS [a]	100%	–	–	100%	–
Bettina THEISSIG	100%	–	–	100%	–
Serpil TIMURAY	100%	–	–	100%	–
Lionel ZINSOU-DERLIN	92%	80%	89%	–	100%

(a) Director until April 29, 2021.

Matters reviewed and discussed by the Board of Directors in 2021 and early 2022

Strategy

- presentation by General Management of Danone's strategic priorities and main operating choices;
- regular monitoring of the main initiatives and strategic opportunities of the Group's principal activities;
- regular monitoring of the review of the portfolio of brands and assets, in particular in 2021 the sale of Danone's stake in Mengniu and the sale of Vega, as well as various external growth opportunities, including the acquisition of Follow Your Heart;
- close monitoring of the implementation of the Local First reorganization project;
- informing the Social and Economic Committee on strategic orientations;
- presentation to the Board of a detailed report on each Strategy & Transformation Committee meeting;
- strategy meeting ahead of the investor seminar on March 8, 2022.

Finance, activity and results

- review of preparation for closing of consolidated financial statements, approval of annual and interim consolidated and statutory financial statements and review of financial forecasts;
- presentation by the Statutory auditors of the conclusions of their work on the annual and interim consolidated financial statements;

6

- monitoring of Danone's financial communication, including a review of press releases regarding the annual and interim consolidated financial statements;
- approval of the management report and other reports to shareholders;
- regular and detailed presentation by the interim General Management of the activity and performance of each Reporting Entity;
- regular review of the Group's financial position and, more specifically, of the financing and debt strategy, and monitoring of the bond program;
- 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 2021 and 2022;
- monitoring of the transition between PricewaterhouseCoopers Audit and Mazars, whose appointment as Statutory auditor will be proposed at the 2022 Shareholders' Meeting;
- regular notifications on Danone's risk management and internal control systems and review of Danone's risks;
- presentation to the Board of a detailed report on each Audit Committee meeting.

Corporate governance

- review of the external assessment of the operation of the Board of Directors and Committees conducted in 2020;
- annual review related to the relevance of the governance structure and decision to separate the functions of Chairman of the Board of Directors and Chief Executive Officer;
- decision (i) to appoint Jean-Michel SEVERINO as Lead Independent Director, replacing Michel LANDEL, (ii) to appoint Gilles SCHNEPP as non-executive and independent Chairman of the Board of Directors, and (iii) to set up an interim General Management team and appoint Véronique PENCHIENATI-BOSETTA and Shane GRANT as interim Chief Executive Officer and Deputy Chief Executive Officer, respectively;
- regular monitoring of the new Chief Executive Officer recruitment process: determination of the desired professional skills and human qualities, review of the profiles selected by the Governance Committee, decision to appoint Antoine DE SAINT-AFRIQUE as Chief Executive Officer as of September 15, 2021;
- decision to begin the overhaul of the Board of Directors (see section *Board of Directors renewal program* above);
- follow-up of discussions with Danone's principal shareholders on governance issues at the meetings and roadshows led by the Lead Independent Director and the Chairman of the Board of Directors;
- decision to update the composition of the Board of Directors' Committees (see section *Changes in the composition of the Board of Directors and Committees in 2021* above);
- in light of the changes in Danone's governance, review of the Board of Directors' rules of procedure;
- discussions regarding updates to the succession plan for General Management and the Chairman of the Board of Directors (see section *Work of the Governance Committee in 2021 and early 2022* hereinafter);
- annual review of the operation of the Board of Directors and Committees;
- implementation of an internal assessment in 2021 and review of its findings;
- review of the confidentiality rules applicable to individuals participating in Board of Directors' meetings and of any additional measures to be taken following the publication in the media of information related to the Board's work;
- preparation of the 2021 and 2022 Shareholders' Meetings: approval of the 2021 and 2022 management report and corporate governance report; agenda-setting and approval of the draft resolutions, with an in-depth review of the draft resolutions on governance and the corporate officers' compensation, as well as proposed amendments to the by-laws; proposed renewals of Directors' terms of office and appointments; decision to hold the 2021 Shareholders' Meetings 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; responses to written questions from shareholders; review of the item which several shareholders together representing 0.7% of Danone's share capital asked to be included on the 2021 Shareholders' Meeting agenda and approval of the Board of Directors' related comments indicating, among other things, its commitment to the principle of collegiality of the Board and the position of all its members on the various topics mentioned in the request;
- annual review of related party agreements and review of the internal procedure for identifying related party agreements and assessing agreements entered into in the ordinary course of business;
- approval of a new related party agreement entered into with Véronique PENCHIENATI-BOSETTA in connection with her appointment as interim Chief Executive Officer related to the terms of suspension of her employment contract in light of this temporary appointment;
- presentation to the Board of a detailed report on each Governance Committee meeting.

Compensation

- review of the Chief Executive Officer's 2020 compensation and determination of the financial terms of his departure;
- drafting and approval of the compensation policies for corporate officers for 2021 and 2022;
- determination of the compensation of the interim General Management for 2021 and review in early 2022 of the fulfillment of the performance conditions applicable to annual variable compensation;
- determination of the compensation of the Chairman of the Board of Directors for 2021;
- determination of the compensation of the new Chief Executive Officer for 2021 in connection with his external recruitment;
- review of the publications regarding compensation;
- review of long-term share-based compensation instruments (GPS plans for 2021 and 2022): determination of the performance conditions for the new plans; determination of fulfillment of the performance conditions of the plans in effect;
- review of long-term cash compensation instruments (GPUs): determination of the performance conditions for the plan for 2021; determination of fulfillment of the performance conditions of the plans in effect; decision to replace this long-term cash

compensation instrument with a long-term share-based compensation instrument submitted to approval by the Shareholders' Meeting of April 26, 2022;

- grant of Group performance shares to executive corporate officers and to approximately 1,500 senior executives worldwide;
- review of the compensation policy for Directors in connection with the recruitment of new Directors.

Corporate Social Responsibility (CSR)

- approval of Danone's annual contribution to Danone Communities and review of the projects carried out by the fund;
- annual update on the FTSE4Good index;
- decision to renew the terms of office of the eight members of the Mission Committee for one year, *i.e.* until the 2022 Shareholders' Meeting, and to appoint Ron OSWALD and Arancha GONZALÈS as members of this Committee;
- monitoring of the Mission Committee's work;
- presentation to the Board of a detailed report on each Engagement Committee meeting.

Human resources

- regular monitoring of the progress of the Local First reorganization project and the roll-out of Danone's new geographic organization; review of key issues related to this new organization in terms of both business and Human Resources; monitoring of the social dialogue process and discussions with the social partners;
- follow-up on the bimonthly employee surveys (Pulse Survey);
- monitoring of implementation of the FutureSkills project designed to help Danone employees prepare for the jobs of tomorrow;
- annual review of Danone's situation and policy with respect to professional equality and equal pay for men and women;
- monitoring of the "One Person, One Voice, One Share" program with approval of delivery of a free share to eligible new DANONE employees;
- capital increases reserved for employees: decision to submit to the 2021 and 2022 Shareholders' Meetings an increase in the discount offered to employees from 20% to 30%; approval of the annual capital increase reserved for employees of Danone's French companies members of a Company Savings Plan and of the global capital increase reserved for employees of the Danone Group's foreign companies; monitoring of the results of these operations.

AUDIT COMMITTEE

Composition as of December 31, 2021

	Date first joined the Committee
Gaëlle OLIVIER Chair	February 2015
Lionel ZINSOU-DERLIN	June 2018
Frédéric BOUTEBBA	June 2018

The Directors who are Audit Committee members are independent; the AFEP-MEDEF Code recommends an independence rate of 67%. Gaëlle OLIVIER, the Committee's "financial expert" as defined by Article L. 823-19 of the French Commercial Code, chairs the Committee. Its members 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 and nominees to the Board of 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
2021	5	93%
2020	7	100%

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 involved in the Audit Committee's work and participates in its meetings.

Work of the Committee in 2021 and early 2022

- 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) hearing the findings of the Statutory auditors, including any audit adjustments; and (vi) review of draft press releases on annual and interim consolidated financial statements;
- review of goodwill, the Group's tax situation, provisions and the accounting treatment of divestments and acquisitions;
- semi-annual monitoring of Danone's financial position: debt strategy and position; financial rating;
- review of Danone's main strategic risks and changes in the risk mapping, in the presence of the person responsible for risk monitoring and management; focus on specific risks, particularly in relation to cybersecurity and the Covid-19 crisis; review of the description of risk factors in the Universal Registration Document;
- regular monitoring of the Group's audit and internal control systems: briefing by the Head of Internal Audit and the Head of Internal Control on the audit and internal control campaigns conducted in 2020 amid the Covid-19 health crisis, the results and findings of these campaigns, the action plans for 2021, and the impact of the Local First reorganization project on internal audit and control;
- review of parts of the management report on internal control and risk management;
- annual update on compliance;
- monitoring of the transition between PricewaterhouseCoopers Audit, whose term of office has reached the authorized limit for Statutory auditors under European regulations, and Mazars, whose appointment will be proposed at the Shareholders' Meeting on April 26, 2022;
- approval and regular monitoring of the 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;
- annual review of the operation of the Audit Committee.

GOVERNANCE COMMITTEE

Composition as of December 31, 2021

	Date first joined the Committee
Jean-Michel SEVERINO Chairman	March 2021
Michel LANDEL	April 2018
Clara GAYMARD	April 2016

In addition, the representative designated by the Social and Economic Committee to participate in Board of Directors' meetings attends Governance Committee meetings in an advisory capacity.

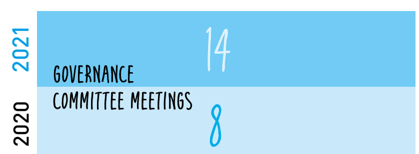
Duties

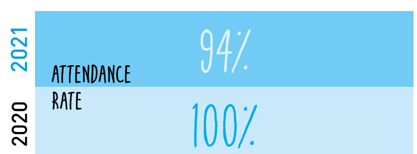
The Governance Committee is responsible for monitoring governance matters, including in particular the appointment of Board members and corporate officers, as well as matters regarding their compensation, in accordance with the AFEP-MEDEF Code on corporate governance at listed companies, which serves as a reference for the Company. It reviews the corporate governance rules applicable to it and monitors their implementation as well as their potential changes.

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





A report on each Governance Committee meeting is presented at the next Board of Directors' meeting and activity reports enable the Board to be fully informed, thereby facilitating its work and proceedings.

Work of the Committee in 2021 and early 2022

The Governance Committee was frequently called upon in 2021, particularly as a result of changes in Danone's governance with the Chief Executive Officer's departure at the beginning of 2021, the appointment of a non-executive and independent Chairman of the Board of Directors, the setup of an interim General Management team, the search for and appointment of a new Chief Executive Officer, and the decision to completely overhaul the Board of Directors.

In addition, as part of the setup of the new General Management team, the Governance Committee reviewed and approved a succession plan, which had been discussed with both the Chief Executive Officer and the Chairman of the Board, in the event of an unexpected vacancy on the General Management or of the Chairman of the Board's position. It also defined a methodology for drafting the medium-term succession plan, which will be reviewed in depth by the Board of Directors in 2022 once the organization is put in place by the new General Management team. The Governance Committee also agreed to review this succession plan annually.

Regarding governance

- review of the external assessment of the operation of the Board of Directors and its Committees conducted in 2020;
- recommendation to separate the functions of Chairman of the Board of Directors and Chief Executive Officer;
- proposal to appoint (i) Jean-Michel SEVERINO as Lead Independent Director, replacing Michel LANDEL, (ii) Gilles SCHNEPP as Chairman of the Board, (iii) Véronique PENCHIENATI-BOSETTA and Shane GRANT as interim Chief Executive Officer and Deputy Chief Executive Officer, and (iv) Antoine de SAINT-AFFRIQUE as Chief Executive Officer;
- discussion about the composition of the Board of Directors, particularly in view of its diversity policy, the complementarity of profiles and skills and the independence of its members, and recommendation to begin the overhaul of its composition;
- under the guidance of the Chairman of the Governance Committee (also Lead Independent Director), monitoring of the recruitment process for a new Chief Executive Officer and new Directors: in-depth study of the different profiles, interviews with several candidates, discussions with the Directors, recommendation to the Board of Directors;
- in light of the changes in governance, (i) recommendation to submit to the 2022 Shareholders' Meeting modification of the age limits specified in the by-laws applicable to the positions of Chairman of the Board of Directors and Chief Executive Officer or Deputy Chief Executive Officer, and (ii) review of the Board of Directors' rules of procedure and, in particular, the provisions related to the role of the Chairman of the Board of Directors, the Lead Independent Director and the various Board Committees;
- proposal to update the composition of the Board of Directors' Committees;
- review of the succession plan as described above;
- annual review of the operation of the Board of Directors and the Governance Committee;

- implementation in 2021 of an internal assessment on the operation of the Board of Directors and Committees and review of its findings;
- annual individual review of (i) each Director's independence and any actual or potential conflicts of interest (see section *Independence of Directors* above), (ii) the Directors' attendance, and (iii) their expertise;
- review of the reappointment of current Directors and the appointment of new Directors at the 2021 and 2022 Shareholders' Meetings;
- review of draft reports on corporate governance for the years 2021 and 2022;
- monitoring of the capital increase reserved for employees members of a Company Savings Plan and the capital increase reserved for the Danone Group's foreign companies;
- monitoring of "One Person, One Voice, One Share" program.

Regarding compensation

- review of Danone's compensation policy, including in particular the weightings of its components and the coherence and stringency of the 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;
- discussion about long-term compensation instruments for Danone's teams and the Board of Directors;
- review of compensation programs: (i) long-term compensation in cash (GPUs) including the determination of performance conditions for fiscal year 2021 and a review of the fulfillment of the performance conditions of the plans in effect; (ii) long-term compensation in shares (GPS), including the determination of performance conditions and a review of the fulfillment of the performance conditions of the plans in effect, as well as a review of the shareholding requirement for executive corporate officers and the members of the Executive Committee; and (iii) review of the implementation of a new long-term share-based compensation program replacing the long-term cash compensation program;
- review of the compensation policy for the executive corporate officers (including interim), the Chairman of the Board of Directors and the Directors;
- preparation of resolutions on the corporate officers' 2020 and 2021 compensation at the 2021 and 2022 Shareholders' Meetings, respectively;
- review of draft resolutions regarding the grant of Group performance shares by the 2021 and 2022 Shareholders' Meetings, with an in-depth review of performance conditions;
- review of the financial terms of the departure of Emmanuel FABER, Chairman and Chief Executive Officer until March 14, 2021;
- recommendation concerning the compensation of the Chief Executive Officer and the interim Deputy Chief Executive Officer;
- recommendation concerning the compensation to be proposed to the new Chief Executive Officer in connection with his external recruitment;
- review of the 2021 and 2022 disclosures related to compensation.

ENGAGEMENT COMMITTEE

Composition as of December 31, 2021

	Date first joined the Committee
Serpil TIMURAY Chair	April 2019
Michel LANDEL	April 2021
Bettina THEISSIG	April 2019

Duties

The Engagement Committee has the following responsibilities:

- monitor 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 its 2030 Goals and by reporting to them on the discussions held by the Board on the long-term deployment of its "One Planet, One Health" vision and its progress toward its 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
2021	5	95%
2020	5	96%

In 2021, the Engagement Committee held five meetings, including one 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 2021 and early 2022

- monitoring of Danone's initiatives in terms of fighting climate change and regenerative agriculture;
- monitoring of Danone's projects and initiatives in the area of packaging;
- monitoring of the business coalitions in which Danone participates (One Planet Business for Biodiversity and Business for Inclusive Growth);
- regular monitoring of the implementation of the Local First reorganization project and discussions with the social partners;
- follow-up on the bimonthly employee surveys (Pulse Survey);
- 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;
- review of reports of Personal Ethics Commission meetings examining various issues related to Human Resources;
- discussions, at one Committee meeting, with Danone's 26 employee volunteers under the "One Person, One Voice, One Share" program;
- monitoring of the implementation of the FutureSkills employee training program;
- monitoring of Danone's Manifesto Brands and their initiatives, objectives and results;
- update on Danone's participation in the Access to Nutrition Index and the FTSE4Good index and on the results of the assessment of Danone;
- monitoring of Danone's non-financial reporting, performance and non-financial rating;
- review of the annual budget of the Danone Communities societal fund and of Danone's contribution to the fund;
- regular monitoring of Mission Committee meetings and review of the key performance indicators used in connection with the implementation of Entreprise à Mission status;
- monitoring of B Corp™ certification and implementation of the 2030 Goals;
- review of the updates to the materiality matrix and the methodology used based on a global consultation with hundreds of internal and external Danone stakeholders, as well as the results of the Food Revolution Barometer;
- update on due diligence with respect to human rights.

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.

Composition as of December 31, 2021

	Date first joined the Committee
Lionel ZINSOU-DERLIN Chairman	December 2020
Guido BARILLA	December 2020
Cécile CABANIS	December 2020
Franck RIBOUD	December 2020
Isabelle SEILLIER	December 2020

Duties

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 its competitive environment.

As part of the implementation of the adaptation plan announced in late 2020 (Local First project), its primary purpose is to monitor the main aspects of the plan:

- implementation of the new regional organization;
- progress of the overhead cost reduction plan;
- proposed changes to the portfolio of brands and assets;
- 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).

Activity and work of the Strategy & Transformation Committee

Meetings and attendance

	STRATEGY & TRANSFORMATION COMMITTEE MEETINGS	ATTENDANCE RATE
2021	2	100%
2020	–	–

As the Strategy & Transformation Committee was created in December 2020, its work began in 2021.

Work of the Committee in 2021 and early 2022

- monitoring of Danone's financial performance;
- monitoring of the implementation of the Local First reorganization project: review of the design of the new organization and measures taken to ensure business continuity; Human Resources issues; monitoring of the social dialogue and discussion, at a meeting, with social partners who are trade union members on key issues related to the project;
- monitoring of the strategic review of the portfolio of brands and assets: presentation of the projects underway and opportunities identified, particularly in terms of external growth.

EXECUTIVE COMMITTEE

Role

The Executive Committee is responsible for Danone's operational management. Under the responsibility of General Management, it plays a role in implementing 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.

Danone's Executive Committee consists of 16 members with varied and complementary expertise and experience who are familiar with the Company's businesses and challenges.

It is also very international, with eight nationalities represented.

More broadly in terms of diversity, 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. In particular, in accordance with the recommendations of the AFEP-MEDEF Code, the Board of Directors determines, at the proposal of General Management, ambitious gender diversity goals within the management bodies, as well as the resources deployed and results obtained (see Section 5.4 *Building the future with Danone employees*).

Composition

Name	Age	Principal function at Danone	Date first joined the Executive Committee
Antoine de SAINT-AFFRIQUE	57	Chief Executive Officer	2021
Vikram AGARWAL [a]	57	Chief Operating Officer, End-to-End Design to Delivery Coordinator	2022
Roberto DI BERNARDINI [a]	57	Chief Human Resources Officer	2021
Henri BRUXELLES [a]	56	Chief Sustainability and Strategic Business Development Officer	2017
Isabelle ESSER [a]	58	Chief Research, Innovation, Quality and Food Safety Officer	2022 [c]
Jürgen ESSER [a]	50	Chief Financial, Technology & Data Officer	2020
Shane GRANT [a]	47	Chief Executive Officer North America	2020
Nigyar MAKHMUDOVA [a]	54	Chief Growth Officer	2019
Véronique PENCHIENATI-BOSETTA [a]	55	Chief Executive Officer International	2018
Laurent SACCHI [a]	57	General Secretary	2021
Charlie CAPPETTI [b]	57	President CIS and Turkey	2020
Bruno CHEVOT [b]	55	President Greater China and Oceania	2020
Silvia DAVILA [b]	51	President Latin America	2020
Jean-Marc MAGNAUDET [b]	54	President Specialized Nutrition	2020
Corine TAP [b]	49	President Asia, Africa and Middle East	2020
Floris WESSELING [b]	50	President Europe	2020

(a) Reports to Antoine de SAINT-AFFRIQUE, Chief Executive Officer.
(b) Reports to Véronique PENCHIENATI-BOSETTA, Chief Executive Officer International.
(c) As of April 1, 2022.

APPLICATION OF THE 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 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 Frédéric BOUTEBBA, Director representing employees, to that Committee. However, the representative designated by the Social and Economic Committee to participate in Board of Directors' meetings attends Governance Committee meetings in an advisory capacity. It should be noted that the Governance Committee consists entirely of Directors considered 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*.

6.2 POSITIONS AND RESPONSIBILITIES OF THE DIRECTORS AND NOMINEES TO THE BOARD OF 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, 2021;*
  - *DANONE shares correspond to the number of DANONE shares held as of December 31, 2021;*
  - *the terms of office followed by the symbol SM are subject to approval by the Shareholders' Meeting of April 26, 2022;*
- *it is recalled that, as announced on July 29, 2021, the Directors whose terms of office end in April 2022 decided not to seek the renewal of their mandates and that the other Directors (with the exception of the Chairman of the Board and the two Directors representing employees) decided not to seek, with one year of anticipation, the renewal of their current mandates, i.e. with effect from the Shareholders' Meeting of April 2022 or 2023).*

Current Directors

Guido BARILLA

Cécile CABANIS

Michel LANDEL

Gilles SCHNEPP

Serpil TIMURAY

Directors representing employees

Frédéric BOUTEBBA

Bettina THEISSIG

Appointments proposed to the 2022 Shareholders' Meeting

Antoine de SAINT-AFFRIQUE

Valérie CHAPOULAUD-FLOQUET

Patrice LOUVET

Géraldine PICAUD

Susan ROBERTS

Directors whose term of office will expire at the 2022 Shareholders' Meeting

Clara GAYMARD

Gaëlle OLIVIER

Franck RIBOUD

Jean-Michel SEVERINO

Lionel ZINSOU-DERLIN

Directors whose term of office ended during 2021

Isabelle SEILLIER

Governance / Leadership

International experience

Audit, accounting and risk management

Strategy / M&A

FMCG / Food & Beverage industry

Brand management / Consumer – customer focus experience

R&D, Health & Innovation

CSR / Climate

Digital / New technologies

GUIDO BARILLA

Chairman of the Board of Directors of BARILLA

Independent Director

Age 63 – Italian nationality
First appointed to the Board: 2018 Shareholders' Meeting
End of term: 2023 Shareholders' Meeting [a]
DANONE shares: 4,000

Expertise – Experience – Main activities

Guido BARILLA spent two years studying in the United States before returning to Italy to study philosophy at the University of Milan. He began his career in 1982 with an experience abroad in the Sales Department at Barilla France and 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, member of the Strategy & Transformation Committee of DANONE SA

Other companies

Foreign unlisted companies

- Chairman of the board of *BARILLA HOLDING S.R.L* [b] (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), *FIRST COMMERCIALE S.R.L* [b] (Italy), *FIRST S.P.A.* [b] (Italy)

Terms of office expired over the past five years

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(a) Pursuant to the announcement of July 29, 2021.
(b) Barilla group company.

FRÉDÉRIC BOUTEBBA

Political and Social Project Manager of DANONE SA

Director representing employees

Age 54 – French nationality
First appointed to the Board: 2016
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 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. In 2021 he was elected President of the Industrial Tribunal of Bergerac.

Current terms of office

Danone companies

- Director representing employees, member of the Audit Committee of DANONE SA

Terms of office expired over the past five years

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(a) Share granted under the "One Person, One Voice, One Share" program.

6

CÉCILE CABANIS

Deputy Chief Executive Officer of TIKEHAU CAPITAL

Non-independent Director

Age 50 – French nationality
First appointed to the Board: 2018 Shareholders' Meeting
End of term: 2022 [a]
DANONE shares: 41,550

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 and five years later she became Danone's Chief Financial Officer and a member of the Executive Committee. The following year 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. In September 2021, she joined Tikehau Capital as Deputy Chief Executive Officer in charge of the Human Capital, ESG/CSR, Communications and Brand Marketing functions.

Current terms of office

Danone companies

- Director, Vice-Chair of the Board of Directors, member of the Strategy & Transformation Committee of DANONE SA

Other companies

French listed companies

- Director, Chair of the audit and risks committee of *SCHNEIDER ELECTRIC SE* [b]
- Vice-Chair of the supervisory board, Chair of the audit committee of *UNIBAIL-RODAMCO-WESTFIELD SE*

French unlisted companies

- Member of the supervisory board of SOCIÉTÉ ÉDITRICE DU MONDE, *MEDIAWAN*
- Chair of the supervisory board of *MEDIAWAN LEONINE-STUDIOS*
- Director of FRANCE MEDIAS MONDE

Terms of office expired over the past five years

- Director of *MICHEL ET AUGUSTIN SAS* [c], *DANONE RUSSIA* [c] (Russia), *DANONE INDUSTRIA LLC* [c] (Russia), *DANONEWAVE PUBLIC BENEFIT CORPORATION* [c] (United States)
- Chair of the board of directors of *LIVELIHOODS FUND SICAV SIF* [c] (Luxembourg)
- Chief Executive Officer of *DANONE CIS HOLDINGS B.V.* [c] (Netherlands)
- Vice-Chair of the supervisory board of MEDIAWAN
- Director of 2MX ORGANIC

(a) Cécile CABANIS has indicated her intention to resign from her term of office as Director of the Company at the end of June 2022.
(b) Her role as Chair of the audit and risks committee of SCHNEIDER ELECTRIC SE ended on January 1st, 2022.
(c) Company affiliated with Danone.

VALÉRIE CHAPOULAUD-FLOQUET

Vice-Chair of SOFISPORT SA

SM Director whose co-opting is proposed to the Shareholders' Meeting for ratification

Age 59 – French nationality
First appointed to the Board: Board of Directors of December 10, 2021 [a]
DANONE shares: 2,000

Expertise – Experience – Main activities

A graduate of EM Lyon Business School in finance and international business, Valérie CHAPOULAUD-FLOQUET began her career in 1983 as an analyst at Crédit Lyonnais Italy. She joined the L'Oréal group in 1984 as part of the Internal Audit team and then in 1988 joined the Luxury Products Division where she worked until 2008. She held successively different management position in Europe, Asia and North America. In 1996 she became General Manager of Biotherm Italy then in 1988 Biotherm International Development Manager; in 2002 she was appointed General Manager of the Luxury Products Division for Asia, then in 2005 for Europe, and in 2007 President of the Luxury Products Division in the United States. She then joined the LVMH group in 2008 as CEO of Louis Vuitton Taiwan and was successively appointed President of Louis Vuitton South Europe, President and CEO of Louis Vuitton North America and President and CEO of Louis Vuitton Americas. In 2014, she was appointed to head the Rémy Cointreau spirits group as Chief Executive Officer, a position she held until 2019. Since then, she has been focusing on non-executive roles.

Current terms of office

Danone companies

- Director of DANONE SA

Other companies

French listed companies

- Member of the supervisory board of *NEXTSTAGE S.C.A*

Foreign listed companies

- Director, member of the audit committee, of the nomination committee and of the compensation committee of *DIAGEO* (United Kingdom)

French unlisted companies

- Vice-Chair of the supervisory board of SOFISPORT SA

Foreign unlisted companies

- Director, member of the nomination and compensation committee of *JACOBS HOLDING AG* (Switzerland)
- Director of *ACNE STUDIOS* (Sweden), *AGROLIMEN* (Spain), *CHEDDITE ITALY S.R.L* [b] (Italy), *NOBEL SPORT MARTIGNONI S.P.A* [b] (Italy), *VCFINVEST S.R.L* (Italy)

Terms of office expired over the past five years

- Chief Executive Officer of *REMY COINTREAU*
- Various terms of office within companies of the *REMY COINTREAU* group

(a) The ratification of her co-opting will be submitted to approval by the Shareholders' Meeting of April 26, 2022.
(b) Subsidiary of SOFISPORT SA.

CLARA GAYMARD

Co-founder of RAISE

Independent Director

Age 61 – 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 French administration 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 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 2015 to 2018.

Current terms of office

Danone companies

- Director and member of the Governance Committee of DANONE SA

Other companies

French listed companies

- Director, member of the audit committee and of the ethics, CSR and patronage committee of BOUYGUES
- Director, member of the performance audit committee of LVMH
- Director, member of the research, innovation and sustainable development committee of VEOLIA ENVIRONNEMENT

French unlisted companies

- Director of SAGES
- Chair of *PABAFAJAMET SAS*, *RAISE CARAS SAS*, *RAISELAB SAS*
- Chief Executive Officer of *RAISE CONSEIL*, *LE PONTON SAS*

Terms of office expired over the past five years

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6

MICHEL LANDEL

Lead Director of LEGRAND

Independent Director

Age 70 – French nationality
First appointed to the Board: 2018 Shareholders' Meeting
End of term: 2023 Shareholders' Meeting [(a)]
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 within the Poliet group. In 1988 he joined Sodexo 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 merger with Marriott Management Services and the creation of Sodexho Marriott Services, which became Sodexo Inc., of which he became Chief Executive Officer in 1989. The following year, he was appointed Vice-Chairman of the Sodexo executive committee. From 2003 to 2005, he served as group Deputy General Manager in charge of North America, the United Kingdom and Ireland, as well as Remote Sites. In 2005, he was appointed to head the Sodexo group as Chief Executive Officer and Chairman of the executive committee, a position he held until 2018. Since July 2020, he has been the Lead Director of Legrand. Michel LANDEL 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, he 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

- Director, member of the Governance Committee and of the Engagement Committee of DANONE SA

Other companies

French listed companies

- Lead Director, Chairman of the nominating and governance committee and member of the compensation 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*, *ONE SAS*
- Member of the management board of *SODEXO PASS INTERNATIONAL SAS*
- Director of *SODEXO INC.* (United States)
- Chairman of the board of directors of *LOUIS DELHAIZE – COMPAGNIE FRANCO-BELGE D'ALIMENTATION* (Belgium)

(a) Pursuant to the announcement of July 29, 2021.

PATRICE LOUVET

President and Chief Executive Officer of RALPH LAUREN CORPORATION

SM Nominee to the Board of Directors

Age 57 – American and French nationalities
First appointed to the Board: 2022 Shareholders' Meeting [a]

Expertise – Experience – Main activities

A graduate of ESCP Paris and with an MBA from the University of Illinois in the United-States, Patrice LOUVET began his career in 1989 with the Procter & Gamble group where he worked for 28 years. He successively held various management positions in Europe, North America and Asia, notably as President of P&G Prestige between 2009 and 2011, of P&G Global Grooming between 2011 and 2015 and, from 2015, as President of the group's Beauty division. He led and grew multi-billion-dollar global consumer brands – ranging from Gillette to Pantene and SK-II – across diverse distribution channels and geographies. Since 2017, he has been President and Chief Executive Officer of Ralph Lauren Corporation and member of its Board of Directors. In addition, he serves on the board of directors of various organizations: the Bacardi Limited spirits group since 2012, the Hospital for Special Surgery and the National Retail Federation based in New York. He is also a member of the CEO Advisory Council of the Fashion Pact, a coalition committed to advancing environmental sustainability in the fashion and textile industries. He served in the French Navy between 1987 and 1989 as a Naval Officer, Admiral Aide de Camp.

Current terms of office

Foreign listed companies

- President and Chief Executive Officer, director of *RALPH LAUREN CORPORATION* (United States)

Foreign unlisted companies

- Director, member of the audit committee of *BACARD LIMITED* (Bermudas)

Terms of office expired over the past five years

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(a) Subject to his appointment by the Shareholders' Meeting of April 26, 2022.

GAËLLE OLIVIER

Deputy Chief Executive Officer, Chief Operating Officer of SOCIÉTÉ GÉNÉRALE [a]

Independent Director

Age 50 – French nationality
First appointed to the Board: 2014 Shareholders' Meeting
End of term: 2022 Shareholders' Meeting [b]
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 Société Générale in January 2020 as Head of the Asia Pacific region and was appointed Deputy Managing Director, Chief Operating Officer of the group in January 2022.

Current terms of office

Danone companies

- Director, Chair of the Audit Committee of DANONE SA

Other companies

French unlisted companies

- Manager of *KYOUKO (SASU)*

Foreign listed companies

- Director of *PJSC ROSBANK* [c] (Russia)

Terms of office expired over the past five years

- Chairman and Chief Executive Officer of *AXA GLOBAL P&C*
- Chair of the board of directors of *AXA GLOBAL DIRECT SA*, *AXA CORPORATE SOLUTIONS ASSURANCE*, *GALYTIX LTD* (United Kingdom), *AXA ART* (Germany)
- Director of *AXA UK* (United Kingdom)

(a) Since January 17, 2022.
(b) Pursuant to the announcement of July 29, 2021.
(c) Société Générale group company.

6

GÉRALDINE PICAUD

Chief Financial Officer of HOLCIM LTD.

SM **Nominee to the Board of Directors**

Age 51 – French nationality
First appointed to the Board: 2022 Shareholders' Meeting [a]

Expertise – Experience – Main activities

With an MBA from the Superior School of Commerce of Reims, Géraldine PICAUD started her career in 1992 as an auditor with Arthur Andersen. In 1994, she joined the French specialty chemicals group Safic Alcan group as Head of Business Analysis and became Chief Financial Officer in 2002. In 2007, she joined ED&F Man, an ingredient and commodity company notably specializing in agricultural products, coffee, sugar and animal feed, first in London as Head of Corporate Finance, responsible for M&A, then in Switzerland as Chief Financial Officer of Volcafe Holdings, the group's coffee business. In 2011, she was appointed Chief Financial Officer of Essilor International, a CAC 40-listed company, world leader in ophthalmic optics. Since 2018, she has been Chief Financial Officer of Holcim (formerly LafargeHolcim) and a member of its Executive Committee.

Current terms of office

Listed foreign companies

- Member of the supervisory board of *INFINEON TECHNOLOGIES AG* (Germany)
- Director of *LAFARGEHOLCIM MAROC SA* [b] (Morocco), *HUAXIN CEMENT CO., LTD.* [b] (China)

Unlisted foreign companies

- Director of *HOLCIM GROUP SERVICES LTD.* [b] (Switzerland), *HOLCIM TECHNOLOGY LTD.* [b] (Switzerland), *LAFARGE MAROC SA* [b] (Morocco), *LAFARGEHOLCIM MAROC AFRIQUE SAS* [b] (Morocco)

Terms of office expired over the past five years

- Director of ALSTOM (France)
- Various terms of office within companies of the *ALSTOM* and *ESSILOR* groups

(a) Subject to her appointment by the Shareholders' Meeting of April 26, 2022.
(b) Holcim group company.

FRANCK RIBOUD

Honorary Chairman of DANONE SA

Non-independent Director

Age 66 – 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 where he held successive positions in Controlling, Marketing then Sales until 1989, notably as Head of Sales at Heudebert. In 1989, he became Head of 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 and two years later he became Head of Danone's Development Department. The Group then launched its international diversification marked by increased development in Asia and Latin America and the creation of an Export Department. In 1996, he was appointed Chairman and Chief Executive Officer of Danone, a position he held until October 2014, and then remained Chairman of the Board of Directors until December 2017. Since then, he has been the Honorary Chairman of Danone. From 2003 to 2017, he was Danone's representative to the French Council on Sustainable Development. He also served as 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).

Current terms of office

Danone companies

- Director, Honorary Chairman, 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 of DANONE SA, *LIVELIHOODS FUND FOR FAMILY FARMING SAS* [a], *DANONE COMMUNITIES (SICAV)* [a]
- Director of RENAULT SA, *RENAULT SAS*, *BAGLEY LATINOAMERICA SA* [a] (Spain)
- Member of the steering committee of *LIVELIHOODS FUND SICAV SIF* [a] (Luxembourg)

(a) Company affiliated with Danone.

SUSAN ROBERTS

Professor of nutrition at TUFTS UNIVERSITY

SM Nominee to the Board of Directors

Age 64 – UK and Canadian nationalities
First appointed to the Board: 2022 Shareholders' Meeting [a]

Expertise – Experience – Main activities

Susan ROBERTS, PhD in Nutrition from the University of Cambridge, is professor of nutrition at the Friedman School of Nutrition Science and Policy at Tufts University in the United States, professor of psychiatry and staff member in pediatrics at Tufts University School of Medicine, and co-director of the Tufts Institute for Global Obesity Research. As an internationally-recognized nutrition researcher, she has received numerous prestigious awards for her major contributions to research in the field of nutrition. As part of her work, she is co-leading a consortium of scientists to understand the physiology of the weight-reduced state and co-leads the International Weight Control Registry which is collaborating with scientists in 19 countries to identifying successful weight management practices in different cultures. Dr ROBERTS has published over 280 research papers in research journals including the New England Journal of Medicine and JAMA. In addition, she has sat on national and international committees for dietary recommendations including a recent congress-mandated evaluation by National Academies of Sciences to improve the process of developing Dietary Guidelines for Americans.

Current terms of office

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Terms of office expired over the past five years

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(a) Subject to her appointment by the Shareholders' Meeting of April 26, 2022.

ANTOINE DE SAINT-AFFRIQUE

Chief Executive Officer of DANONE SA

SM Nominee to the Board of Directors

Age 57 – French nationality
First appointed to the Board: 2022 Shareholders' Meeting [a]
DANONE shares: 4,000

Expertise – Experience – Main activities

A graduate of ESSEC Business School in 1987, Antoine de SAINT-AFFRIQUE also has a qualification in executive education from Harvard Business School. He began his career in 1989 at Unilever where he held various Marketing positions in France and in the United States. In 1997 he returned to France to join the Danone group as Marketing Vice-President and Partner of the foods company Amora Maille, which was acquired under a leveraged buy-out from Danone. In 2000 he moved back to Unilever as Senior Vice-President, Sauces and Condiments Europe and became in 2003 Chairman and Chief Executive Officer of Unilever Hungary, Croatia, Slovenia and then in 2005 Executive Vice-President for Unilever's Central and Eastern region – an area covering 21 countries. In 2009 he was appointed Executive Vice-President of Unilever's Skin category and, in 2011, President of Unilever Foods and member of the group Executive Committee. These various positions led him to leave in the United States, Hungary, Russia, the Netherlands and England. From October 2015 to September 2021, he was Chief Executive Officer of Barry Callebaut. Since September 15, 2021, he has been Chief Executive Officer of Danone. Furthermore, Antoine de SAINT-AFFRIQUE has led the Marketing course at Mines ParisTech (*Corps des Mines*) since 2004. He also served as a reserve naval officer between 1987 and 1988.

Current terms of office

Danone companies

- Chief Executive Officer of DANONE SA

Other companies

Foreign listed companies

- Director, member of the audit committee and of the nomination committee of *BURBERRY GROUP PLC* (United Kingdom)
- Director of *BARRY CALLEBAUT* (Switzerland)

Terms of office expired over the past five years

- Chief Executive Officer of *BARRY CALLEBAUT* (Switzerland)
- Director of *BARRY CALLEBAUT SOURCING AG* (Switzerland), *BARRY CALLEBAUT COCOA AG* (Switzerland)
- Director, member of the CSR committee and of the strategy committee of ESSILOR
- Director of *ESSILOR INTERNATIONAL SAS*

(a) Subject to his appointment by the Shareholders' Meeting of April 26, 2022.

GILLES SCHNEPP

Chairman of the Board of Directors of DANONE SA

Independent Director

Age 63 – French nationality
First appointed to the Board: Board of Directors of December 2020
End of term: 2023 Shareholders' Meeting
DANONE shares: 5,000

Expertise – Experience – Main activities

Upon graduating from the École des Hautes Études 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 Chairman and Chief Executive Officer of Legrand and then Chairman of its board of directors between 2018 and 2020. From 2018 to 2021, he was also Chairman of MEDEF's Ecological and Economic Transition Commission and a member of its 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

- Chairman of the Board of Directors of DANONE SA

Other companies

French listed companies

- Director, member of the strategy and social responsibility Committee of LEGRAND [a]
- Director, member of the audit and risk committee of COMPAGNIE DE SAINT-GOBAIN
- Director, chairman of the appointments, governance and CSR committee, member of the strategy committee of SANOFI

French unlisted companies

- Chairman of *GS CONSEILS (SAS)*

Terms of office expired over the past five years

- Vice-Chairman and Senior Independent Member of the supervisory board of PEUGEOT S.A
- Chairman and Chief Executive Officer of LEGRAND
- Various terms of office within companies of the *LEGRAND* group

(a) His term of office will expire on May 25, 2022, at the close of Legrand's Shareholders' Meeting.

ISABELLE SEILLIER

Global Chairman of Investment Banking at J.P. MORGAN

Non-independent Director

Age 61 – French nationality
First appointed to the Board: 2011 Shareholders' Meeting
End of term: December 31, 2021 [a]
DANONE shares: 4,073

Expertise – Experience – Main activities

Isabelle SEILLIER is a graduate of the Institut d'Études 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 then joined J.P. Morgan in Paris 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 2005, she was appointed joint head of investment banking before being named sole head of this activity in 2006. Two years later, she became President of J.P. Morgan for France while remaining in charge of investment banking for France and North Africa. In 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, member of the Strategy & Transformation Committee of DANONE SA

Terms of office expired over the past five years

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(a) Isabelle SEILLIER resigned for personal reasons from her term of office as Director with effect on December 31, 2021.

JEAN-MICHEL SEVERINO

Lead Independent Director of DANONE SA

Independent Director

Age 64 – French nationality
First appointed to the Board: 2011 Shareholders' Meeting
End of term: 2022 Shareholders' Meeting [(a)]
DANONE shares: 4,505

Expertise – Experience – Main activities

Jean-Michel SEVERINO is a graduate of the ESCP Business School, the Institut d'Études Politiques of Paris, the École Nationale d'Administration (ENA) and has a master's degree in economics and a bachelor's degree in law. He began his career in 1984 at the French Inspectorate of Finances and after various positions in the French Ministry of Cooperation (1988-1996), he joined the World Bank as Director for Central Europe and then Vice-President East Asia. In 2001, he was appointed Chief Executive Officer of the French Development Agency. In 2010, at the end of his third term of office, he returned to the French Inspectorate of 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 the financing of African start-ups and 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), a member of the French Academy of Technologies since 2010 and a Senior Fellow at 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

- Lead Independent Director, Chairman of the Governance Committee of DANONE SA

Other companies

French listed companies

- Director, member of the audit committee of ORANGE
- Member of the supervisory board, member of the corporate social responsibility committee of COMPAGNIE GÉNÉRALE DES ÉTABLISSEMENTS MICHELIN

French unlisted companies

- Director of PHITRUST IMPACT INVESTORS
- Chairman of *ÉMERGENCES DÉVELOPPEMENT*
- Chairman of the supervisory board of *I&P (INVESTISSEURS & PARTENAIRES)*

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

- Chairman of the board of directors of EBI SA (ECOBANK INTERNATIONAL)
- Manager of *I&P SARL*, *I&P CONSEIL*
- Director of *ADENIA PARTNERS* (Mauritius)

(a) Pursuant to the announcement of July 29, 2021.

BETTINA THEISSIG

Member of the European Works Council of DANONE and Chair of the Central Works Council of NUTRICIA MILUPA GMBH

Director representing employees

Age 59 – German nationality
First appointed to the Board: 2014
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. 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, member of the Engagement Committee of DANONE SA

Terms of office expired over the past five years

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(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 52 – Turkish nationality
First appointed to the Board: 2015 Shareholders' Meeting
End of term: 2023 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 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 2018 and continues to be a member of the group's executive committee.

Current terms of office

Danone companies

- Director, Chair of the Engagement Committee of DANONE SA

Other companies

Foreign unlisted companies

- Chair of the board of directors of *VODAFONE TURKEY* [b] (Turkey)
- Vice-Chair of the supervisory board, chair of the remuneration and nomination committee of *VODAFONE ZIGGO* [b] (Netherlands)
- Director of *VODAFONE EGYPT* (Egypt)

Terms of office expired over the past five years

- Chair of the supervisory board of *VODAFONE ZIGGO* [b] (Netherlands)
- Director of *GSMA* (United Kingdom), *VODAFONE QATAR* [b] (Qatar), *VODACOM GROUP* [b] (South Africa), *SAFARICOM KENYA* [b] (Kenya), *VODAFONE HUTCHISON AUSTRALIA* [b] (Australia), *VODAFONE INDIA* [b] (India)
- Chair of *VODAFONE AND QATAR FOUNDATION LLC* [b] (Qatar)

(a) Pursuant to the announcement of July 29, 2021.
(b) Vodafone group company.

LIONEL ZINSOU-DERLIN

Chairman of SOUTHBRIDGE SAS

Independent Director

Age 67 – Beninese and French nationality
First appointed to the Board: 2014 Shareholders' Meeting
End of term: 2022 Shareholders' Meeting [a]
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 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, Chairman of the Strategy & Transformation Committee, member of the Audit Committee of DANONE SA

Other companies

Foreign listed companies

- 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*

Foreign unlisted companies

- Chairman of the board of directors of *SOUTHBRIDGE HOLDING* (Mauritius)
- Director of *I&P AFRIQUE ENTREPRENEURS* (Mauritius), *SOUTHBRIDGE PARTNERS* (Mauritius), *COCA COLA BEVERAGES AFRICA* (South Africa)

Terms of office expired over the past five years

- Director of *AMERICANA* (United Arab Emirates)
- Chairman and Chief Executive Officer of *SOUTHBRIDGE FRANCE*
- Manager of *SOFIA – SOCIÉTÉ FINANCIÈRE AFRICAINE SARL*

(a) Pursuant to the announcement of July 29, 2021.

6

6.3 COMPENSATION AND BENEFITS OF GOVERNANCE BODIES

Contents

COMPENSATION POLICY FOR CORPORATE OFFICERS FOR 2022

The compensation policy for corporate officers is drawn up by the Board of Directors pursuant to Articles L.22-10-8 *et 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 DANONE shares, aligns the interests of the corporate officers with those of the shareholders, (ii) the performance factors taken into consideration include Danone's long-term strategy as well as relevant ESG criteria, and (iii) the policy is consistent and acceptable from a societal standpoint;
- it contributes to the sustainability of the Company, insofar as it both encourages talent retention and engagement within the Company and aligns with its long-term vision and performance thanks to its variable component governed by demanding targets assessed over time;
- it forms an integral part of the Company's strategy, thanks to performance objectives aligned with this strategy and 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;
- subject to stringent conditions, aligned with shareholder interests and in line with best market practices;
- consistent with the principles that Danone applies to its 1,500 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;
- consistent with the compensation practices observed at comparable companies, in particular CAC 40 companies with comparable market capitalizations, European multinationals in the food and beverage sector, and international groups constituting Danone's historical peer group.

The application of these principles results in:

- the preponderance of the component of compensation being subject to performance conditions;
- a long-term shareholding compensation component in the form of Group performance shares (GPS);
- the obligation requiring executive 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;
- the non-payment of variable compensation if the objectives are not met.

Role of the Governance Committee

Danone's compensation policy is regularly reviewed by the Governance Committee, which was composed entirely of independent Directors in 2021 and is chaired by the Lead Independent Director.

The Governance Committee reviews market practices, based on benchmarks prepared by specialized and objective firms, including (i) large international companies listed in France (CAC 40), (ii) a group (or "panel") of European multinationals in the food and beverage sector, and (iii) a group of Danone's historical peers consisting of eight leading global food and beverage groups. This historical peer group 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.

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";
- 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 2022

The principles presented hereafter apply in the event of the duties of the Chairman of the Board and the Chief Executive Officer being separated. They are subject to the approval of the shareholders as part of the vote on the compensation policy.

Compensation for directorship

The Chairman of the Board may receive compensation for his/her directorship if he/she does not receive fixed compensation, in accordance with the terms set out in the compensation policy for Directors described hereafter.

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 taking into account the Chairman's duties, his/her experience and market practices, and 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. The fixed compensation of the Chairman of the Board of Directors for 2022 is €650,000, unchanged versus 2021.
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

No extraordinary compensation can be granted to the Chairman of the Board.

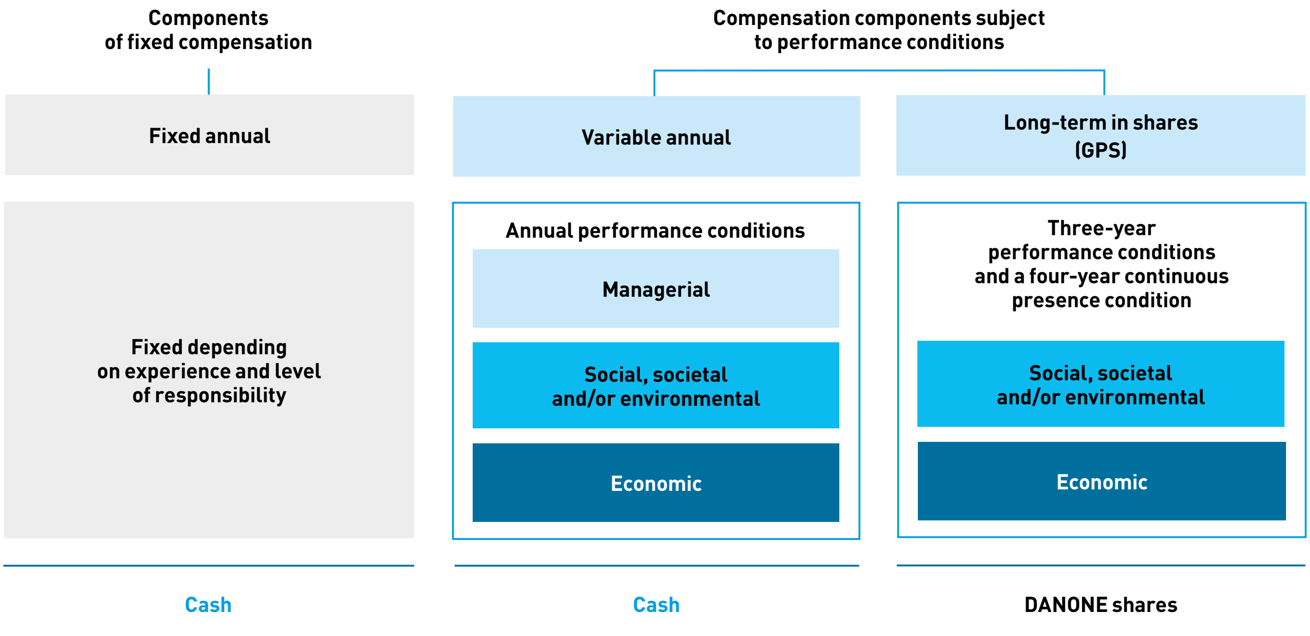
Other components liable to be granted to the Chairman of the Board

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 2022

Compensation structure summary



As a reminder, components of variable annual compensation or, where applicable, exceptional compensation granted to the executive corporate officers 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.

Compensation for directorship

Danone policy on the compensation of directors (see section *Compensation policy for Directors for 2022* 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 1,500 senior executives worldwide; • is reviewed at relatively long intervals, in accordance with the recommendations of the AFEP-MEDEF Code. The fixed compensation of the Chief Executive Officer for 2022 is €1.4 million.
Benefits in kind	• consistent with Danone's compensation practices for its senior executives, grant of benefits in kind, in particular access to the car and driver pool and to housing.
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 in shares paid in the form of DANONE shares and subject to performance conditions (GPS). Long-term compensation in 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 executive corporate officer's performance and with Danone's, either on an absolute basis or relative to its peers. This adjustment, which may increase or reduce the level of compensation, 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 its alignment with shareholders' interests and the preservation of the stringency of the revised criteria. 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 2023 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; • mainly economic (60% for annual variable compensation and 70% for long-term variable compensation); • also social, societal and/or environmental (20% for the annual variable compensation and 30% for the 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 measurable economic, 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, recurring operating margin, free cash flow generation and return on invested capital (ROIC); • measurable social, societal and/or environmental component based on Danone's objectives; • qualitative managerial component determined on the basis of specific annual targets whose fulfillment and achievement are disclosed retrospectively.
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 2022 fiscal year. It will also be detailed in the 2022 Universal Registration Document and will be paid only after approval by the 2023 Shareholders' Meeting.

Long-term variable compensation in shares (Group performance shares)

Principles	• established in 2010 to strengthen the commitment of beneficiaries (executive corporate officers, Executive Committee members and over 1,500 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 special resolution; • granted by the Board of Directors upon 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 presence condition on a *pro rata temporis* basis and based on a reasoned opinion. Moreover, in the event of a change of control, the fulfillment of the continuous presence condition for GPS granted from 2019 onwards to executive corporate officers and members of the Executive Committee will be assessed on a *pro rata 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 upon 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 hereafter.
Performance conditions	These generally correspond to: • an external performance criterion, such as the total shareholder return of the DANONE share, compared to a panel of its historical peers consisting of eight leading international groups in the food and beverage sector; • an internal performance criterion based on a key financial indicator such as recurring EPS, operating margin, free cash flow or other; and • 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 2021 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, 2021.

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 upon 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. The allocation of this extraordinary compensation will be (i) duly justified, (ii) subject to approval by the Shareholders' Meeting of the resolution on compensation paid or awarded to the corporate officer in question *(ex post say on pay)*, and (iii) subject to the condition precedent of a favorable vote on this resolution with retroactive effect to the date of this grant.

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 executive 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.

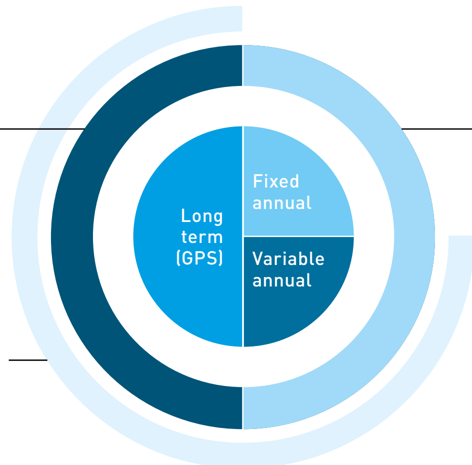
It should be noted that, should a new executive corporate officer be appointed, he/she may be eligible for severance pay amounting to up to two years of gross annual compensation (fixed and variable) and subject to stringent performance conditions, as well as other commitments under Article L.22-10-9, paragraph 4 of the French Commercial Code, subject to the requirements of the AFEP-MEDEF Code.

In Antoine de SAINT-AFFRIQUE's case, he is eligible for severance pay, a non-compete indemnity if his non-compete clause is triggered, and a defined contribution retirement plan ("Article 83"). More information on these components is provided in section *Other compensation and benefits to which the Chief Executive Officer is entitled* hereinafter.

Compensation principles established for 2022

Upon recommendation of the Governance Committee, the Board of Directors, at its meeting of February 22, 2022, determined the principles of compensation with respect to fiscal year 2022 for Antoine de SAINT-AFFRIQUE, Chief Executive Officer.

The overall structure and the main components of the target compensation (namely fixed compensation and variable compensation) are as follows:



Fixed compensation €1,400,000	The amount of Antoine de SAINT-AFFRIQUE's fixed compensation for 2022 was set by the Board of Directors at €1.4 million, the same as in 2021, based on his international experience, his expertise and his previous level of compensation, as well as the practices observed at comparable companies (for more details, see section *Compensation of Antoine de SAINT-AFFRIQUE, Chief Executive Officer effective September 15, 2021* hereinafter).
Annual variable compensation The target amount of the annual variable compensation for 2022, its components and the maximum compensation percentage are the same as for the previous year. • Target amount: €1,400,000 • Cap: €2,800,000 • No floor	As in 2021, it will consist of three components with the same weightings: (i) an economic component based on Danone's targets, (ii) a social, societal and/or environmental component, and (iii) a managerial component. In accordance with French Financial Market Authority recommendation DOC-2012-02 of February 9, 2012, as amended on January 5, 2022, the Board of Directors specified in advance the expected level of fulfillment for each of these criteria, upon recommendation of the Governance Committee, but these levels are 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 2022 financial year. It will also be presented in the 2022 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 2022 will be subject to approval by the 2023 Shareholders' Meeting. The components of annual variable or extraordinary compensation granted for fiscal year 2022 will be paid only after such approval.
Long-term variable compensation • Target amount: €2,800,000 • No floor	With a target amount of €2,800,000, the Chief Executive Officer's long-term variable compensation corresponds to shares subject to performance conditions ("GPS").

COMPENSATION POLICY FOR DIRECTORS FOR 2022

The compensation policy for Directors is set by the Board of Directors on the basis of the Governance Committee's recommendation 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. It takes into account the obligation requiring the Directors to hold a significant level of DANONE shares to ensure their interests align with those of the Company and its shareholders. This compensation policy also seeks to attract experts and promote 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 executive corporate officers, the members of the Executive Committee, 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, upon 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 Shareholders' Meeting of April 29, 2021 fixed the annual maximum amount to be paid to the Board of Directors for compensating its members at €1,250,000. At its meeting of December 10, 2021, the Board of Directors reviewed the Directors' compensation allocation rules to ensure that the level of compensation proposed by Danone would be competitive with that of other CAC 40 companies and its historical peers. It aimed to give Danone the ability to attract high-quality profiles and talent, including from abroad, in particular in light of its decision to completely restructure its Board of Directors in July 2021.

Against this backdrop and for these reasons, the Board made the following changes:

- it increased the annual fixed portion from €10,000 to €25,000;
- it increased the compensation Directors receive for each Board meeting they attend from €3,000 to €5,000;
- it reduced the Lead Independent Director's annual retainer from €80,000 to €50,000.

The new allocation rules, which will take effect on January 1, 2022, subject to approval by the Shareholders' Meeting of April 26, 2022, of the 19th resolution on the compensation policy for Directors for 2022, are therefore presented below. It should be noted that the overall annual amount of Directors' compensation remains unchanged:

(in €)	**Annual fixed amount**	**Per meeting**	**For travel – residing in Europe (not in France)**	**For travel – residing outside of Europe**
Lead Independent Director	50,000	–	–	–
Director	25,000	–	–	–
Board meetings	–	–	–	–
Director	–	5,000	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.

REPORT ON THE COMPENSATION OF CORPORATE OFFICERS FOR 2021

Pursuant to the provisions of Article L.22-10-34 I and II of the French Commercial Code, the report shown hereafter includes the information in the 12th resolution subject to approval by the Shareholders' Meeting on April 26, 2022.

Compensation of the Chairman and Chief Executive Officer from January 1 to March 14, 2021

Emmanuel FABER was Chairman and Chief Executive Officer of Danone until March 14, 2021. In conjunction with his departure, the Board of Directors decided on March 22, 2021, on the recommendation of the Governance Committee, to grant him the components of compensation detailed below, which were approved by 97.54% of the Shareholders' Meeting of April 29, 2021, in its 28th resolution. It should be noted that Emmanuel FABER received neither severance pay nor a non-compete indemnity when his position at Danone was terminated.

Annual fixed compensation

Emmanuel FABER received an amount of €202,899 calculated *pro rata temporis* until March 14, 2021, in respect of his annual fixed compensation of €1 million.

Annual variable compensation

Upon recommendation of the Governance Committee, the Board of Directors considered that Emmanuel FABER should receive, in respect of the 2021 fiscal year, annual variable compensation in an amount of €202,899, calculated *pro rata temporis*, on the basis of the target amount for 2021, until the actual termination date of March 14, 2021.

Long-term compensation

In accordance with the compensation policy for corporate officers, the Board of Directors decided, having regard to the exceptional circumstances of Emmanuel FABER's departure and his contribution to Danone's results for the periods in question, in accordance with the rules of the relevant plans, to allow Emmanuel FABER to retain the benefit of the Group performance shares (GPS) granted to him in respect of the fiscal years 2017, 2018, 2019 and 2020, *pro rata* based on his presence within the Company during the acquisition period of those plans. Accordingly, the GPS allocated to him in 2017, 2018, 2019 and 2020 were reduced to 31,191 GPS, 11,851 GPS, 13,125 GPS and 7,031 GPS, respectively; the final number of GPS vesting to Emmanuel FABER will be determined by the Board of Directors upon expiry of the vesting period for each of these plans and will depend on the achievement level of their performance conditions. As such, 31,191 GPS were delivered to Emmanuel FABER on July 24, 2021, under the 2017 GPS plan.

The details of past GPS plans and ones still in effect are presented in section 6.4 *Detailed information on long-term compensation plans*.

Other compensation and benefits to which the Chairman and Chief Executive Officer was entitled

Benefits: group insurance and healthcare coverage

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-contribution) retirement plan

Since April 24, 2019, the date his employment contract was terminated, Emmanuel FABER has been entitled only to a defined-contribution 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 of the interim General Management from March 14 to September 14, 2021

In light of the Chairman and Chief Executive Officer's departure, the Board of Directors decided, at its meeting of March 14, 2021, to appoint Véronique PENCHIENATI-BOSETTA and Shane GRANT as Chief Executive Officer and Co-Chief Executive Officer (*Directeur Général Délégué*), respectively, with immediate effect and for an interim period, to ensure the Company's operational continuity while it conducted its search for a new Chief Executive Officer.

On March 22, 2021, the Board of Directors decided on a compensation policy for the interim executive corporate officers and, in compliance with this policy, established the compensation principles for Véronique PENCHIENATI-BOSETTA and Shane GRANT for 2021. The components of their compensation have been published on Danone's website: www.danone.com (section Investors / Governance / Corporate Officers Remuneration / 2021 / Compensations for the Chairman, the interim CEO and the interim co-CEO in 2021).

The compensation policy for the interim executive corporate officers was approved by 96.35% of the Shareholders' Meeting of April 29, 2021, in its 27th resolution.

Compensation of Véronique PENCHIENATI-BOSETTA, interim Chief Executive Officer in 2021

It should be noted that the Board of Directors decided to suspend the employment contract between Véronique PENCHIENATI-BOSETTA and Danone SA without terminating it, for the duration of her interim term of office, due to the exceptional circumstances and the temporary nature of her appointment.

Compensation and benefits paid or granted to Véronique PENCHIENATI-BOSETTA as Chief Executive Officer from March 14 to September 14, 2021

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 26, 2022: fixed, variable and extraordinary compensation making up the total compensation and the benefits in kind paid or granted in 2021 to the interim Chief Executive Officer in respect of her term of office. The components of the interim Chief Executive Officer's variable compensation for fiscal year 2021 will be paid only after this approval.

It should be noted that the components of compensation paid or granted to Véronique PENCHIENATI-BOSETTA as interim Chief Executive Officer are the same as those specified in her employment contract, with the exception of the additional fixed compensation described below.

<table>
<tr><th>Components of compensation subject to a vote</th><th>Amounts paid in respect of the term of office in 2021</th><th>Amounts granted in respect of the term of office in 2021 (pro rata temporis)</th><th>Presentation</th></tr>
<tr><td>Fixed compensation</td><td>€450,000 (from 3/14 to 9/14/2021)</td><td>€450,000 (from 3/14 to 9/14/2021)</td><td>The amount of Véronique PENCHIENATI-BOSETTA's annual fixed compensation, unchanged relative to the compensation she received under her employment contract before its suspension, was €900,000 for 2021, i.e., €450,000 for the duration of her term of office.</td></tr>
<tr><td>Additional fixed compensation</td><td>€600,000</td><td>€600,000</td><td>At its meeting of March 22, 2021, the Board of Directors decided to grant Véronique PENCHIENATI-BOSETTA additional compensation in the fixed amount of €600,000, with 1/10th of this amount to be paid monthly and the balance to be paid at the end of the interim period. This amount was decided on to acknowledge the fact that she took on the role of interim Chief Executive Officer under highly exceptional and unforeseen circumstances and to compensate her appropriately for the sudden increase in her scope of responsibility in the context of this temporary appointment and for her operational management of the Group in the very particular context of this management transition.</td></tr>
<tr><td>Annual variable compensation</td><td>Not applicable</td><td>€630,000
For the period from 3/14 to 9/14/2021 for her responsibilities as Chief Executive Officer

Payment of this compensation is subject to approval by the Shareholders' Meeting on April 26, 2022 (13th resolution)</td><td>The structure, target amount and cap for the annual variable compensation for Véronique PENCHIENATI-BOSETTA's interim term of office are the same as those for the annual variable compensation specified in her employment contract as Chief Executive Officer International before it was suspended. As a reminder, the target amount for this compensation is €720,000 with a cap of €1,400,000 (with no guaranteed minimum or floor).

Performance conditions and cap
<table>
<tr><th></th><th>Performance indicators</th><th>Proportion of the target amount</th><th>Possible variation based on the weighting</th></tr>
<tr><td rowspan="4">Economic
Quantifiable portion, calculated on the basis of Danone's economic targets</td><td>Like-for-like sales growth</td><td>25%</td><td>0% to 50%</td></tr>
<tr><td>Recurring operating margin level</td><td>25%</td><td>0% to 50%</td></tr>
<tr><td>Free cash flow generation</td><td>10%</td><td>0% to 20%</td></tr>
<tr><td>Total</td><td>60%</td><td>0% to 120%</td></tr>
<tr><td rowspan="3">Social, societal and/or environmental
Reference to Danone's social, societal and/or environmental targets</td><td>Employee engagement</td><td>10%</td><td>0% to 20%</td></tr>
<tr><td>Organizational leadership</td><td>10%</td><td>0% to 20%</td></tr>
<tr><td>Total</td><td>20%</td><td>0% to 40%</td></tr>
<tr><td rowspan="2">Managerial
Reference to specific annual targets</td><td>Management of the managerial transition</td><td>20%</td><td>0% to 40%</td></tr>
<tr><td>Total</td><td>20%</td><td>0% to 40%</td></tr>
<tr><td>Total</td><td></td><td>100%</td><td>0% to 200%</td></tr>
</table></td></tr>
</table>

Components of compensation subject to a vote	Amounts paid in respect of the term of office in 2021	Amounts granted in respect of the term of office in 2021 *(pro rata temporis)*	Presentation
Annual variable compensation			(see below)

Review of the achievement of performance conditions by the Board of Directors

On February 22, 2022, the Board of Directors made a decision, on the recommendation of the Governance Committee, about the level of achievement of the performance conditions used to determine the amount of annual variable compensation the interim Chief Executive Officer would receive for fiscal year 2021:

Indicators	Weighting	Percentage of fulfillment	Weighted	Performance amount *(in €)*
Economic	60%	158%	95%	342,000
Social, societal and environmental	20%	200%	40%	144,000
Managerial	20%	200%	40%	144,000
Total	**100%**		**175%**	**630,000**

The detail of the percentages of fulfillment is as follow:

Indicators	Weighting	Percentage of fulfillment	Weighted
Like-for-like sales growth	*25%*	*200%*	*50%*
Recurring operating margin level	*25%*	*100%*	*25%*
Free cash flow generation	*10%*	*200%*	*20%*
Economic	**60%**	**–**	**95%**
Employee engagement	*10%*	*200%*	*20%*
Organizational leadership	*10%*	*200%*	*20%*
Social, societal and/or environmental	**20%**	**–**	**40%**
Management of the managerial transition	*20%*	*200%*	*40%*
Managerial	**20%**	**–**	**40%**

The Board of Directors determined the level of fulfillment based on the following achievements:

Economic component

- Like-for-like sales growth: achieved beyond target given a growth of +3.4%;
- Recurring operating margin: target achieved given a recurring operating margin of 13.7% in 2021, in line with Danone's objectives;
- Free cash flow: achieved beyond target with a free cash flow generation of €2.5 billion in 2021

Components of compensation subject to a vote	Amounts paid in respect of the term of office in 2021	Amounts granted in respect of the term of office in 2021 *(pro rata temporis)*	Presentation
Annual variable compensation			**Social, societal and/or environmental component** • In the context of an eventful period, the interim CEO has set up a close and regular communication with all teams and has maintained a permanent and quality dialogue at all levels of the organization in order to fully understand points of view, notably through frequent surveys, and to take them into account in the management of the company. In addition, she has continued to implement the Local First transformation project in an outstanding manner and within the pre-set deadlines, while maintaining employee motivation despite the difficult context created by this major transformation and by the governance crisis that Danone experienced at the beginning of the year. Finally, she has maintained a strong commitment in terms of environmental objectives. **Managerial component** • The Board of Directors considered that the level of achievement of the managerial part was at 200% of the target, Véronique PENCHIENATI-BOSETTA having ensured in an exceptional manner the transition of Danone's General Management in March 2021, taking on very quickly new responsibilities with a much broader scope than her former position, allowing to ensure the continuity of Danone's operations. In particular, she has actively participated in the communication to the financial markets, establishing a relationship of trust with investors by bringing a sharp communication on Danone's operational matters. In addition, she has maintained an exceptional level of commitment from the management team, bringing them together despite a particularly difficult internal and external context. She worked in excellent coordination with the Co-Chief Executive Officer (*Directeur Général Délégué*) and the Chairman of the Board. Finally, she has been very actively preparing for the arrival and induction of the new CEO, recruited from outside the company, and her commitment has greatly facilitated his assumption of office in September 2021. Accordingly, on the recommendation of the Governance Committee, the Board of Directors considered that the level of achievement for Véronique PENCHIENATI-BOSETTA's annual variable compensation for her term of office as interim Chief Executive Officer for the period from March 14 to September 14, 2021, was 175%. The amount to be paid as annual variable compensation is therefore €630,000. It should also be noted, for informational purposes, that her annual variable compensation under her employment contract in effect in 2021, except for the period from March 14 to September 14, was set at €630,000. As this component of compensation is not related to the term of office, it is not subject to the vote on the 13th resolution presented to the Shareholders' Meeting of April 26, 2022. It is further noted for informational purposes that €202,000 was paid to Véronique PENCHIENATI-BOSETTA in 2021 under her employment contract in effect in 2020. This amount corresponded to the balance of her 2020 annual variable compensation as Executive Vice President Specialized Nutrition (wording for information only not subject to a vote in the 13th resolution submitted to the Shareholders' Meeting on April 26, 2022).
Long-term variable compensation in cash (GPUs)	Not applicable	Grant of 15,000 GPUs for full-year 2021 Payment of this compensation in 2024 is subject to approval by the Shareholders' Meeting on April 26, 2022 (13th resolution)	Long-term variable compensation in cash corresponds to Group performance units whose maximum value is €30 and whose final value is determined by the level of achievement of the performance conditions applicable to these instruments (see section 6.4 *Detailed information on long-term compensation plans* hereinafter). In 2021, 15,000 GPUs with a maximum unit value of €30 were granted to Véronique PENCHIENATI-BOSETTA for full-year 2021, thereby covering both her term of office from March 14 to September 14, 2021, and her employment contract in effect for the rest of the year. It should also be noted that 7,350 GPUs granted to Véronique PENCHIENATI-BOSETTA in 2018 when she was Executive Vice President Growth & Innovation were delivered to her in 2021. The unit value of these GPUs is €6 (based on a maximum unit value of €30), given the level of achievement of the performance conditions (wording for information only not subject to a vote in the 13th resolution submitted to the Shareholders' Meeting on April 26, 2022).

Components of compensation subject to a vote	Amounts paid in respect of the term of office in 2021	Amounts granted in respect of the term of office in 2021 *(pro rata temporis)*	Presentation
Long-term variable compensation in shares (GPS)	Not applicable	€738,211.68 corresponding to 16,537 GPS granted for full-year 2021	Long-term compensation in shares corresponds to Group performance shares (GPS), *i.e.*, shares in the Company subject to performance conditions assessed over three years and to a four-year continuous presence condition. For 2021, *i.e.*, covering both her term of office from March 14 to September 14 and her employment contract in effect for the rest of the year, 16,537 GPS, amounting to a book value of €738,211.68, were granted to Véronique PENCHIENATI-BOSETTA by the Board of Directors pursuant to the authorization granted by the Shareholders' Meeting of April 29, 2021, under the 24th resolution. This number of GPS could be increased to 17,364 GPS if the continuous presence condition is fulfilled, the performance condition related to the total shareholder return of the DANONE share is fully achieved, the environmental condition is fully achieved and the sales performance condition is exceeded (for more details on the grants and performance conditions, see section 6.4 *Detailed information on long-term compensation plans* hereinafter). This grant represents 0.003% of Danone's share capital. It should also be noted that 2,275 GPS granted to Véronique PENCHIENATI-BOSETTA in 2017 when she was President Evian Volvic World were delivered to her in 2021. Their book value is €130,767 given the level of achievement of the performance conditions. The plan was approved by the Shareholders' Meeting on April 27, 2017, under the terms of the 23rd resolution (wording for information only not subject to a vote in the 13th resolution submitted to the Shareholders' Meeting on April 26, 2022).
Stock options	Not applicable	Not applicable	The last stock options grant took place in November 2009 and none is currently in progress.
Compensation for directorship	Not applicable	Not applicable	Véronique PENCHIENATI-BOSETTA is not a Director of Danone.
Extraordinary compensation	Not applicable	Not applicable	Not applicable
Benefits in kind	€28,403 for her term of office		The benefits in kind to which Véronique PENCHIENATI-BOSETTA was entitled for the duration of her term of office correspond to the group insurance plan and the car and driver pool. For information, she was also entitled under her employment contract to the same benefits in kind for the same amount.
Severance pay	No amount due for the last fiscal year		Véronique PENCHIENATI-BOSETTA was not entitled to any severance pay for her interim term of office.
Non-compete indemnity	No amount due for the last fiscal year		Danone did not enter into a specific non-compete clause with Véronique PENCHIENATI-BOSETTA for her interim term of office.
Supplementary pension plan	No amount due for the last fiscal year		Véronique PENCHIENATI-BOSETTA continued to benefit from the supplementary defined-contribution retirement plan ("Article 83") provided for in her suspended employment contract (see section *Other compensation and benefits to which the interim Chief Executive Officer is entitled* hereinafter).

Other compensation and benefits to which the interim Chief Executive Officer was entitled

As mentioned above, Véronique PENCHIENATI-BOSETTA's employment contract was suspended for the duration of her term of office. The Board of Directors decided that, during her term of office, Véronique PENCHIENATI-BOSETTA would continue to be entitled to the social security and pension benefits presented below.

Benefits: group insurance and healthcare coverage

Under her employment contract, Véronique PENCHIENATI-BOSETTA was entitled to the same group insurance and healthcare benefits offered to all Danone SA managers, as well as to the same life and disability insurance applicable to all Danone employees.

Supplementary pension plan

Under her suspended employment contract, Véronique PENCHIENATI-BOSETTA was entitled to:

- a defined-benefit retirement plan introduced for certain Danone management executives and subject to the provisions of Article L.137-11 of the French Social Security Code ("Article 39");
- a defined-contribution 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.

She continued to be entitled to the defined-contribution retirement plan for the duration of her interim term of office. The contributions paid by Danone for 2021 amounted to €18,264.

Véronique PENCHIENATI-BOSETTA did not acquire any additional rights under the defined-benefit retirement plan for the duration of her term of office.

Severance pay

Véronique PENCHIENATI-BOSETTA was not entitled to any severance pay for her interim term of office. She is eligible for severance pay under her employment contract. This component of compensation tied to the employment contract and not related to the term of office is not subject to a shareholder vote at the Shareholders' Meeting of April 26, 2022.

Non-compete indemnity

Danone SA did not enter into a specific non-compete clause with Véronique PENCHIENATI-BOSETTA for her interim term of office. She is bound by a non-compete obligation under her employment contract. This component of compensation tied to the employment contract and not related to the term of office is not subject to a shareholder vote at the Shareholders' Meeting of April 26, 2022.

Compensation of Shane GRANT, interim Co-Chief Executive Officer in 2021

Given the exceptional circumstances and the temporary nature of his appointment as interim Co-Chief Executive Officer (*Directeur Général Délégué*), the Board of Directors decided, on March 22, 2021, to maintain Shane GRANT's employment contract for his position as Chief Executive Officer Danone North America.

Shane GRANT did not receive and was not granted any compensation for his interim term of office, with the exception of additional fixed compensation for the increased responsibilities associated with this temporary appointment, as detailed below. Accordingly, the components of compensation paid or granted to Shane GRANT for the duration of his interim term of office are those specified in his employment contract with Danone North America. The components of Shane GRANT's compensation tied to the employment contract and not related to the term of office are not subject to a shareholder vote at the Shareholders' Meeting of April 26, 2022.

Compensation and benefits paid or granted to Shane GRANT during his term of office as interim interim Co-Chief Executive Officer, from March 14 to September 14, 2021

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 26, 2022: fixed, variable and extraordinary compensation making up the total compensation and the benefits in kind paid or granted in 2021 to the interim Co-Chief Executive Officer in respect of his term of office.

Components of compensation subject to a vote	Amounts paid in respect of the term of office in 2021	Amounts granted in respect of the term of office in 2021 *(pro rata temporis)*	Presentation
Fixed compensation	Not applicable	Not applicable	The amount of Shane GRANT's annual fixed compensation for 2021 under his employment contract as Chief Executive Officer Danone North America was maintained and left unchanged for the duration of his term of office. It amounted to USD 833,350, *i.e.*, USD 416,675 for the period coinciding with his term of office. This amount is in line with the compensation policy for interim executive corporate officers defined by the Board of Directors at its meeting on March 22, 2021. This component of compensation tied to the employment contract and not related to the term of office is not subject to a vote in the 14th resolution submitted to the Shareholders' Meeting of April 26, 2022.
Additional fixed compensation	USD 360,000	USD 360,000	At its meeting of March 22, 2021, the Board of Directors decided to grant Shane GRANT, for his term of office as interim Co-Chief Executive Officer (*Directeur Général Délégué*), additional compensation in the fixed amount of USD 360,000, with 1/10th of this amount to be paid monthly and the balance to be paid at the end of the interim period. This amount was decided on to acknowledge the fact that he took on the role of interim Co-Chief Executive Officer under highly exceptional and unforeseen circumstances and to compensate him appropriately for the sudden increase in his scope of responsibility in the context of this temporary appointment and for his operational management of the Group in the very particular context of this management transition.

Components of compensation subject to a vote	Amounts paid in respect of the term of office in 2021	Amounts granted in respect of the term of office in 2021 *(pro rata temporis)*	Presentation
Annual variable compensation	Not applicable	Not applicable	The structure, target amount and cap for the annual variable compensation for Shane GRANT are those specified in his employment contract, which was maintained and left unchanged during his term of office. As a reminder, the target amount for this compensation is USD 666,680 with a cap of USD 1,333,360 (with no guaranteed minimum or floor). It should be noted that the variable annual compensation awarded to Shane GRANT for fiscal year 2021 was awarded under his employment contract maintained during his office as Co-Chief Executive Officer (*Directeur Général Délégué*) and not under his term of office. For transparency purposes, the Company published hereafter the level of achievement of the performance conditions of his 2021 annual variable compensation. Thus, the level of achievement of the annual variable compensation of Shane GRANT under his employment contract maintained during the period of his term of office in 2021 (*i.e.*, from March 14 to September 14) has been set at 162%. Indeed, for the economic objective, whose performance criteria were based on Danone's financial results, the level of achievement is identical to that of Véronique PENCHIENATI-BOSETTA, namely 158%. For the social, societal and/or environmental objective and the managerial objective, the level of achievement is 200% and 135% respectively. While co-leading with Véronique PENCHIENATI-BOSETTA, Shane GRANT successfully led a campaign to reorganize Danone's North American region ("Transform To Win") ahead of schedule. This reorganization will allow for a better allocation of resources generating savings and efficiencies for the region. He also conducted a number of employee engagement campaigns that have resulted in 87% of employees in the region recognizing the quality of their management, in the context of a particularly complicated restructuring. He also strengthened his management team with the recruitment of several new leaders. In addition, Shane GRANT has put in place measures to ensure business continuity and employee protection in the context of the Covid-19 pandemic that has particularly impacted the region. Consequently, the amount to be paid in respect of this compensation is USD 538,677.5. It should also be noted, for informational purposes, that his annual variable compensation under his employment contract, excluding the period of his term office (from March 14 to September 14), was set at USD 538,677.5. Shane GRANT's annual variable compensation for 2021 is not related to the term of office and therefore not subject to the vote on the 14th resolution submitted to the Shareholders' Meeting of April 26, 2022. It is further noted for informational purposes that USD 599,467 was paid to Shane GRANT in 2021 under the employment contract in effect in 2020 as Chief Executive Officer Danone North America (wording for information only not subject to a vote in the 14th resolution submitted to the Shareholders' Meeting on April 26, 2022).
Long-term variable compensation in cash (GPUs)	Not applicable	Not applicable	For information, Shane GRANT was entitled under his employment contract, which was maintained and left unchanged during his term of office, to long-term variable compensation in cash subject to performance conditions assessed over three years. This compensation was granted to key managers based in North America under the North America program that replaced the Group performance units program in the United States. This program comprises, on the one hand, a reward for service, in part linked to the trend in the Danone share price ("service units"), and on the other hand, a reward for Danone's performance in North America ("performance units"). The maximum unit value of each unit is USD 60, and the final value is determined by the level of achievement of the performance conditions applicable to these instruments. In 2021, 17,500 units were granted to Shane GRANT under his employment contract for full-year 2021 (wording for information only not subject to a vote in the 14th resolution submitted to the Shareholders' Meeting on April 26, 2022).

Components of compensation subject to a vote	Amounts paid in respect of the term of office in 2021	Amounts granted in respect of the term of office in 2021 *(pro rata temporis)*	Presentation
Long-term compensation in shares (GPS)	Not applicable	Not applicable	Long-term compensation in shares corresponds to Group performance shares (GPS), *i.e.*, shares of the Company subject to performance conditions assessed over three years and to a four-year continuous presence condition. For 2021, 12,794 GPS, amounting to a book value of €571,124.16, were granted by the Board of Directors to Shane GRANT under his employment contract pursuant to the authorization granted by the Shareholders' Meeting of April 29, 2021, under the 24th resolution. This number of GPS could be increased to 13,434 GPS if the continuous presence condition is fulfilled, the performance condition related to the total shareholder return of the DANONE share is fully achieved, the environmental condition is fully achieved and the sales performance condition is outperformed (for more details on the grants and performance conditions, see section 6.4 *Detailed information on long-term compensation plans* hereinafter). Wording for information only not subject to a vote in the 14th resolution submitted to the Shareholders' Meeting on April 26, 2022. This grant represents 0.002% of Danone's share capital.
Stock options	Not applicable	Not applicable	The last stock options grant took place in November 2009 and none is currently in progress.
Compensation for directorship	Not applicable	Not applicable	Shane GRANT is not a Director of Danone.
Extraordinary compensation	Not applicable	Not applicable	Under the employment contract entered into in 2020, a fixed amount (USD 800,000 paid in 2021) was agreed to in order to compensate Shane GRANT for the pay he lost for his previous role after he accepted an employee position at Danone. This amount, which was agreed to in the employment contract entered into before his appointment as corporate officer, is not subject to approval by the Shareholders' Meeting of April 26, 2022.
Benefits in kind	Not applicable	Not applicable	The benefits in kind to which Shane GRANT was entitled for the duration of his term of office are those specified in his employment contract, *i.e.*, the group insurance plan, the car and driver pool, a compensation for housing and for his children's schooling in the United Sates as well as a travel allowance. Wording for information only not subject to a vote in the 14th resolution submitted to the Shareholders' Meeting on April 26, 2022.
Severance pay	No amount due for the last fiscal year		Shane GRANT was not entitled to any severance pay for his interim term of office.
Non-compete indemnity	No amount due for the last fiscal year		Danone did not enter into a specific non-compete clause with Shane GRANT for his interim term of office.
Supplementary pension plan	No amount due for the last fiscal year		Shane GRANT was entitled under his employment contract only to the supplementary defined-contribution retirement plan (see section *Other compensation and benefits to which the interim Co-Chief Executive Officer is entitled* hereinafter).

Other compensation and benefits to which the interim Co-Chief Executive Officer was entitled

The Board of Directors decided to maintain Shane GRANT's employment contract when it appointed him as interim Co-Chief Executive Officer (*Directeur Général Délégué*), given the exceptional circumstances, the scope of his employment contract defined as the North America region, and the temporary nature of his appointment. Shane GRANT was therefore entitled, under his maintained employment contract, to the benefits presented below in line with the compensation practices applicable to members of Danone's Executive Committee based internationally. It should be noted, however, that holding the office of interim Co-Chief Executive Officer did not give rise to any additional rights with respect to these items:

- a supplementary group retirement plan implemented for senior executives in the United States consisting of a voluntary defined-contribution retirement plan and a mandatory defined-contribution retirement plan (401(k) plan);
- severance pay, not triggered in 2021;
- a non-compete indemnity, not triggered in 2021;
- other benefits granted to international managers (housing, school fees, travel allowance, etc.).

These components of compensation tied to the employment contract and not related to the term of office are not subject to a vote at the Shareholders' Meeting of April 26, 2022.

Compensation of Antoine de SAINT-AFFRIQUE, Chief Executive Officer effective September 15, 2021

At its meeting of May 17, 2021, the Board of Directors decided, on the recommendation of the Governance Committee, to appoint Antoine de SAINT-AFFRIQUE as Chief Executive Officer of Danone effective September 15, 2021. At this meeting, the Board of Directors set the components of compensation for the new Chief Executive Officer effective September 15, 2021, in line with the compensation policy for corporate officers for 2021 approved by the Shareholders' Meeting on April 29, 2021. The components of his compensation have been published on Danone's website: www.danone.com (section Investors / Governance / Corporate Officers Remunerations / 2021 / Compensation of Danone's new Chief Executive Officer).

To ensure their competitiveness, when determining these components of compensation the Board of Directors took into consideration Antoine de SAINT-AFFRIQUE's background, international experience and past performance, as well as his previous compensation level and the compensation practices of comparable companies.

As Antoine de SAINT-AFFRIQUE was recruited from outside the Danone group while he was still Chief Executive Officer of the Swiss listed group Barry Callebaut, the Board of Directors took his previous compensation level into account when determining his compensation, aided by an external financial expert. It should be noted that Antoine de SAINT-AFFRIQUE's total annual target compensation (fixed compensation, annual variable compensation, performance shares and benefits in kind) is virtually identical to his compensation at Barry Callebaut, calculated on the basis of the average compensation due for fiscal years 2018-2019 and 2019-2020.

The compensation practices of comparable companies, based on studies carried out in 2021 by specialized independent consultants, were taken into consideration. Accordingly, the Board reviewed the compensation practices of the historical panel of Danone's peers (consisting of eight leading international groups in the food and beverage sector), of a European panel of companies in the consumer goods sector, and of CAC 40 companies. The historical panel of Danone's peers, consisting of six US companies (out of eight international groups) was eliminated, given the significant differences in compensation practices in the US and European markets. The European panel, consisting of European multinationals in the fast-moving consumer goods (FMCG) sector comparable to Danone in terms of sales and international reach, appeared to be the most relevant, given Danone's geographic footprint and the Board of Directors' commitment to setting a competitive salary in its search for international executive candidates. This European panel consists of the following companies: Adidas, Associated British Foods, Diageo, EssilorLuxottica, Heineken, L'Oréal, Nestlé, Pernod Ricard and Unilever. Within this European panel, the median fixed salary was €1.4 million and total annual target compensation was €5.7 million. Antoine de SAINT-AFFRIQUE's total annual target compensation (fixed compensation, annual variable compensation, performance shares and benefits in kind) is identical to the median total annual target compensation of this European panel.

In accordance with the recommendations of the AFEP-MEDEF Code, Antoine de SAINT-AFFRIQUE does not have an employment contract with Danone.

Compensation and benefits paid or granted to Antoine de SAINT-AFFRIQUE as Chief Executive Officer effective September 15, 2021

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 26, 2022: fixed, variable and extraordinary compensation making up the total compensation and the benefits in kind paid or granted in 2021. Payment of the components of the Chief Executive Officer's variable compensation for fiscal year 2021, as well as, in accordance with the compensation policy for executive corporate officers for 2021, the grant of extraordinary compensation in the form of performance shares, is subject to approval by the Shareholders' Meeting of April 26, 2022.

Components of compensation subject to a vote	Amounts paid during fiscal year 2021	Amounts granted in respect of 2021 fiscal year *(pro rata temporis)*	Presentation
Fixed compensation	€408,333 (from 9/15 to 12/31/2021)	€408,333 (from 9/15 to 12/31/2021)	Antoine de SAINT-AFFRIQUE's annual fixed compensation for 2021 was €1,400,000, *i.e.*, €408,333 on a *pro rata temporis* basis. This amount was determined on the basis of Antoine de SAINT-AFFRIQUE's international experience and expertise, as well as his previous compensation level and the practices observed at comparable companies, as explained above.
Annual variable compensation	Not applicable	€408,333 For the period from 9/15 to 12/31/2021 Payment of this compensation is subject to approval by the Shareholders' Meeting on April 26, 2022 (15th resolution)	The structure, target amount and cap for the annual variable compensation for the Chief Executive Officer were determined in accordance with the compensation policy for executive corporate officers for 2021. Given the difficulty of determining the amount of his variable compensation as he did not take office until the late date of September 15, 2021, the amount of Antoine de SAINT-AFFRIQUE's annual variable compensation for fiscal year 2021 was determined on a *pro rata temporis* basis and was set at the target value, *i.e.*, a gross amount of €408,333. This level of annual variable compensation reflects the achievements and developments observed during the first months of Antoine de SAINT-AFFRIQUE's tenure. The Board of Directors noted the reorganization of the Executive Committee, which has been enriched by the recruitment of several high-level international profiles. The Board also noted the completeness and relevance of the strategic diagnosis carried out by the new Chief Executive Officer with the Executive Committee, thanks to the methodical review of all activities and his numerous visits to the field with the teams, enabling him to draw up a new strategic plan, the orientations of which will be communicated to the market at the investor seminar on March 8, 2022. Finally, the Board noted the new constructive dialogue initiated by Antoine de SAINT-AFFRIQUE with the Company's shareholders as well as the active communication to all Danone employees in order to maintain a high level of commitment from the teams.
Long-term variable compensation in cash (GPUs)	Not applicable	Not applicable	No long-term variable compensation in cash has been granted to Antoine de SAINT-AFFRIQUE in 2021.
Long-term compensation in shares (GPS)	Not applicable	€816,667 corresponding to 18,643 GPS granted on October 13, 2021	Long-term compensation in shares corresponds to Group performance shares (GPS), *i.e.*, shares in the Company subject to performance conditions assessed over three years and to a four-year continuous presence condition. The Board of Directors granted Antoine de SAINT-AFFRIQUE 18,643 GPS for 2021, with a book value of €816,667 and prorated for his time in office in 2021, pursuant to the authorization granted by the Shareholders' Meeting of April 29, 2021, under the 24th resolution. This number of GPS could be increased to 19,575 GPS if the continuous presence condition is fulfilled, the performance condition related to the total shareholder return of the DANONE share is fully achieved, the environmental condition is fully achieved and the sales performance condition is outperformed (for more details on the grants and performance conditions, see section 6.4 *Detailed information on long-term compensation plans* hereinafter). This grant represents 0.003% of Danone's share capital.

Components of compensation subject to a vote	Amounts paid during fiscal year 2021	Amounts granted in respect of 2021 fiscal year *(pro rata temporis)*	Presentation
Stock options	Not applicable	Not applicable	The last stock options grant took place in November 2009 and none is currently in progress.
Compensation for directorship	Not applicable	Not applicable	Antoine de SAINT-AFFRIQUE was not a Director of Danone in 2021. It should also be noted that executive corporate officers who are Danone Directors cannot receive compensation for their directorship.
Extraordinary compensation	Not applicable	€1,300,000 corresponding to 29,677 GPS granted in October 2021 In accordance with the compensation policy for executive corporate officers for 2021, grant of this compensation is subject to approval by the Shareholders' Meeting on April 26, 2022 (15th resolution)	When he accepted the role of Chief Executive Officer of Danone, Antoine de SAINT-AFFRIQUE forfeited any long-term variable compensation due for his previous role as Chief Executive Officer of Barry Callebaut, valued at a total amount of €1.3 million. This long-term variable compensation consisted of Barry Callebaut shares subject to performance and continuous presence conditions, deliverable in September 2022 (for a target of 1,145 shares and a maximum of 2,013 shares) and in September 2023 (for a target of 298 shares and a maximum of 894 shares). The assessment of this long-term variable compensation was carried out by an independent financial adviser, based on a delivery of the target number of performance shares (and not the maximum), after pro-rating the duration of Antoine de SAINT-AFFRIQUE's term of office as Chief Executive Officer of Barry Callebaut, and the price of the Barry Callebaut share. As such, the Board of Directors decided, in accordance with the compensation policy for executive corporate officers for 2021, to grant Antoine de SAINT-AFFRIQUE extraordinary compensation solely in the form of long-term compensation in shares, subject to performance and continuous presence conditions, in order to compensate him for an equivalent amount the long-term compensation he lost after accepting this new position at Danone. The Board of Directors therefore granted Antoine de SAINT-AFFRIQUE 29,677 GPS, with a book value of €1,300,000, as extraordinary compensation pursuant to the authorization granted by the Shareholders' Meeting of April 29, 2021, under the 24th resolution. This number of GPS could be increased to 31,161 GPS if the continuous presence condition is fulfilled, the performance condition related to the total shareholder return of the DANONE share is fully achieved, the environmental condition is fully achieved and the sales performance condition is outperformed (for more details on the grants and performance conditions, see section 6.4 *Detailed information on long-term compensation plans* hereinafter). This grant represents 0.005% of Danone's share capital.
Benefits in kind	€8,543 for his term of office		The benefits in kind to which Antoine de SAINT-AFFRIQUE is entitled correspond to the group insurance plan and the car and driver pool.
Severance pay	No amount due for the last fiscal year		Severance pay is paid if Antoine de SAINT-AFFRIQUE's term of office as Chief Executive Officer is terminated. This measure was not implemented in fiscal year 2021. The implementation and payment conditions are detailed in section *Other compensation and benefits to which the Chief Executive Officer is entitled* hereinafter.
Non-compete indemnity	No amount due for the last fiscal year		A non-compete obligation, along with a non-compete indemnity, exists if Antoine de SAINT-AFFRIQUE's term of office as Chief Executive Officer is terminated. This non-compete clause was not implemented in fiscal year 2021. The implementation and payment conditions are detailed in section *Other compensation and benefits to which the Chief Executive Officer is entitled* hereinafter.
Supplementary pension plan	No amount due for the last fiscal year		The Chief Executive Officer is entitled to the supplementary defined-contribution retirement plan ("Article 83"). For more details, see section *Other compensation and benefits to which the Chief Executive Officer is entitled* hereinafter.

6

Other compensation and benefits to which the Chief Executive Officer is entitled

Benefits: group insurance and healthcare coverage

Antoine de SAINT-AFFRIQUE is entitled to the same group insurance and healthcare benefits offered to all Danone SA managers, as well as to the same life and disability insurance applicable to all Danone employees.

Supplementary pension plan

Antoine de SAINT-AFFRIQUE is entitled only to a defined-contribution 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. This plan was established pursuant to Article L.242-1, paragraphs 6 and 7 of the French Social Security Code.

Pension entitlements under this plan are funded through quarterly contributions paid exclusively by Danone to an insurance company at a rate of 6% of brackets B and C of the compensation paid to plan beneficiaries. They 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. The contributions paid by Danone for 2021 amounted to €5,377.84.

Severance pay

On the recommendation of the Governance Committee, the Board of Directors decided at its meeting on May 17, 2021 to grant Antoine de SAINT-AFFRIQUE a severance payment (the "Severance Payment") capped at 200% of the gross annual compensation (annual fixed and annual variable compensation actually paid) he received during the last 12 months before the termination of his position as Chief Executive Officer (the "Maximum Amount") in the event of forced departure, regardless of the form that termination of office took (a "Forced Departure"). The amount of the Severance Payment will be subject to the achievement of the performance conditions detailed below.

It is specified that a revocation of the Chief Executive Officer from his position due to gross negligence or willful misconduct on the part of the latter will not constitute a Forced Departure.

No Severance Payment will be due in the event of a voluntary departure (therefore excluding a Forced Departure) or a change of position within Danone at the initiative of the Chief Executive Officer, or if Antoine de SAINT-AFFRIQUE has the possibility of claiming his retirement pension entitlement shortly after a Forced Departure. Furthermore, no Severance Payment will be due if his position is terminated because he has reached the age limit provided for in the Company's by-laws.

The benefit of the Severance Payment will be subject to, and its amount will be adjusted in accordance with, the level of achievement of the economic performance indicators provided in respect of the Chief Executive Officer's annual variable compensation in the last three fiscal years preceding the date of termination of his office, calculated on the basis of their arithmetical average:

- achievement of less than 75% of the economic performance indicators: no payment will be made;
- achievement of 75% of the economic performance indicators: the Chief Executive Officer will receive 75% of the Maximum Amount;
- achievement of between 75% and 100% of the economic performance indicators: the Chief Executive Officer will receive between 75% and 100% of the Maximum Amount, calculated on a linear basis depending on the rate of achievement;
- achievement of 100% or more of the economic performance indicators: the Chief Executive Officer will receive 100% of the Maximum Amount.

It is specified that in the event of Forced Departure during the first year of the term of office, namely between September 15, 2021 and September 14, 2022, the amount of the Severance Payment will be calculated *pro rata temporis* on the basis of a maximum amount equal to six months' total gross (annual fixed and variable target) compensation, subject to performance conditions linked to Danone's economic results and to Antoine de SAINT-AFFRIQUE's managerial performance, which will be assessed by the Board of Directors according to the period in question.

In addition, in the event of Forced Departure during the second year of the term of office, namely between September 15, 2022 and September 14, 2023, the amount of the Severance Payment will be calculated *pro rata temporis* on the basis of 12 months' total gross compensation (annual fixed and variable compensation actually paid) for fiscal year 2022, subject to a performance condition relating to the level of achievement of the economic performance indicators provided for the Chief Executive Officer's annual variable compensation for fiscal year 2022, in accordance with the principles defined below, namely:

- achievement of less than 75% of the economic performance indicators: no payment will be made;
- achievement of 75% of the economic performance indicators: the Chief Executive Officer will receive 75% of the Maximum Amount;
- achievement of between 75% and 100% of the economic performance indicators: the Chief Executive Officer will receive between 75% and 100% of the Maximum Amount, calculated on a linear basis depending on the rate of achievement;
- achievement of 100% or more of the economic performance indicators: the Chief Executive Officer will receive 100% of the Maximum Amount; subject, in this event, to the Maximum Amount being equal to 100% of the annual gross compensation (fixed and variable compensation actually paid) for fiscal year 2022.

The Severance Payment will also be subject to the Board of Directors determining in advance, on the basis of the Governance Committee's opinion, that the performance conditions have been achieved; such achievement will be assessed at the time of termination of the Chief Executive Officer's office and duly proved and communicated to the shareholders. The amount of the Severance Payment will be paid within 30 days of the date on which the Board of Directors determined that the performance conditions on which the payment was conditional have been achieved.

Furthermore, the cumulative amount of the (i) Severance Payment and (ii) Non-Compete Indemnity shall not exceed twice the amount of the gross annual compensation (annual fixed and variable compensation actually paid) received by Antoine de SAINT-AFFRIQUE during the last 12 months before the termination of his position, in compliance with the AFEP-MEDEF Code's recommendations.

Assuming that the amount of the Severance Payment and the amount of the Non-Compete Indemnity exceed this ceiling of twice the gross annual compensation and in order to ensure strict compliance with this ceiling, the amount paid to Antoine de SAINT-AFFRIQUE will first be for the Non-Compete Indemnity, and the remainder will be paid for the Severance Payment after it is reduced to comply with the ceiling of twice the amount of the gross annual compensation.

Non-compete indemnity

Antoine de SAINT-AFFRIQUE is bound by a non-compete obligation for a period of 18 months from the termination of his position as Chief Executive Officer. The purpose of this non-compete obligation is to protect Danone given that Antoine de SAINT-AFFRIQUE's position gives him access to sensitive information about the company. The terms of this non-compete obligation (the "Non-Competition Obligation"), in line with the compensation practices for members of Danone's Executive Committee, are as follows:

Scope of the non-compete obligation

This non-compete obligation concerns:

- in terms of positions: directly or indirectly (i) any salaried positions, as an executive or non-executive director or corporate officer, and in particular any participation in a governance body (Board of Directors or Supervisory Board), in any form; and (ii) any provision of services or consultancy role for the benefit of the companies in the business sector described hereafter, in any form, and in particular as an adviser to the Chairman;
- in terms of business sector: any company (and any other entity belonging to the group of the said companies or taking over their rights) operating in the food and beverage sector and manufacturing, distributing or selling products competing with those of Danone on the date his position is terminated. In addition, Antoine de SAINT-AFFRIQUE will also commit not to form his own company operating in this business sector.

Geographic scope of the non-compete obligation

The non-compete obligation applies in the following regions:

- Europe: European Union countries, Switzerland, Norway, United Kingdom, Russia;
- Asia-Pacific: China, Singapore, Hong Kong, Japan, Australia, New Zealand, Indonesia;
- North America: Canada, United States of America, Mexico;
- Middle East: Cyprus, Lebanon, Syria, Iraq, Iran, Israel, Jordan, Saudi Arabia, Kuwait, Qatar, Bahrain, United Arab Emirates, Oman, Yemen.

Duration of the non-compete obligation

The duration of the non-compete obligation applicable to Antoine de SAINT-AFFRIQUE is 18 months from the termination of his position as Chief Executive Officer.

Amount of the non-compete indemnity

If the non-compete obligation is triggered, Antoine de SAINT-AFFRIQUE will receive, as compensation, a non-compete payment in an amount equal to 50% of one-twelfth of his annual gross (annual fixed and variable target) compensation, payable each month for 18 months on the usual date of payment of salaries by the Company (the "Non-Compete Indemnity").

In accordance with the recommendations of the AFEP-MEDEF Code:

- this non-compete indemnity will not be paid if the Chief Executive Officer claims his retirement pension entitlement and no indemnity will be paid beyond the age of 65;
- the Board of Directors can freely waive the application of this non-compete obligation at the time of the Chief Executive Officer's departure.

Compensation of Gilles SCHNEPP, Chairman of the Board of Directors effective March 14, 2021

Gilles SCHNEPP was appointed non-executive and independent Chairman of the Board of Directors on March 14, 2021. The components of compensation of the Chairman of the Board were determined by the Board of Directors at its meeting on March 22, 2021 and published on Danone's website: www.danone.com (section Investors / Governance / Corporate Officers Remuneration / 2021 / Compensations for the Chairman, the interim CEO and the interim co-CEO in 2021).

In accordance with the compensation policy for the Chairman of the Board of Directors, only annual fixed compensation, calculated on a *pro rata temporis* basis between March 14 and December 31, 2021 (*i.e.*, €514,583), and compensation for his directorship from January 1 to March 14, 2021, were granted and paid to Gilles SCHNEPP for fiscal year 2021.

Compensation and benefits paid or granted to Gilles SCHNEPP as Chairman of the Board of Directors effective March 14, 2021
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 26, 2022: fixed, variable and extraordinary compensation making up the total compensation and the benefits in kind paid or granted in 2021 to the Chairman of the Board of Directors.

Components of compensation subject to a vote	Amounts paid during 2021	Amounts granted in respect of 2021 fiscal year *(pro rata temporis)*	Presentation
Fixed compensation	€514,583	€514,583	Gilles SCHNEPP's annual fixed compensation for 2021 was €650,000, *i.e.*, €514,583 on a *pro rata temporis* basis between March 14 and December 31, 2021. This annual fixed compensation of €650,000 was determined in line with the Chairman's responsibilities, his experience, market practices, and the average compensation of non-executive chairmen of CAC 40 companies with comparable responsibilities.
Annual variable compensation	Not applicable	Not applicable	No variable compensation may be granted to the Chairman of the Board of Directors, in accordance with the compensation policy approved by the Shareholders' Meeting on April 29, 2021, in its 12th resolution.
Long-term compensation in cash (GPUs)	Not applicable	Not applicable	No long-term variable compensation in cash may be granted to the Chairman of the Board of Directors, in accordance with the compensation policy approved by the Shareholders' Meeting on April 29, 2021, in its 12th resolution.
Long-term compensation in shares (GPS)	Not applicable	Not applicable	No long-term variable compensation in shares may be granted to the Chairman of the Board of Directors, in accordance with the compensation policy approved by the Shareholders' Meeting on April 29, 2021, in its 12th resolution.
Stock options	Not applicable	Not applicable	The last stock options grant took place in November 2009 and none is currently in progress.
Compensation for directorship	€24,000	Not applicable	In accordance with the compensation policy for Directors approved by the Shareholders' Meeting on April 29, 2021, in the 14th resolution, Director's compensation was granted to Gilles SCHNEPP for the meetings of the Board that he attended as a Director from January 1, 2021, to March 14, 2021, before he was appointed Chairman of the Board. This compensation was paid in August 2021. As this component of compensation is not related to the term of office as Chairman of the Board of Directors, it is not subject to the vote on the 16th resolution presented to the Shareholders' Meeting of April 26, 2022. As of his appointment on March 14, 2021, as Chairman of the Board, he has not been granted any compensation for his directorship.
Extraordinary compensation	Not applicable	Not applicable	No extraordinary compensation was granted to the Chairman of the Board of Directors.
Benefits in kind	Not applicable	Not applicable	The Chairman of the Board of Directors is entitled only to access to Danone's offices and to the assistance of a part-time secretary.
Severance pay	Not applicable	Not applicable	No severance pay is offered under the compensation policy for the Chairman of the Board of Directors.
Non-compete indemnity	Not applicable	Not applicable	No non-compete indemnity is offered under the compensation policy for the Chairman of the Board of Directors.
Supplementary pension plan	Not applicable	Not applicable	No supplementary pension plan is offered under the compensation policy for the Chairman of the Board of Directors.

Summary of the compensation of corporate officers

Summary of compensation of the executive corporate officers (Tables 1 and 2 of Appendix 4 of the AFEP-MEDEF Code)

It should be noted that, for Véronique PENCHIENATI-BOSETTA and Shane GRANT, only the compensation paid during their interim term of office (between March 14, 2021, and September 14, 2021) and the compensation granted in respect of their interim term of office are presented.

Year ended December 31

	2020		2021	
(in € unless otherwise indicated)	**Compensation paid**	**Compensation granted**	**Compensation paid**	**Compensation granted**
Emmanuel FABER – Chairman and Chief Executive Officer from January 1 to March 14, 2021				
Fixed compensation [a]	850,000	1,000,000	202,899	202,899
Annual variable compensation [a]	1,025,000	500,000	702,899	202,899
Extraordinary compensation	–	–	–	–
Long-term compensation in cash [b]	–	–	–	–
Long-term compensation in shares [c]	2,012,670	1,994,625	1,792,858.68	–
Director's compensation	–	–	–	–
Benefits in kind [d]	7,444	7,444	1,567.73	1,567.73
Total	**3,895,114**	**3,502,069**	**2,700,224.41**	**407,305.73**
Véronique PENCHIENATI-BOSETTA – interim Chief Executive Officer from March 14 to September 14, 2021				
Fixed compensation [a]	–	–	450,000	450,000
Additional fixed compensation	–	–	600,000	600,000
Annual variable compensation [a]	–	–	202,000	630,000
Extraordinary compensation	–	–	–	–
Long-term compensation in cash [b]	–	–	44,100	450,000
Long-term compensation in shares [c]	–	–	130,767	738,211.68
Director's compensation	–	–	–	–
Benefits in kind [d]	–	–	28,403	28,403
Total	**–**	**–**	**1,455,270**	**2,896,614.68**
Shane GRANT – interim Co-Chief Executive Officer from March 14, to September 14, 2021 [e]				
Fixed compensation [a]	–	–	USD 416,675	–
Additional fixed compensation [a]	–	–	USD 360,000	USD 360,000
Annual variable compensation [a]	–	–	USD 599,467	–
Extraordinary compensation	–	–	USD 800,000	–
Long-term compensation in cash [b]	–	–	–	–
Long-term compensation in shares [c]	–	–	–	–
Director's compensation	–	–	–	–
Benefits in kind [f]	–	–	USD 276,667	–
Total	**–**	**–**	**USD 2,452,809**	**USD 360,000**
Antoine de SAINT-AFFRIQUE – Chief Executive Officer from September 15 to December 31, 2021				
Fixed compensation [a]	–	–	408,333	408,333
Annual variable compensation [a]	–	–	–	408,333
Extraordinary compensation [g]	–	–	–	1,300,000
Long-term compensation in cash [b]	–	–	–	–
Long-term compensation in shares [c]	–	–	–	816,667
Director's compensation	–	–	–	–
Benefits in kind [d]	–	–	8,543	8,543
Total	**–**	**–**	**416,876**	**2,941,876**

(a) Gross amount.
(b) Value of GPUs paid and maximum value of GPUs granted for the year.
(c) Value of GPS delivered and maximum value of GPS granted for the year, estimated on 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).
(d) Correspond to the group insurance and the car and driver pool made available to all officers.
(e) With the exception of additional fixed compensation, the components of compensation paid and granted to Shane GRANT in 2021, as presented above, were paid and granted under his maintained employment contract and not for his interim term of office.
(f) Correspond to the group insurance plan, the car and driver pool, a compensation for housing and for his children's schooling in the United Sates as well as a travel allowance.
(g) Compensation solely in the form of shares subject to performance conditions (Group performance shares).

Summary of compensation of the non-executive corporate officers (Table 3 of Appendix 4 of the AFEP-MEDEF Code)

Year ended December 31

	2020		2021	
(in €)	**Compensation paid**	**Compensation granted**	**Compensation paid**	**Compensation granted**
Gilles SCHNEPP – Chairman of the Board of Directors as from March 14, 2021				
Fixed compensation [a]	–	–	514,583	514 583
Director's compensation [b]	–	–	24,000	24,000
Other compensation	–	–	–	–
Total	–	–	**538,583**	**538,583**

(a) Gross amount.
(b) Director's compensation was granted to Gilles SCHNEPP for the meetings of the Board that he attended as a Director from January 1, 2021, to March 14, 2021, before he was appointed Chairman of the Board. This compensation was paid in August 2021. As of his appointment on March 14, 2021, as Chairman of the Board, he has not been paid any compensation for his directorship.

Performance shares granted during the fiscal year to executive corporate officers (Table 6 of Appendix 4 of the AFEP-MEDEF Code)

	Plan date	Number of shares [a]	Valuation of the shares according to the method used for the consolidated financial statements [b]	Vesting date	Availability date	Performance conditions
Emmanuel FABER [c]	N/A	N/A	N/A	N/A	N/A	N/A
Véronique PENCHIENATI-BOSETTA	7/28/2021	16,537	€738,211.68	7/29/2025	7/29/2025	Yes
Shane GRANT [d]	7/28/2021	12,794	€571,124.16	7/29/2025	7/29/2025	Yes
Antoine de SAINT-AFFRIQUE [e]	10/13/2021	48,320	€2,116,667	10/14/2025	10/14/2025	Yes

(a) If the continuous presence condition is fulfilled, the TSR performance condition is met in full, the environmental condition is met in full and the sales performance condition is outperformed, Véronique PENCHIENATI-BOSETTA, Shane GRANT and Antoine de SAINT-AFFRIQUE could receive 17,364, 13,434 and 50,736 shares, respectively, in 2025
(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).
(c) No GPS were granted to Emmanuel FABER in 2021, as his term as executive corporate officer ended on March 14, 2021.
(d) GPS granted to Shane GRANT in 2021 under his maintained employment contract and not for his interim term of office.
(e) GPS granted to Antoine de SAINT-AFFRIQUE as long-term compensation in shares and extraordinary compensation in the form of performance shares.

Long-term compensation in cash (GPUs or units in the North America program) granted during the fiscal year to executive corporate officers and past grants (Table 10 of Appendix 4 of the AFEP-MEDEF Code)

Year ended December 31

	2020	2021
Emmanuel FABER	N/A [a]	N/A [a]
Véronique PENCHIENATI-BOSETTA	N/A [b]	15,000 [c]
Shane GRANT	N/A [b]	17,500 [d]
Antoine de SAINT-AFFRIQUE	N/A [b]	N/A [e]

(a) Emmanuel FABER has not been granted any GPUs since 2017.
(b) Not an executive corporate officer during the period in question.
(c) 15,000 GPUs with a maximum unit value of €30.
(d) 17,500 units (specific program for key managers based in North America), with a maximum unit value of USD 60, granted to Shane GRANT under his maintained employment contract and not for his interim term of office.
(e) Antoine de SAINT-AFFRIQUE was not granted any GPUs in 2021.

Assessment of performance conditions for GPS in 2017 that were delivered in 2021 and GPS granted in 2018 that will be delivered in 2022 (information required by the French Financial Market Authority's 2020 report on corporate governance and executive compensation of listed companies)

Relative weighting of each performance indicator [a]	Minimum	Target	Maximum	Level of achievement	Corresponding number of shares [b]	Assessment
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%	Emmanuel FABER: 14,775 Véronique PENCHIENATI-BOSETTA: 1,143 [d]	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 the 90% achievement of this performance condition.
Weighted by 50%, attainment of a free cash flow level of more than €6 billion over a three-year period (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%	Emmanuel FABER: 16,416 Véronique PENCHIENATI-BOSETTA: 1,270 [d]	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%**		
GPS 2018						
Weighted by 50%, growth in Danone's sales ("CA") over a three-year period (2018, 2019 and 2020) 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%	0%	Emmanuel FABER: 0 Véronique PENCHIENATI-BOSETTA [e]: 0	Sales growth was +1.3% over the reference period on average, with the median panel CA at +2.6%. The Board of Directors meeting of April 29, 2021 therefore noted, upon recommendation of the Governance Committee, that this performance condition was not achieved.
Weighted by 30%, attainment of a free cash flow level of more than €6 billion over a three-year period (2018, 2019 and 2020)	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%	Emmanuel FABER: 3,555 Véronique PENCHIENATI-BOSETTA [e]: 3,801	Based on the amount attained (*i.e.* €6.5 billion between 2018 and 2020), the Board of Directors meeting of February 18, 2021, upon recommendation of the Governance Committee, noted the full achievement of this performance condition.
Weighted by 20%, Danone's environmental performance over a three-year period (2018, 2019 and 2020)	"Leadership" level is not assigned to Danone or is assigned for only one year: 0%	"Leadership" level is assigned to Danone for two years: 50%	"Leadership" level is assigned to Danone for three years: 100%	100%	Emmanuel FABER: 2,370 Véronique PENCHIENATI-BOSETTA [e]: 2,534	As the "Leadership" level was assigned to Danone by CDP for the three years in question, the Board of Directors meeting of February 22, 2022, upon recommendation of the Governance Committee, noted the full achievement of this performance condition.
Overall rate of achievement of the GPS 2018 targets				**50 %**		

(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.
(d) Based on the 2,540 GPS granted to Véronique PENCHIENATI-BOSETTA under her employment contract as President Evian Volvic World.
(e) Based on the 12,670 GPS granted to Véronique PENCHIENATI-BOSETTA under her employment contract as Executive Vice President Growth & Innovation.

Summary of contracts, plans and indemnities applicable in 2021 to executive corporate officers (Table 11 of Appendix 4 of the AFEP-MEDEF Code)

	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	
Name	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Emmanuel FABER Chairman and Chief Executive Officer First appointment: 2002 End of term of office: March 14, 2021		x	x			x		x
Véronique PENCHENIATI-BOSETTA Interim Chief Executive Officer First appointment: March 14, 2021 End of term of office: September 14, 2021	x		x			x		x
Shane GRANT Interim Co-Chief Executive Officer First appointment: March 14, 2021 End of term of office: September 14, 2021	x		x			x		x
Antoine de SAINT-AFFRIQUE Chief Executive Officer First appointment: September 15, 2021 End of term of office: term of office in progress		x	x		x		x	

Evolution of compensation, equity ratios and the Company's performance over the last five years

In accordance with Article L. 22-10-9 of the French Commercial Code, the ratios used to measure differences between the compensation of corporate officers and that of the Company's employees are presented in the table below.

Methodology

The ratios have been established by applying the method proposed by the AFEP in its guidelines on compensation multiples. They have been calculated on a full-time equivalent basis and for the Danone SA scope, which has employed an average of 875 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.

The corporate officers in question are the Chief Executive Officer, the Chairman and Chief Executive Officer, and the Chairman of the Board of Directors, positions that have existed within the group over the last five years. In accordance with the AFEP's guidelines, the compensation presented is associated with the officers' position and not their person, so that a change in officer for the same position does not affect the presentation of the information. The table thus reflects the change in Danone's governance implemented in 2017 and over the course of 2021.

For 2017, the compensation of the Chairman of the Board of Directors and the Chief Executive Officer has been annualized; as such, it should be noted that, until November 30, 2017, Franck RIBOUD held the position of Chairman of the Board and Emmanuel FABER that of Chief Executive Officer. Emmanuel FABER subsequently served as Chairman and Chief Executive Officer from December 1, 2017, to March 14, 2021.

For 2021, the compensation of the Chairman and Chief Executive Officer (from January 1 to March 14) has been annualized, as was that of the Chief Executive Officer based on the compensation paid to Véronique PENCHIENATI-BOSETTA for her term of office from March 14 to September 14, 2021, and paid to Antoine de SAINT-AFFRIQUE for the period from September 15 to December 31, 2021.

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; and
- the GPUs 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 and, for fiscal years 2017 to 2021, in the corresponding Registration Documents, in section 6.3 *Compensation and benefits of governance bodies*. Benefits in kind are not included in the compensation of executive corporate officers given that their amounts are not material.

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.

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, Water and Forests programs, in line with the commitments made by Danone as part of its "One Planet. One Health" frame of action. CDP is an international non-profit 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. Out of the nearly 12,000 companies scored in 2021, Danone is one of the only 14 companies that achieved a place on the A List for the three environmental areas covered by CDP: climate change, forest preservation and water security.

6

Results

	2017	2018	2019	2020	2021
					Year ended December 31
Danone SA employees					
Annual average compensation	121,765	131,363	132,196	141,627	125,716
(Change/previous year)	*+3.2%*	*+7.9%*	*+0.6%*	*+7.1%*	*(11.2)%*
Annual median compensation	74,063	77,080	81,009	86,006	83,290
(Change/previous year)	*+2.6%*	*+4.1%*	*+5.1%*	*+6.2%*	*(3.2)%*
Chief Executive Officer [a]					
Annual compensation	4,681,007				4,692,156
(Change/previous year)	*+10.1%*	–	–	–	*N/A*
Ratio/average employee compensation	38				37
(Change/previous year)	*+5.6%*	–	–	–	*N/A*
Ratio/median employee compensation	63				56
(Change/previous year)	*+6.8%*	–	–	–	*N/A*
Chairman and Chief Executive Officer [b]					
Annual compensation		4,787,135	4,650,400	3,869,625	1,500,000
(Change/previous year)	–	*+2.3%*	*(2.9)%*	*(16.8)%*	*(61)%*
Ratio/average employee compensation		36	35	27	12
(Change/previous year)	–	*(5.3)%*	*(2.8)%*	*(22.9)%*	*(56)%*
Ratio/median employee compensation		62	57	45	18
(Change/previous year)	–	*(1.6)%*	*(8.1)%*	*(21.1)%*	*(60)%*
Chairman of the Board of Directors [c]					
Annual compensation	2,483,333				650,000
(Change/previous year)	*+24.2%*	–	–	–	*N/A*
Ratio/average employee compensation	20				5
(Change/previous year)	*+17.6%*	–	–	–	*N/A*
Ratio/median employee compensation	34				8
(Change/previous year)	*+21.4%*	–	–	–	*N/A*
Company performance					
Recurring EPS	3.49	3.56	3.85	3.34	3.31
(Change/previous year)	*+12.6%*	*+2.0%*	*+8.1%*	*(13.2)%*	*(1.1)%*
Rating awarded by CDP in the fiscal year in question	A –	A	A	A	A

(a) In 2017, Emmanuel FABER was Chief Executive Officer from January 1 to November 30. In 2021, the position of Chief Executive Officer was held by Véronique PENCHIENATI-BOSETTA, interim Chief Executive Officer from March 14 to September 14, 2021, and by Antoine de SAINT-AFFRIQUE, appointed Chief Executive Officer effective September 15, 2021.

(b) Emmanuel FABER was Chairman and Chief Executive Officer from December 1, 2017, to March 14, 2021. For 2021, in accordance with the methodology presented above, the fixed compensation paid to him in 2021 and the variable compensation paid to him in 2021 in respect of fiscal year 2020 were taken into account, it being recalled that no performance shares were granted to him in 2021 given his departure date.

(c) In 2017, Franck RIBOUD was Chairman of the Board of Directors from January 1 to November 30. In 2021, after the roles of Chairman of the Board of Directors and Chief Executive Officer were separated, Gilles SCHNEPP was appointed Chairman of the Board effective March 14, 2021.

Compensation differences by quintile

In addition to the ratios presented above, a significant additional insight into the distribution of compensation by quintile for more than 90% of Danone's employees in all professional categories in France is presented below.

	1st quintile (20%)	2nd quintile (40%)	Median (50%)	3rd quintile (60%)	4th quintile (80%)
					Year ended December 31
2021	35,738	41,591	44,355	47,882	65,159

Calculations are made on the basis of the compensation taken into account for the calculation of "Indicator 1" of the 2021 Gender Equality Index, by applying the quintile formula, *i.e.* the statistical distribution of the sample by 20% increments.

Directors' compensation

It should be noted that, with regard to the compensation for directorship, the amounts paid during a fiscal year correspond to the 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).

Annual compensation paid or granted and benefits in kind paid or granted in 2020 and 2021 to the Board members (Table 3 of Appendix 4 of the AFEP-MEDEF Code)

	2020				**2021**			
(in €)	**Compensation for directorship** [a]		**Other compensation**		**Compensation for directorship** [a]		**Other compensation**	
Name	**Amounts paid**	**Amounts granted**	**Amounts paid**	**Amounts granted**	**Amounts paid**	**Amounts granted**	**Amounts paid**	**Amounts granted**
Guido BARILLA	62,000	33,000	–	–	43,000	56,000	–	–
Cécile CABANIS [b]	–	–	1,752,699 [c]	1,650,699 [d]	9,000	23,000	2,629,759 [e]	2,629,759 [e]
Gregg L. ENGLES [f]	59,000	26,000	–	–	–	–	–	–
Emmanuel FABER [g]	–	–	3,895,114	3,502,069	11,000	11,000	2,700,224.41 [h]	407,365.73 [h]
Clara GAYMARD	71,000	42,000	–	–	75,000	98,000	–	–
Michel LANDEL	179,000	98,000	–	–	117,000	159,000	–	–
Gaëlle OLIVIER	67,000	38,000	–	–	43,000	89,000	–	–
Benoît POTIER [g]	111,000	58,000	–	–	73,000	73,000	–	–
Franck RIBOUD	40,000	26,000	1,452,524 [i]	–	46,000	60,000	1,455,428 [i]	–
Gilles SCHNEPP	–	–	–	–	24,000 [j]	24,000 [j]	514,583 [k]	514,583 [k]
Isabelle SEILLIER	49,000	28,000	–	–	46,000	66,000	–	–
Jean-Michel SEVERINO	88,000	50,000	–	–	157,000	238,000	–	–
Virginia A. STALLINGS [g]	87,000	42,000	–	–	40,000	40,000	–	–
Serpil TIMURAY	83,000	42,000	–	–	54,000	94,000	–	–
Lionel ZINSOU-DERLIN	95,000	54,000	–	–	87,000	109,000	–	–
Total	**991,000**	**537,000**	**7,100,337**	**5,152,768**	**825,000**	**1,140,000**	**7,299,994.41**	**3,551,707.73**

(a) Gross amount due in the fiscal year before the withholding tax.
(b) Cécile CABANIS held the position of Executive Vice-President, Chief Financial Officer, Technology & Data, Cycles & Procurement at Danone until February 19, 2021, and her employment contract with Danone SA ended on May 31, 2021.
(c) The annual compensation noted above includes fixed and variable annual compensation, benefits in kind, profit-sharing and the payment of the 2017 GPUs.
(d) 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 GPUs), 7,350 GPUs and 13,830 GPS (which may be up to 14,522 GPS) were granted to her in 2020.
(e) Amount granted and paid to Cécile CABANIS in 2021 in respect of her annual fixed compensation, annual variable compensation for the years 2020 and 2021, payment of the 2018 GPUs, compensation for paid leave and non-compete payment.
(f) Gregg L. ENGLES's term of office as Director ended on December 10, 2020.
(g) Term of office as Director ended on April 29, 2021.
(h) Compensation for his role as Chairman and Chief Executive Officer ended on March 14, 2021.
(i) These amounts correspond to the annual pension amount due in 2020 and 2021, whose payments are made at the end of the term.
(j) Compensation for his directorship between January 1 and March 14, 2021.
(k) Compensation for his term as Chairman of the Board of Directors effective March 14, 2021, calculated on a *pro rata temporis* basis.

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. A new authorization will be submitted to the Shareholders' Meeting for approval on April 26, 2022.

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 total 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	4/26/2018	4/25/2019	6/26/2020	4/29/2021
Maximum number of GPS that may be granted [a]	0.2%	0.2%	0.2%	0.2%
Total number of GPS granted during the fiscal year in question [b]	*0.09%*	*0.08%*	*0.1%*	*0.1%*
Of which the maximum number of GPS that may be granted to the corporate officers [a]	0.03%	0.03%	0.03%	0.03%
Of which total number of GPS granted during the fiscal year in question [b]	*0.005%*	*0.004%*	*0.005%*	*0.01% [c]*

(a) 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.

(b) As a percentage of the share capital subsequent to the Shareholders' Meeting that authorized the plan.

(c) Includes the GPS granted in 2021 to Véronique PENCHIENATI-BOSETTA, Shane GRANT and Antoine de SAINT-AFFRIQUE, who were corporate officers during the 2021 fiscal year.

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 executive corporate officers may not exceed 60% of each executive 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 at the beginning of the year by the Board of Directors, on the recommendation of the Governance Committee, and are indicated in the Board of Directors' report on the resolutions submitted to the Shareholders' Meeting describing the resolution related to GPS. They 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. It reflects the rating assigned to Danone by CDP, particularly under its Climate Change program (see sections *Presentation of 2022 GPS submitted to the Shareholders' Meeting of April 26, 2022 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 following the restructuring of the group that The Kraft Heinz Company is part of.

All performance conditions related to GPS are subject to a three-year reference period.

Continuous presence condition

The definitive grant of GPS is subject to a four-year continuous presence 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 presence condition, only on a partial and *pro rata* basis.

Finally, as a reminder, the GPS plans allow beneficiaries to be exempt from the continuous presence 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 presence condition will be reviewed by the Board of Directors on a *pro rata* 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. In particular, Antoine de SAINT-AFFRIQUE 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 Antoine de SAINT-AFFRIQUE, Véronique PENCHIENATI-BOSETTA and Shane GRANT.

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, an overall holding ceiling was added to the scheme 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 at the time of the grants of GPS decided in 2021.

Summary of GPS delivered in 2021 and not yet delivered

Summary of plans as of December 31, 2021

Characteristics of outstanding GPS plans as of December 31, 2021 and grants and changes under these plans in 2021 (information required pursuant to table 9 of appendix 4 of the AFEP-MEDEF Code)

Outstanding GPS plans			
Shareholders' Meeting that approved the GPS	4/27/2017	4/26/2018	4/26/2018
Number of GPS authorized by the Shareholders' Meeting	1,311,784	–	1,341,420
Of which number of GPS not granted	*667,364*	–	*717,381*
Date of the Board meeting that granted the GPS	7/26/2017	7/26/2018	12/5/2018
Number of GPS granted	**644,420**	**606,224**	**17,815**
Maximum number of GPS that may be granted [a]	676,741	636,777	18,711
Of which GPS granted to corporate officers	*35,021*	*34,475*	–
Maximum number of GPS that may be granted to the corporate officers [a]	*36,772*	*36,199*	–
Of which GPS granted to members of the Executive Committee (excluding corporate officers)	*89,158*	*77,141*	–
Of which number of Executive Committee beneficiaries (excluding corporate officers)	*7*	*6*	–
Number of beneficiaries for each plan	1,499	1,415	33
GPS characteristics			
Share delivery date	7/27/2021	7/27/2022	12/6/2022
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 2017, 2018 and 2019; • weighted by 50%, free cash flow level of more than €6 billion over the years 2017, 2018 and 2019.	• 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%, free cash flow level of more than €6 billion over the years 2018, 2019 and 2020; • weighted by 20%, "Leadership" level assigned to Danone by CDP under its Climate Change program for the years 2018, 2019 and 2020.	
Assessment of achievement of performance conditions	• Sales growth target: 90% achieved. • Free cash flow objective: 100% achieved. **Overall achievement rate: 95%**	• Sales growth target: not achieved. • Free cash flow objective: 100% achieved. • Danone's environmental performance objective: 100% achieved. **Overall achievement rate: 50%**	
Changes in 2021 and situation as of December 31, 2021			
Number of GPS as of December 31, 2020	467,030	251,697	7,109
GPS granted in 2021	–	–	–
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 2021	–	–	–
GPS void or canceled in 2021	(80,678)	(48,945)	(1,381)
Of which GPS canceled in 2021 due to non-fulfillment of some performance conditions [b]	–	–	–
Shares delivered in 2021	(386,352)	(1,209)	–
Of which shares delivered to corporate officers	*(2,413)*	–	–
Of which shares delivered to the 10 employees (not including corporate officers) who received the largest number of shares in 2021	*(41,007)*	–	–
Number of GPS not yet vested as of December 31, 2021	**–**	**201,543**	**5,728**
Total number of GPS void or canceled for each plan as of December 31, 2021	(258,068)	(404,681)	(12,087)

(a) Maximum number of GPS that may be granted if the continuous presence condition is satisfied, the free cash flow condition is fully achieved, the environmental condition is fully satisfied and the sales growth condition is exceeded.

							Total
4/25/2019	4/25/2019	6/26/2020	6/26/2020	4/29/2021	4/29/2021	4/29/2021	
–	1,370,110	–	1,372,241	–	–	1,373,259	
–	*818,951*	–	*657,531*	–	–	*576,621*	
7/24/2019	12/12/2019	7/29/2020	12/10/2020	7/28/2021	10/13/2021	12/10/2021	
521,933	**29,226**	**697,679**	**17,031**	**718,979**	**48,320**	**29,339**	**3,330,966**
548,215	30,708	732,603	17,881	754,923	50,736	30,809	3,498,104
30,000	–	*37,500*	–	*29,331*	*48,320*	–	*214,647*
31,500	–	*39,375*	–	*30,798*	*50,736*	–	*225,380*
56,120	*11,169*	*80,821*	–	*108,266*	–	–	*422,675*
5	*1*	*6*	–	*10*	–	–	–
1,404	46	1,550	20	1,473	1	23	–
7/25/2023	12/13/2023	7/30/2024	12/11/2024	7/29/2025	10/14/2025	12/11/2025	
–	–	–	–	–	–	–	
• 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%, free cash flow level of more than €6.2 billion over the years 2019, 2020 and 2021; • weighted by 20%, "Leadership" level assigned to Danone by CDP under its Climate Change program for 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%, free cash flow level of more than €6.2 billion over the years 2020, 2021 and 2022; • weighted by 20%, "Leadership" level and Score of A assigned each year to Danone by CDP under its Climate Change program for the years 2020, 2021 and 2022.		• weighted by 50%, average sales growth greater than or equal to that of the Panel over the years 2021, 2022 and 2023; • weighted by 30%: • for executive corporate officers and other Executive Committee members, TSR greater than or equal to the Median Panel TSR over the years 2021, 2022 and 2023; • for the other beneficiaries, free cash flow level of more than €6.3 billion over the years 2021, 2022 and 2023; • weighted by 20%, Score of A assigned each year to Danone by CDP under its three programs (Climate Change, Water and Forests) for the years 2021, 2022 and 2023.			
• Free cash flow objective: 100% achieved. • The Board of Directors will assess the achievement of the sales growth criterion in the first half of 2022. • The Board of Directors will assess the achievement of the critierion based on Danone's environmental performance in the first half of 2023.		• The Board of Directors will assess the achievement of the sales growth and free cash flow criteria in 2023. • The Board of Directors will assess the achievement of the criterion based on Danone's environmental performance in the first half of 2024.		• The Board of Directors will assess the achievement of the sales growth and TSR criteria or the free cash flow level criteria in 2024. • The Board of Directors will assess the achievement of the criterion based on Danone's environmental performance in the first half of 2025.			
485,648	27,113	688,521	17,031	–	–	–	1,944,149
–	–	–	–	718,979	48,320	29,339	796,638
–	–	–	–	754,923	50,736	30,809	836,468
–	–	–	–	*29,331*	*48,320*	–	*77,651*
–	–	–	–	*30,798*	*50,736*	–	*81,534*
–	–	–	–	*122,977*	–	*21,101*	*144,078*
(285,450)	(14,754)	(96,989)	(785)	(9,902)	–	–	(538,884)
(199,219)	*(12,358)*	–	–	–	–	–	*(211,577)*
(978)	–	(1,414)	–	(1,178)	–	–	(391,131)
–	–	–	–	–	–	–	*(2,413)*
–	–	–	–	–	–	–	*(41,007)*
199,220	**12,359**	**590,118**	**16,246**	**707,899**	**48,320**	**29,339**	**1,810,772**
(322,713)	(16,867)	(107,561)	(785)	(11,080)	–	–	(1,133,842)

(b) For the purposes of the Universal Registration Document, Danone has included in the number of 2019 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 yet been acknowledged by the Board).

In 2021, there were four GPS grants:

- a main grant in July and an additional grant in December, in line with the traditional practice of two grants during the year. The second grant in December enables new management teams to be offered the benefits of the long-term compensation in shares mechanism.
- two grants in October to the new Chief Executive Officer: the first as long-term compensation in shares and the second as extraordinary compensation to make up for the loss of his Barry Callebaut performance shares, which he waived as a result of his acceptance of the position of Danone's Chief Executive Officer. The GPS granted to Antoine de SAINT-AFFRIQUE as extraordinary compensation represent 100% of the value of the compensation allocated to him for his previous appointment, but which was not acquired or paid due to his departure;

Presentation of 2022 GPS submitted to the Shareholders' Meeting of April 26, 2022 for approval

General rules

The Shareholders' Meeting of April 26, 2022 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 2022 GPS would be subject to performance conditions based on three complementary criteria, assessed over three years, that are representative of Danone's performance, aligned with the objectives communicated to the market at the investor seminar on March 8, 2022 and contribute to Danone's medium / long term value creation model:

- weighted by 35%, an internal performance condition related to recurring EPS growth;
- weighted by 35%, an external performance condition related to the evolution of the relative total shareholder return of the DANONE share ("TSR");
- weighted by 30%, an external performance condition related to the score assigned to Danone by CDP for its environmental performance;

under the conditions described below.

In the event of outperformance of the conditions related to recurring EPS growth and TSR growth and if the environmental condition is fully achieved, the maximum number of GPS that may be delivered will be increased to 120% of the number of GPS granted, except for the executive corporate officers, for whom the maximum number of GPS that may be delivered will, in any case, be capped at 105% (as is the case for all existing GPS plans).

Performance condition related to recurring EPS growth, weighted by 35% (maximum: 45%)

PRINCIPLE	
Comparison of the arithmetic average growth of the recurring EPS ("Recurring EPS Growth") with the arithmetic average growth in Danone's consolidated sales on a like-for-like basis ("Sales Growth") over a three-year period, *i.e.* 2022, 2023 and 2024	• if the Recurring EPS Growth is less than or equal to the Sales Growth, the definitive grant will be 0% of the GPS subject to this performance condition, pursuant to the "no payment under the guidance" principle; • if the Recurring EPS Growth is strictly higher than the Sales Growth, and if the ratio between these two elements (Recurring EPS Growth / Sales Growth) is between 100% and 125%, the definitive grant will be between 35% and 45% of the GPS granted, based on a linear progressive scale; • if the Recurring EPS Growth is strictly higher than the Sales Growth, and if the ratio between these two elements (Recurring EPS Growth / Sales Growth) is more than 125%, the definitive grant will be 45% of the GPS granted; it being specified that the definitive grant will be 35% of the GPS granted if the Recurring EPS Growth is strictly higher than the Sales Growth and if one of these two indicators or both these indicators are negative.
DEFINITIONS	
Recurring EPS Growth	Arithmetic average growth in Danone's recurring EPS in 2022, 2023 and 2024, it being specified that "recurring EPS" is a financial indicator 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 3.5 *Financial indicators not defined in IFRS*).
Sales Growth	Arithmetic average growth in Danone's consolidated sales on a like-for-like basis, in 2022, 2023 and 2024, it being specified that 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 3.5 *Financial indicators not defined in IFRS*).
OTHER APPLICABLE RULES	
Percentage of GPS subject to this performance condition	35% of the GPS granted will be subject to this performance condition, it being specified that in the event of outperformance the maximum number of GPS that may be delivered could be reach 45%. Moreover, this percentage may be increased to 50%, through a duly justified decision by the Board of Directors, 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 state whether this performance condition was met, through a duly justified decision taken at a later date and mentioned in the Board of Directors' report to the Shareholders' Meeting, following a recommendation by the Governance Committee.
Date of assessment of achievement of the performance condition	Early 2025.

Performance condition related to the TSR, weighted by 35% (maximum: 45%)

PRINCIPLE	
Comparison of the relative total shareholder return of the DANONE share ("Danone's TSR") with the median relative total shareholder return of the share of a benchmark panel ("Median Panel TSR") over a three-year period, *i.e.* 2022, 2023 and 2024	• if Danone's TSR is less than the Median Panel TSR, the definitive grant will be 0% of the GPS subject to this performance condition, pursuant to the "no payment under the median" principle; • if Danone's TSR is between the Median Panel TSR and 110% of the Median Panel TSR, the definitive grant will be between 26% and 35% of the GPS granted, based on a linear progressive scale; • if Danone's TSR is between 110% and 120% of the Median Panel TSR, the definitive grant will be between 35% and 45% of the GPS granted, based on a linear progressive scale; • if Danone's TSR is greater than 120% of the Median Panel TSR, the definitive grant will be 45% of the GPS granted.
DEFINITIONS	
TSR	Total Shareholder Return.
Danone's TSR	Total shareholder return of the DANONE share, dividends reinvested, over the years 2022, 2023 and 2024.
Each Panel member's TSR	Total shareholder return of the Panel member's share, dividends reinvested, over the years 2022, 2023 and 2024.
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	
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.
Percentage of GPS subject to this performance condition	35% of the GPS granted will be subject to this performance condition, it being specified that, if this condition is exceeded, the maximum number of GPS that may be delivered could be as high as 45%. Moreover, this percentage may be increased to 50%, through a duly justified decision by the Board of Directors, 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, and based on a financial advisor's report.
Date of assessment of achievement of the performance condition	Early 2025.

Environmental performance condition, weighted by 30%

PRINCIPLE	
Scores assigned to Danone by CDP under the Climate Change, Water and Forests programs, taking into account Danone's environmental performance in 2022, 2023 and 2024	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 30% of the GPS granted; • 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 15% of the GPS granted; • 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 GPS subject to this 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 30% of the GPS granted; • 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 15% of the GPS granted; • 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 GPS subject to this 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 2022, 2023 and 2024.
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, instead of this performance condition, the conditions related to recurring EPS growth and the relative total shareholder return of the DANONE share (TSR); in this case, the weightings of both these performance conditions would be increased from 35% to 50% and the outperformance levels from 45% to 60% (with a corresponding adjustment of the grant scales), such that the maximum number of shares that may be delivered remains equal to 120% of the target number of GPS granted. 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 2026.

Review of the conditions related to GPS not yet delivered

GPS granted in 2021

The 2021 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 on a like-for-like basis ("CA") is compared 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 3.5 *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 from 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 the executive corporate officers and other Executive Committee members weighted by 30% and related to Danone's TSR

PRINCIPLE	
Comparison of the relative total shareholder return of the DANONE share (TSR) 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 the 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 3.5 *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 the 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.

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 on a like-for-like basis ("CA") is compared 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 3.5 *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 3.5 *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.

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 on a like-for-like basis ("CA") is compared 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 3.5 *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 3.5 *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	**On the recommendation of the Governance Committee, on February 22, 2022, 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 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.

Review of the rules related to the GPS granted in 2018 and to be delivered in 2022

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 on a like-for-like basis ("CA") is compared 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 3.5 *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.
Achievement of the performance condition	**On the recommendation of the Governance Committee, on April 29, 2021, the Board of Directors noted that the sales growth performance condition was not achieved.**

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 3.5 *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	**On the 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.
Achievement of the performance condition	**On the recommendation of the Governance Committee, on February 22, 2022, the Board of Directors noted the full achievement of the environmental performance condition. Consequently, 50% of the initial allocation of GPS granted in 2018 will be delivered in 2022 subject to fulfillment of the four-year continuous presence condition.**

GROUP PERFORMANCE UNITS (GPUS)

Principles

GPUs were introduced in 2005 to more closely align the compensation of Danone's corporate officers, Executive Committee members and 1,500 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 hereinafter in section *Objectives applicable to the GPUs in effect*.

On the recommendation of the Governance Committee, on February 22, 2022 the Board of Directors decided to put an end to this type of long-term compensation in cash and replace it with a long-term compensation in shares plan, which will be submitted to the Shareholders' Meeting for approval on April 26, 2022.

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 GPUs plans in the month following the change of control.

Moreover, the continuous presence 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 GPUs 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 presence 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, 2021

Outstanding GPUs plans									
Year of grant	**2018**	**2018**	**2019**	**2019**	**2020**	**2020**	**2021**	**2021**	**Total**
Date of Board meeting that granted the GPUs	7/26/2018	12/5/2018	7/24/2019	12/12/2019	7/29/2020	12/10/2020	7/28/2021	12/10/2021	
Number of GPUs granted	905,806	14,394	913,795	21,550	953,205	1,500	989,700	8,000	**3,807,950**
Of which, GPUs granted to corporate officers	–	–	–	–	–	–	*15,000* [a]	–	*15,000* [a]
Number of beneficiaries	1,414	22	1,403	33	1,548	4	1,472	5	
GPUs characteristics									
Year of payment		**2021**		**2022**		**2023**		**2024**	
Objectives [a]		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		Objectives set in 2021 for a three-year period	
Unit value of GPUs		Maximum €30		Maximum €30		Maximum €30		Maximum €30	

(a) 15,000 GPUs were granted to Véronique PENCHIENATI-BOSETTA, Chief Executive Officer from March 14 to September 14, 2021. It should be noted that the components of compensation granted to her as interim Chief Executive Officer are the same as those specified in her employment contract, with the exception of additional fixed compensation (for more details, see section *Compensation and benefits of governance bodies*, paragraph *Compensation of Véronique PENCHIENATI-BOSETTA, interim Chief Executive Officer in 2021* above).

(b) The objectives and information concerning their achievement are presented in detail below.

Objectives applicable to the GPUs in effect

Objectives of GPUs 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	On the recommendation of the Governance Committee, on February 18, 2021, the Board of Directors noted (i) the non-achievement of the objective related to the recurring operating margin, given a margin of 14%, and (ii) the 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 the 2018 GPUs at €6.	€6
	≥ 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 GPUs 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 [a] and 2021 [b] and, for 2020, achievement of a free cash flow level in 2020 of more than €1.6 billion [c]	Non-achievement of the objectives each year	0	On the recommendation of the Governance Committee, on February 22, 2022 the Board of Directors noted (i) the non-achievement of the objective for 2019, given sales growth of 2.6% and a recurring operating margin of 15.2%, (ii) the achievement of the objective for 2020, given that free cash flow was €2.052 billion, (iii) the achievement of the objective for 2021, given a margin of 13.7% and (iv) the achievement of the objective related to Danone employee commitment. It therefore valued the 2019 GPUs at €24.	€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 the Danone employee commitment level relative to the FMCG [d] 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) *I.e.*: sales growth of approximately 3% on a like-for-like basis and a recurring operating margin above 15%.

(b) With regard to 2021, on July 28, 2021, the Board of Directors decided to align the financial condition for 2021 of the 2019 and 2020 GPUs programs with the financial condition for 2021 of the 2021 GPUs program, *i.e.* a 2021 recurring operating margin broadly in line with that of 2020.

(c) 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 financial condition for 2020 of the 2019 GPUs with the financial condition for 2020 of the 2020 GPUs, *i.e.*, 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.

(d) Fast-Moving Consumer Goods.

Objectives of GPUs 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 [b] and 2022	Non-achievement or partial achievement of the objectives each year	0	On the recommendation of the Governance Committee, on February 22, 2022, the Board of Directors noted the achievement of the objective for 2021, given a margin of 13.7%. The Board of Directors will assess the achievement of the other objectives in 2023.	Max. €30
	Achievement of the objectives each year	6		
Weighted by 40%, comparison of the Danone employee commitment level relative to the FMCG [c] 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) With regard to 2021, on July 28, 2021, the Board of Directors decided to align the financial condition for 2021 of the 2019 and 2020 GPUs programs with the financial condition for 2021 of the 2021 GPUs program, *i.e.* a 2021 margin broadly in line with that of 2020.

(c) Fast-Moving Consumer Goods.

6

Objectives of GPUs granted in 2021

Objectives	Level of achievement	Value of the objective *(in €)*	Level of achievement	Value
Weighted by 60%, achievement of the financial objectives communicated to the market for 2021, 2022 and 2023 [a]	Non-achievement or partial achievement of the objectives each year	0	On the recommendation of the Governance Committee, on February 22, 2022, the Board of Directors noted the achievement of the objective for 2021, given a margin of 13.7%. The Board of Directors will assess the achievement of the other objectives in 2024.	Max. €30
	Achievement of the objectives each year	6		
Weighted by 40%, comparison of the Danone employee commitment level relative to the FMCG [b] sector from 2021 to 2023	**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 2021, on July 28, 2021, the Board of Directors decided to align the financial condition for 2021 of the 2021 GPUs program with the objective communicated to the market regarding the 2021 margin, *i.e.*, a 2021 recuring operating margin broadly in line with that of 2020.

(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

	As of December 31, 2021
Board of Directors	
Gilles SCHNEPP	5,000
Franck RIBOUD	84,009
Guido BARILLA	4,000
Frédéric BOUTEBBA	1 [a]
Cécile CABANIS	41,550
Clara GAYMARD	4,256
Michel LANDEL	4,000
Gaëlle OLIVIER	4,340
Isabelle SEILLIER	4,073
Jean-Michel SEVERINO	4,505
Bettina THEISSIG	1 [a]
Serpil TIMURAY	7,271
Lionel ZINSOU-DERLIN	4,369
Executive Committee	**69,930**
Total number of shares	**237,305**
Total as a percentage of the Company's share capital	**0.03%**

(a) Share granted under the "One Person, One Voice, One Share" program.

TRANSACTIONS ON DANONE SHARES

Transactions on DANONE shares completed in 2021 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
Antoine de SAINT-AFFRIQUE	Chief Executive Officer	Shares	Acquisition	11/29/2021	€54.3225	4,000	€217,290.00
Cécile CABANIS	Director	Others [a]	Subscription	5/18/2021	€10.00	4,882.8490	€48,828.49
		Shares	Delivery of shares [b]	7/27/2021	€00.00	12,227	€00.00
Bertrand AUSTRUY	Member of the Executive Committee	Others [a]	Subscription	5/18/2021	€10.00	3,997.8490	39,978.49 €
		Shares	Delivery of shares [b]	7/27/2021	€00.00	11,443	€00.00
Juergen ESSER	Member of the Executive Committee	Shares	Delivery of shares [b]	7/27/2021	€00.00	416	€00.00
Véronique PENCHIENATI-BOSETTA	Member of the Executive Committee	Shares	Delivery of shares [b]	7/27/2021	€00.00	2,275	€00,00

(a) Subscription made in May 2021 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 2021. Following the capital increase, the bridge fund was merged into the Danone Company savings fund FCPE Danone.
(b) These shares were delivered pursuant to the grant of Group performance shares (GPS) on July 26, 2017, in accordance with the conditions set by the Board of Directors for the 2017 GPS plan.

Executive 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 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 agreement entered into during the past year that received prior approval from your Board of Directors.

With Ms. Véronique Penchienati-Bosetta, Chief Executive Officer between March 14 and September 14, 2021

Amendment to the employment contract

Nature, purpose and terms

In the context of the appointment of Véronique Penchienati-Bosetta as interim Chief Executive Officer, your Board of Directors decided, on March 22, 2021, to suspend the employment contract of Véronique Penchienati-Bosetta, then Chief Executive Officer of Danone International and member of your company's Executive Committee, for the duration of her interim term of office. It also unanimously authorized, pursuant to Article L.225-38 of the French Commercial Code, the signature of an amendment to her employment contract to include a mechanism for her reintegration as an employee at the end of her interim term of office, providing in particular that she would be offered two positions at Executive Committee level, each subject to an acceptance period of one month maximum, and that the notice period, in the event of termination of her employment contract, would be extended to six months.

In accordance with the terms of this amendment, Véronique PENCHIENATI-BOSETTA has resumed her previous salaried position as Chief Executive Officer Danone International on September 15, 2021, at the end of her term of office, her suspended employment contract having been reactivated without modification.

Reasons justifying the interest of the agreement for the company

The Board of Directors has provided the following reason for this agreement: the Board of Directors noted, in view of the exceptional circumstances of the appointment of Véronique Penchienati-Bosetta, that it was in the company's interest to conclude this amendment to her employment contract, which was necessary to ensure that she would be able to resume her suspended employment contract once her term of office as executive corporate officer had ended.

AGREEMENTS ALREADY APPROVED BY THE SHAREHOLDERS' MEETING

In accordance with Article R. 225-30 of the French Commercial Code, we have been informed that the following agreements, already approved by the Shareholders' Meeting in previous years, remained in force during the year under review.

With the Danone.Communities mutual investment fund (SICAV)

Persons concerned

Mr. Emmanuel Faber, Chairman and Chief Executive Officer of your company until March 14, 2021 and director until April 29, 2021 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, your 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, your 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, the company Amundi Asset Management and the company Omnes Capital.

This agreement replaces the cooperation agreement previously entered into on May 4, 2007 (authorised by your Board of Directors on April 26, 2007 and approved by your 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 18, 2021, your Board of Directors voted to set your company's annual financial contribution for 2021 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 2021 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, your 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 the company Amundi Asset Management. The purpose of the amendment is to specify the conditions for the marketing of the SICAV by the company Amundi Asset Management and the regular reporting by the latter to your company.

4. New governance charter

Nature, purpose and conditions

On June 25, 2020, as part of the Danone Communities project, your 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, the company Amundi Asset Management and the company 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.

Neuilly-sur-Seine and Paris-La Défense, March 10, 2022

The Statutory auditors

PricewaterhouseCoopers Audit		**ERNST & YOUNG Audit**	
François JAUMAIN	Marjory GODEC	Gilles COHEN	Alexandre CHRÉTIEN

6

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, 2021

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 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
May 18, 2021	1,010,400	Capital increase reserved for employee members of a company savings plan	252,600	171,910,000.00	687,640,000
September 23, 2021	42,489	Capital increase reserved for employees of foreign companies	10,622.25	171,920,622.25	687,682,489
Share capital as of December 31, 2021				**171,920,622.25**	**687,682,489**

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 *et 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 April 29, 2021 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 June 26, 2020.

This authorization was used during fiscal year 2021 (see section *Transactions on Company shares in 2021 and situation as of December 31, 2021* hereinafter) following the sale by Danone of its stake in Mengniu.

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 26, 2022 to repurchase up to 10% of the total number of shares comprising the share capital of the Company (*i.e.*, for information purposes, 68,768,248 shares as of December 31, 2021, 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 26, 2022, 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 shares, with a continuous presence condition and/or with performance conditions, 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 26, 2022 (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 29, 2021 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 2021.

TRANSACTIONS ON COMPANY SHARES IN 2021 AND SITUATION AS OF DECEMBER 31, 2021

In 2021, the Company carried out the following transactions involving DANONE shares:

- repurchase of 13.2 million shares for cancelation for an amount of €800 million carried out by an investment services provider acting independently within the framework of the Company's share buyback program;
- transfer of 0.7 million shares allocated to external growth transactions to shares allocated to employee shareholding plans;
- delivery of 0.4 million shares in the framework of the delivery of performance shares to executive corporate officers and approximately 1,500 senior executives of Danone as well as the grant of a free share to eligible employees ("One Person, One Voice, One Share" program).

Transactions on Company treasury shares during fiscal year 2021 presented by type of objectives were as follows:

(number of shares)	**Situation as of December 31, 2020**	**Buybacks**	**Sales / Transfers**	**Delivery of shares**	**Situation as of December 31, 2021**
Shares allocated to external growth transaction	**30,769,360**	–	(710,000)	–	**30,059,360**
Shares allocated to employee shareholding plans	**284,325**	–	710,000	(400,406)	**593,919**
Shares allocated to cancelation	**–**	13,158,315	–	–	**13,158,315**
Treasury shares	**31,053,685**	13,158,315	–	(400,406)	**43,811,594**
Shares held by Danone Spain	**5,780,005**	–	–	–	**5,780,005**
Shares held by the Group	**36,833,690**	**13,158,315**	**–**	**(400,406)**	**49,591,599**

The average price of DANONE shares repurchased during 2021 was €60.80 per share and the transaction expenses during this period totaled €2.5 million.

7

Treasury shares held by the Company as of December 31, 2021

	As of December 31, 2021
Number of DANONE shares	**43,811,594**
Percentage of share capital	*6.37 %*
Value of DANONE shares held by the Company *(in euros)*	
Nominal value	10,952,899
Gross value	2,372,242,885

Market value of DANONE shares held by Danone and its consolidated subsidiaries

	As of December 31, 2021
Number of DANONE shares	**49,591,599**
Closing price *(in euros)*	54.59
Value of DANONE shares held by the Group *(in euros)*	
At the closing price	2,707,205,389

7.3 AUTHORIZATIONS TO ISSUE SECURITIES GIVING ACCESS TO THE SHARE CAPITAL

SUMMARY OF FINANCIAL AUTHORIZATIONS IN EFFECT AS OF DECEMBER 31, 2021

<table>
<tr><th colspan="2">Maximum amounts of share capital authorized
(nominal issuance amount)</th><th>Authorization type</th><th>Individual maximum amounts authorized
(nominal amount or percentage)</th><th>Use in 2021</th><th>Available balance as of December 31, 2021
(nominal amount or percentage)</th></tr>
<tr><td rowspan="8">Maximum amount applicable to all dilutive and non-dilutive issuances: €60 million (approx. 35% [a] of the share capital)</td><td>Maximum amount applicable to non-dilutive issuances: €60 million (approx. 35% [a] of the share capital)</td><td>Capital increase with preferential subscription right for shareholders</td><td>€60 million (approx. 35% [a] of the share capital) [b]</td><td>–</td><td>€60 million</td></tr>
<tr><td rowspan="7">Maximum amount applicable to dilutive issuances: €17 million (or approx. 10% [a] of the share capital)</td><td>Capital increase without preferential subscription right but with a priority period for shareholders</td><td>€17 million (approx. 10% [a] of the share capital) [b]</td><td>–</td><td>€17 million</td></tr>
<tr><td>Overallotment (as a % of initial issuance)</td><td>15% [b]</td><td>–</td><td>–</td></tr>
<tr><td>Public exchange offer initiated by the Company</td><td>€17 million (approx. 10% [a] of the share capital) [b]</td><td>–</td><td>€17 million</td></tr>
<tr><td>Contributions in kind</td><td>10% of the share capital</td><td>–</td><td>10% of the share capital</td></tr>
<tr><td>Capital increase reserved for employee members of a Company Savings Plan</td><td>€3.4 million (approx. 2% [a] of the share capital)</td><td>€252,600</td><td>€3.4 million [c]</td></tr>
<tr><td>Capital increase reserved for employees of foreign companies</td><td>€1.7 million (approx. 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</td><td>€10,622.25</td><td>€1.7 million</td></tr>
<tr><td>Grant of Group performance shares (GPS)</td><td>0.2% of the share capital at the close of the Shareholders' Meeting</td><td>836,468 shares granted (approx. 0.1% of the share capital)</td><td>0.1% of the share capital at the close of the Shareholders' Meeting</td></tr>
<tr><td>–</td><td>–</td><td>Incorporation of reserves, earnings, additional paid-in capital and other amounts</td><td>€43 million (approx. 25% [a] of the share capital)</td><td>–</td><td>€43 million</td></tr>
</table>

(a) The percentage of share capital is calculated for indicative purposes only, based on share capital as of December 31, 2021.

(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).

(c) The capital increase reserved for employee members of a company savings plan approved by the Board of Directors of February 18, 2021 and completed in May 2021 used the authorization granted by the Shareholders' Meeting held on April 25, 2019 (and not the authorization granted by the Shareholders' Meeting held on April 29, 2021). The new capital increase reserved for employee members of a company savings plan, approved by the Board of February 22, 2022, and to be completed in May 2022, will be deducted from the maximum amount of €3.4 million approved by the Shareholders' Meeting of April 29, 2021.

These authorizations were approved by the Shareholders' Meeting of April 29, 2021, for a period of 26 months, *i.e.,* until June 29, 2023, with the exceptions of (i) the grant of Group performance shares which expired on December 31, 2021, and (ii) the authorization to implement capital increases reserved for employees of foreign companies granted for a period of 18 months, *i.e.,* until October 29, 2022.

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 2021 the capital increase reserved for Danone employees in France participating in a company savings plan represented a total amount of €44,134,272 (and a nominal amount of €252,600).

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). In 2021 a capital increase was implemented for the benefit of employees in 32 countries in which Danone operates, representing a total amount of €1,991,459.43 (and a nominal amount of €10,622.25).

The Board of Directors of February 22, 2022, 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.,* 2,058,672 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 26, 2022.

FINANCIAL AUTHORIZATIONS SUBJECT TO APPROVAL BY THE SHAREHOLDERS' MEETING

The Shareholders' Meeting of April 26, 2022 will be asked to approve the following financial authorizations:

			Authorized limits	
	Authorization date	**Expiration date**	**Ordinary shares** *(nominal amount of ordinary shares issuance)*	**Debt securities**
Capital increase reserved for employees of foreign companies	April 26, 2022	October 26, 2023	€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	–
Grant of shares subject to performance conditions (GPS)	April 26, 2022	December 31, 2022	0.5% of the share capital at the close of the Shareholders' Meeting, attributable to the maximum limit of €17 million common to dilutive issuances to be made under the financial authorizations approved by the Shareholders' Meeting of April 29, 2021	–
Grant of shares subject to a continuous presence condition	April 26, 2022	June 26, 2025	0.2% of the share capital at the close of the Shareholders' Meeting, per calendar year, attributable to the maximum limit of €17 million common to dilutive issuances to be made under the financial authorizations approved by the Shareholders' Meeting of April 29, 2021, or any other authorization having the same purpose superseding it	–

(a) The percentage of share capital is calculated for indicative purposes only, based on the share capital as of December 31, 2021.

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 22, 2022, 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, 2021, the total outstanding principal amount of the bonds issued by the Company (Danone's only bond issuer) was €13.391 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 2021 FISCAL YEAR

A dividend of €1.94 per share will be proposed to the Shareholders' Meeting of April 26, 2022 on shares eligible to receive the dividend as of January 1, 2021.

If this dividend is approved, the ex-dividend date will be May 10, 2022 and the payment date will be May 12, 2022.

DIVIDENDS PAID IN RESPECT OF THE PREVIOUS THREE FISCAL YEARS PRIOR TO 2021

Dividend relating to the fiscal year	Dividend per share *(in € per share)*	Dividend approved *(in € millions)*	Dividend paid [(a)] *(in € millions)*
2018	1.94	1,329	1,266
2019	2.10	1,441	1,374
2020	1.94	1,332	1,272

(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.

7

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 2021, in the context of the Covid-19 health crisis and pursuant to French Order No. 2020-321 of March 25, 2020, and Decree No. 2020-418 of April 10, 2020, as extended by Decree No. 2020-255 of March 9, 2021, Danone's Shareholders' Meeting was held on April 29, 2021, behind closed doors, without the shareholders and other persons entitled to attend being physically present. The Shareholders' Meeting has been webcasted live and recorded for later viewing in French and in English on Danone's website in the section dedicated to the Shareholders' Meetings.

The details concerning the participation at Shareholders' meetings as provided by laws and regulations can be found in the Notice of Meeting available on Danone's 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 *et 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.

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 April 29, 2021, was 64.09%.

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 *et 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, 2021 AND SIGNIFICANT CHANGES OVER THE PAST THREE YEARS

SHARE OWNERSHIP STRUCTURE AS OF DECEMBER 31, 2021

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 an ownership exceeding 1.5% of the Company's voting rights (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)]
BlackRock	39,246,864	5.7%	39,246,864	5.5%	39,246,864	5.9%
Artisan Partners [(c)]	40,268,876	5.9%	37,073,537	5.2%	37,073,537	5.6%
MFS [(c) (d)]	37,826,194	5.5%	30,623,433	4.3%	30,623,433	4.6%
Amundi group (including Lyxor)	28,056,004	4.1%	28,056,004	3.9%	28,056,004	4.2%
First Eagle Investment Management [(c)]	20,697,174	3.0%	19,628,629	2.8%	19,628,629	3.0%
Employee shareholding – "Fonds Danone" company investment fund	9,638,831	1.4%	18,043,672	2.5%	18,043,672	2.7%
Norges Bank	12,610,897	1.8%	12,610,897	1.8%	12,610,897	1.9%
CDC group	11,332,119	1.6%	11,332,119	1.6%	11,332,119	1.7%
Treasury shares held by the Company	43,811,594	6.4%	43,811,594	6.1%	–	–
Treasury shares held by Danone Spain subsidiary	5,780,005	0.8%	5,780,005	0.8%	–	–
Others	438,413,931	63.8%	466,778,420	65.5%	466,778,420	70.4%
Total	**687,682,489**	**100.0%**	**712,985,174**	**100.0%**	**663,393,575**	**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.*, 25,302,685 shares as of December 31, 2021).

(b) The number of net voting rights (or voting rights "exercisable in a Shareholders' Meeting") is calculated excluding shares stripped of voting rights.

c) Artisan Partners, 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.

(d) The voting rights of MFS group were capped at 6% at the Shareholders' Meeting of April 29, 2021, 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).

As of December 31, 2021, 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, no shareholder other than Artisan Partners, BlackRock and MFS held a stake of more than 5% in the Company's share capital or voting rights as of December 31, 2021.

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

	2021			2020			2019		
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)]**
BlackRock	39,246,864	5.7%	5.9%	42,295,309	6.2%	6.3%	39,411,681	5.7%	5.8%
Artisan Partners	40,268,876	5.9%	5.6%	11,399,196	1.66 %	1.69%	–	–	–
MFS	37,826,194	5.5%	4.6%	63,789,281	9.3%	8.1%	50,550,484	7.4%	6.4%
Amundi group	28,056,004	4.1%	4.2%	23,500,862	3.4%	3.5%	23,227,264	3.4%	3,4%
First Eagle Investment Management	20,697,174	3.0%	3.0%	21,573,145	3.1%	3.0%	16,455,341	2.4%	2.4%
Employee shareholding – "Fonds Danone" investment fund	9,638,831	1.4%	2.7%	9,002,865	1.3%	2.6%	8,666,386	1.3%	2,5%
Norges Bank	12,610,897	1.8%	1.9%	15,145,141	2.2%	2.2%	13,209,935	1.9%	1,9%
CDC group	11,332,119	1.6%	1.7%	13,718,885	2.0%	2.0 %	10,866,611	1.6%	1.6%
Sofina group	4,603,616	0.7%	1.4%	13,718,885	2.0%	2.0 %	8,838,293	1.3%	2.5%
Treasury shares held by the Company	43,811,594	6.4%	–	31,053,685	4.5%	–	31,469,534	4.6%	–
Treasury shares held by Danone Spain subsidiary	5,780,005	0.8%	–	5,780,005	0.8%	–	5,780,005	0.8%	–
Other	433,810,315	63.1%	69.0%	443,777,721	64.6%	69.0%	467,493,580	68.1%	71.8%
Total	**687,682,489**	**100%**	**100%**	**686,629,600**	**100%**	**100%**	**686,120,806**	**100%**	**100%**

(a) This percentage excludes treasury shares held by the Company and its subsidiaries, which have been stripped of voting rights.

Significant changes during the past three fiscal years

Between 2019 and 2021, the ownership interest held by Massachusetts Financial Services ("MFS") in the Company's share capital has decreased to represent 5.5% of the share capital as of December 31, 2021. During 2021, MFS disclosed that it had successively fallen below the threshold of 5% of the voting rights and 5% of the share capital (see disclosures No. 221C2463 and No. 221C3225). In addition, 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, 2021, MFS informed the Company that it held 37,826,194 DANONE shares (approximately 5.5% of the share capital), including 30,623,433 shares (approximately 4.5% of the share capital) for which MFS exercises voting rights and 7,202,761 shares (approximately 1% of the share capital) for which MFS clients have retained voting rights.

Between 2019 and 2021, the ownership interest held by Sofina in the Company's share capital has decreased to represent 0.7% of the share capital as of December 31,2021.

Since the end of 2020, Artisan Partners Limited Partnership has increased its stake in Danone's share capital. During 2021, it disclosed that it had successively passed above the threshold of 5% of the share capital and 5% of the voting rights (see disclosures No. 221C3017 and 221C3335). Artisan Partners Limited Partnership indicated to the Company that it held 5.9% of its share capital and 5.6% of its voting rights as of December 31, 2021.

No other disclosures regarding the crossing of legal thresholds pertaining to the Company's share capital or voting rights were published by the French Financial Markets Authority during fiscal year 2021.

To the best of the Company's knowledge, no other significant changes in its shareholding structure have taken place during the past three fiscal years.

Employee shareholding

To the Company's knowledge, the number of Company shares held directly or indirectly by employees of the Company and its affiliates was 11,136,754 shares, *i.e.*, 1.6% of the share capital (including 9,638,831 shares, *i.e.*, 1.4% of the share capital held by the FCPE "Fonds Danone") as of December 31, 2021.

This number includes (i) shares 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 d'Entreprise – FPCE*) (the FCPE "Fonds Danone" and FCPEs of other Danone subsidiaries), (ii) shares held following the delivery of Group performance shares, held in a registered form, (iii) shares granted to employees as part the "One Person, One Voice, One Share" program, and (iv) shares held in the framework of capital increases reserved to employees of the Danone Group's foreign companies.

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 its employees worldwide who had been employed by Danone for one year at the date of the grant, *i.e.*, 84,588 employees. In 2020 and 2021, an additional grant was implemented to the benefit of new employees who joined Danone since July 1, 2019, and May 29, 2020, and who were still employed by Danone at the date of the grant, *i.e.,* 7,985 and 9,438 employees respectively.

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 2021 of identifiable holders of bearer shares

		As a percentage of the share capital
Institutional investors		**78%**
of which	*United States*	*50%*
	France	*16%*
	United Kingdom	*9%*
	Switzerland	*5%*
	Germany	*5%*
	Rest of Europe	*11%*
	Rest of World	*4%*
Individual investors and "Fonds Danone" FCPE		**10%**
Treasury shares		**7%**
Other		**5%**
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").

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, 2021, 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, 2021, 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 the Shareholders' Meeting of April 29, 2021, 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 26, 2022 will be asked to renew this prohibition.

Moreover, in accordance with the decision of the Shareholders' Meeting of April 29, 2021, 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 4.6 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 (GPUs) 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.

7

CROSS-REFERENCE TABLES 336

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**	
5.1	Principal activities	
5.1.1	*Nature of operations and principal activities*	*2.1 to 2.4, 3.1*
5.1.2	*Development of new products and/or services*	*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
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*
Section 6	**Organizational structure**	
6.1	Brief description of the Group	2.5
6.2	List of the significant subsidiaries	2.5
Section 7	**Operating and financial review**	
7.1	Financial position	
7.1.1	*Development and performance of the business, position of the issuer, financial and non-financial Key Performance Indicators*	*3.1 to 3.5*
7.1.2	*Likely future evolution and activities in the field of research and development*	*2.2, 2.4, 3.1*
7.2	Operating results	
7.2.1	*Significant factors materially influencing the operating income*	*2.2, 2.3, 2.6, 3.2, 4.1*
7.2.2	*Evolution of net sales*	*2.1, 3.2, 4.1*
Section 8	**Capital resources**	
8.1	Issuer's capital resources	3.4, 4.1
8.2	Sources and amounts of the cash flows	3.3, 4.1
8.3	Borrowing requirements and funding structure	3.4, 4.1
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**	
9.1	Description of the regulatory environment and external factors materially influencing the operations	2.4, 2.6
Section 10	**Trend information**	
10.1	Most significant trends since the end of the last fiscal year	2.2
10.2	Events that are reasonably likely to have a material effect on the issuer's prospects	2.2, 2.6
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

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
Section 15	**Employees**	
15.1	Number of employees	2.5, 4.1, 5.4
15.2	Shareholdings and stock-options held by the members of the board of directors and by the senior management	6.3, 6.4, 6.5
15.3	Agreements involving the employees in the capital of the issuer	5.4, 7.8
Section 16	**Major shareholders**	
16.1	Identification of the major shareholders	7.8
16.2	Voting rights	7.6
16.3	Control of the issuer	7.8
16.4	Arrangements that may result in a change of control	7.11
Section 17	**Related party transactions**	
17.1	Details of related party agreements	4.1, 6.6
Section 18	**Financial information concerning the issuer's assets and liabilities, financial position and profits and losses**	
18.1	Historical financial information	
18.1.1	*Audited historical financial information and audit report*	*1.2, 4.1, 4.2*
18.1.2	*Change of accounting reference date*	*N/A*
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*
18.1.6	*Consolidated financial statements*	*4.1*
18.1.7	*Date of latest financial information*	*December 31, 2021*
18.2	Interim and other financial information	
18.2.1	*Half yearly and quarterly financial information and interim financial information*	*N/A*
18.3	Auditing of historical annual financial information	
18.3.1	*Audit report on the historical financial information*	*4.1, 4.2*
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 3.5*
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*
18.5.2	*Amount of the dividend per share*	*3.2, 7.5*
18.6	Legal and arbitration proceedings	
18.6.1	*Significant governmental, legal or arbitration proceedings*	*4.1*
18.7	Significant change in the issuer's financial position	
18.7.1	*Significant change in the financial position*	*2.2*
Section 19	**Additional information**	
19.1	Share capital	
19.1.1	*Amount of issued and authorized capital*	*7.1, 7.3*
19.1.2	*Shares not representing capital*	*N/A*
19.1.3	*Shares held by the issuer or its subsidiaries*	*7.2, 7.8*
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*
19.1.7	*History of share capital*	*7.1*
19.2	Memorandum and Articles of Association	
19.2.1	*Trade and Companies Register, purposes of the issuer*	*1.1*
19.2.2	*Rights, preferences and restrictions attaching to shares*	*7.5, 7.6*
19.2.3	*Provisions that may delay, defer or prevent a change of control*	*7.10*
Section 20	**Material contracts**	
20.1	Material contracts of the issuer or any member of the group	3.1
Section 21	**Documents available**	
21.1	Statement regarding the available documents	3.6

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 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	2.4, 3.1
Major events occurred since the close of the fiscal year	L.232-1, II and L.233-26 of the French Commercial Code	2.2, 4.1
Company and Group foreseeable trends and outlook	L.232-1, II and L.233-26 of the French Commercial Code	2.2
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.441-6 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
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 2022

February 23, 2022
2021 Full-Year Results

March 8, 2022
Capital market event

April 20, 2022
2022 First-Quarter Sales

Avril 26, 2022
2022 Shareholders' Meeting

July 27, 2022
2022 First-Half Results

October 18, 2022
2022 Third-Quarter Sales

ABOUT DANONE (WWW.DANONE.COM)

Danone is a leading global food and beverage company building on health-focused and fast-growing categories in 3 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 around 100,000 employees, and products sold in over 120 markets, Danone generated €24.3 billion in sales in 2021. 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*). 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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