

TAX TRANSPARENCY

REPORT 2022



DANONE
ONE PLANET. ONE HEALTH

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RENEW DANONE STRATEGY

After a first period of review and meeting all around the world with all stakeholders, Danone CEO Antoine de Saint-Affrique, together with a strengthened leadership team, presented Danone's new strategic plan "Renew Danone" on March 8th 2022 – a plan to enable Danone to reconnect with a sustainable profitable growth model.

The review confirmed that Danone has many strengths - however, it also recognized 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.

Danone operates in healthy, on-trend and growing categories, with for example 90% of our products that are considered healthy for daily consumption.

We also benefit from a strong portfolio of brands – both global brands like Actimel, Aptamil, Activia and evian, but also local brands like Bonafont or Les 2 Vaches. And we have a unique heritage and culture – where entrepreneurship and social and environmental responsibility feed each other, rather than fight each other. We call this our Dual Project.

The plan aims to allow Danone to reconnect with a sustainable profitable growth model. It is 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 shall 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.

The four strategic pillars of Renew Danone are:

- 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.



Antoine de Saint-Affrique
Danone CEO

DANONE IMPACT JOURNEY

A CONSISTENT, DEEPLY ROOTED AND RENEWED SUSTAINABILITY JOURNEY

The sustainability journey of Danone started long ago. As soon as 1972, Antoine Riboud, Chairman of the Group, publicly stated that the responsibility of a business goes beyond its factory's doors, positioning Danone as pioneer and visionary in the field of corporate responsibility.

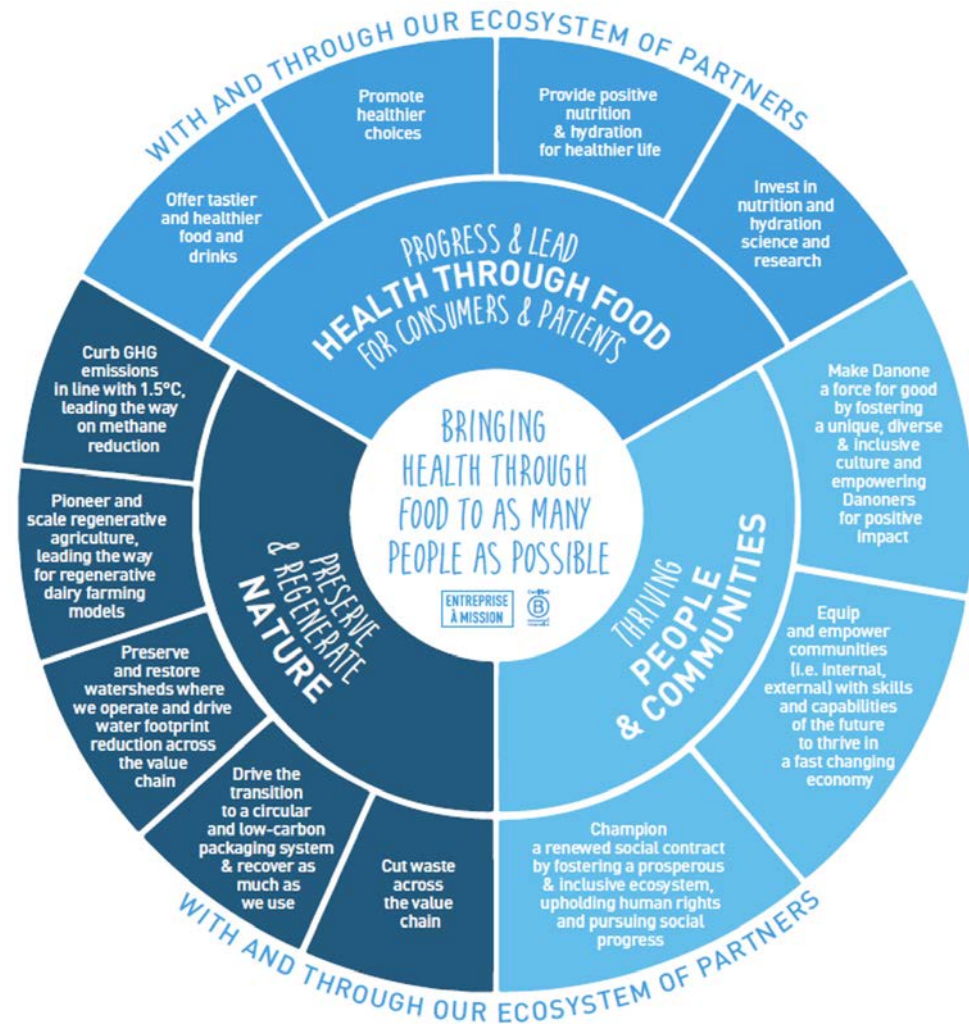
This philosophy set the base for the dual economic and social project of Danone. This dual project that has been, since then, at the heart of Danone's ways of working and taking decisions lies on a simple but powerful idea: there cannot be economic performance on the long term without positive impact on the society as a whole.

Building on this heritage, Danone defined more than 15 years ago its mission as a Group: bringing health through food to as many people as possible. Going further, Danone started a process to become a B Corp globally while deciding to embed this mission into the Group's by-laws, putting it at the center of its governance and decision process and becoming the first listed *Entreprise à Mission*.

As part of the Renew Danone strategy introduced before, Danone ambitions to reconnect the company with a sustainably profitable growth model, underpinned by greater alignment between purpose and performance. In that context, in February 2023, the Group reframed its sustainability roadmap called the Danone Impact Journey. It builds on 3 key principles:

- Recognizing the importance and co-dependence of the 3 pillars, Health, Nature and People & Communities;
- Hardwiring sustainability into the business, from a strategic, executional and financial perspective.
- Putting impact, and Danone's ability to meaningfully impact the food systems and the ecosystems it operates in, at the heart of what the Group does.

Danone's Impact Journey is articulated around 3 pillars, Health, Nature and People & Communities. For each pillar, the Group defines a set of priorities which are translated into mid to long-term objectives.



CONTEXT & CHALLENGES

Danone is proud to publish this second report related to tax transparency and to take a step forward to transparency by giving more granularity in its tax contribution over the world. The last few years have witnessed increased attention from media, public and non-governmental organizations on the sustainability of large multinational' financial disclosures and policies, including on the transparency of their tax reporting.

2022 has been an important year for international taxation with adoption by the European Union members of the minimum taxation directive for large corporation, but also the carbon border tax and the gradual implementation of plastic and sugar tax around the world. For another year, the bar on responsible corporate tax practices is being raised at a pace never seen before. Danone, as a company committed to doing its part to build a fairer and more sustainable society, is aspiring to respond to these expectations.

On March 25th, 2021, we joined a group of companies endorsing the B TEAM responsible tax principles as a blueprint to evolve its own tax policies and practices while advocating for a fair and sustainable global tax system. Our company already started its tax transparency journey in 2016 with the publication of its tax policy. The internal tax code of conduct, implemented across all geographies, also ensures that Danone's tax practices align with this policy. In bringing this policy to life, we have also begun reporting our yearly tax contribution on a worldwide basis.

Danone's endorsement signals the importance of responsible tax behavior as a crucial part of a sustainable way of doing business. We are consequently working towards a B Corp certification at global level by 2025. A commitment that holds the company accountable to all stakeholders. Guided by that mindset, Danone's move to endorse the B TEAM Tax Principles also reflects the growing need for companies to respond to shifting expectations from policymakers, non-governmental organizations and more. Adopting these Tax Principles is an important step in Danone's commitment to establish a new and ambitious standard on corporate tax behavior.



Jürgen Esser
Group Deputy CEO,
in charge of Finance,
Technology & Data



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KEY FINANCIAL FIGURES 2022

€27.7 bn

+ 7.8% (a)

SALES

12.2%

- 154 bps (b)

RECURRING OPERATING MARGIN

€2.1 bn

FREE CASH FLOW

€2

DIVIDEND PER SHARE

€3.42

+ 3.6% (b)

RECURRING EPS

27.3%

RECURRING ETR (d)

2.5X

NET DEBT/ EBITDA

AAA (c)

FOR THE 4TH YEAR IN A ROW,
ONE OF THE ONLY 13 COMPANIES
WORLDWIDE OUT OF THE NEARLY
15,000 COMPANIES SCORED

74%

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 se-
curity and CDP Forets questionnaires
(d) Effective Tax Rate

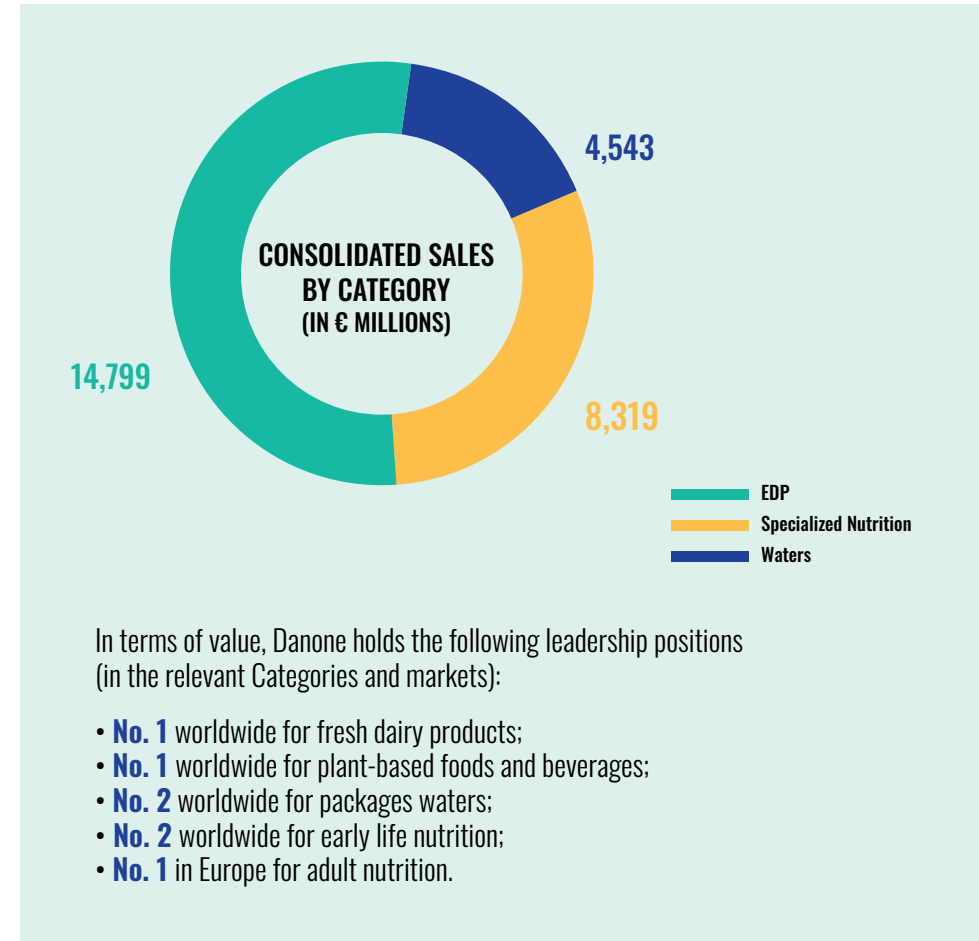


KEY FINANCIAL FIGURES

ACTIVITIES

Danone operates in growing, healthy and on-trend Categories of the Food and Beverages Sector.

- **Essential Dairy and Plant-Based (EDP)** products (54% of the Group's sales in 2022) – Dairy based products mainly include yogurts (classic and drinkable), coffee-related products (coffee creamers and ready-to-drink coffee beverages) and desserts. Plant-based products include plant-based beverages, plant-based alternatives to yogurts, but also new Categories (ice creams, frozen desserts, coffee drinks and cheese).
- **Waters** (16% of the Group's sales in 2022) – which includes mineral waters from natural sources and water-based drinks (waters enriched or infused with natural fruit extracts, fruit juice or vitamins) and
- **Specialized Nutrition** (30% of the Group's sales in 2022) – covering infant milk formulas and complementary food for babies as well as pediatric specialties and adult nutrition. Pediatric specialties are nutrition products designed to meet the specific needs of children diagnosed with certain medical conditions (in particular certain allergies). The adult nutrition portfolio includes oral nutritional supplements for patients suffering from malnutrition caused by illnesses as well as tube feeding for patients who can no longer feed themselves normally.

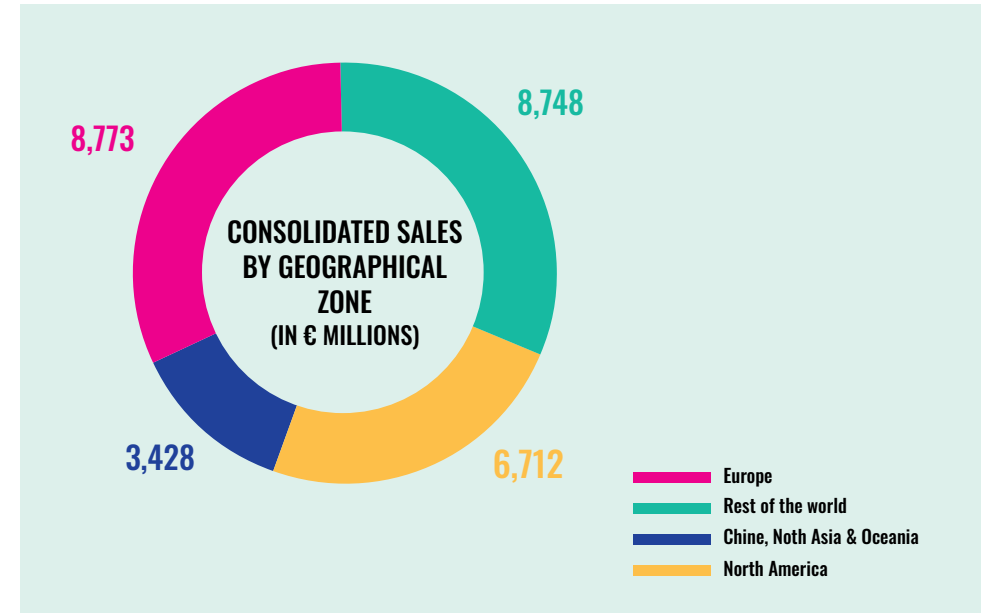


KEY FINANCIAL FIGURES

MAIN MARKETS

Danone operates in 4 geographical zones :

- **Europe** represented 32% of the Group's sales in 2022, with a balanced portfolio of sizeable businesses in all Categories, from EDP to Waters and Specialized Nutrition. Danone's largest markets in Europe are France, Spain, Germany and the United Kingdom.
- **North America**, which represented 24% of the Group's sales in 2022, includes the United States and Canada, across several Categories. The largest businesses of the zone are Dairy, including notably yogurt, milk and coffee related products, and Plant-based. Besides, Danone is also present in Specialized Nutrition and Waters.
- **China, North Asia and Oceania** represented 12% of the Group's sales in 2022. The biggest country of the zone is China, where Danone enjoys strong leadership positions in Infant Milk Formula, Medical Nutrition and Waters. The zone also includes Japan, where Danone sell fresh dairy and plant-based products, as well as Australian and New Zealand for Specialized Nutrition.
- **The rest of the World**, which represented 32% of the Company's sales in 2022:
 - **Latin America**, with the largest contributors being Mexico, Brazil and Argentina;
 - **The Asia / Pacific** region, where the leading countries is Indonesia
 - **Africa and the Middle East**, where the largest markets are Turkey and Morocco
 - **CIS (Commonwealth of Independent States)**, where the largest markets is Russia.



EFFECTIVE TAX RATE

For a given tax year, the Effective Tax Rate corresponds to the sum of taxes (due and deferred) of the Company and its consolidated subsidiaries, divided by the Company's profit before tax as determined based on applicable accounting consolidation rules. The Effective Tax Rate ("ETR") of Danone is higher than the corporate income tax rate in France, where Danone is headquartered. The difference between the consolidated ETR of Danone and the French corporate income tax rate (25.8% for fiscal year 2022, including corporate income tax surcharges) is reconciled in the Danone's Universal Registration Document (Note 9.1 of the Annexes to the Consolidated Accounts). In this respect, Danone's ETR reflects the statutory corporate income tax rates of the countries in which we operate.

(in € millions, except tax rate in percentage)	31/12/2021	31/12/2022
Income before tax	1 995	1 832
Current tax (expense) income	(663)	(738)
Deferred tax (expense) income	73	(40)
Current and deferred tax (expense) income	(589)	(778)
Effective tax rate	29,5%	42,4%

In 2022, the worldwide consolidated amount of corporate income taxes accounted by Danone amounted to 778 million euros. This represents an ETR of 42.4% in 2022 (as compared to 29.5% in 2021). The increase is mostly driven by the impairment of deferred taxes asset related to tax losses in France and the absence of deductibility of goodwill's impairments.

SYNTHETIC TAX PROOF

(in percentage)	31/12/2021	31/12/2022
Country tax rate in France	28,4%	25,8 %
Differences between French and foreign tax rates (a)	(6,6%)	(3,6) %
Tax on dividends and royalties	3,9%	3,6 %
Permanent differences	1,4%	3,3 %
Tax loss carryforwards (b)	3,0%	9,0 %
Tax rate adjustments and unallocated taxes (c)	(0,3%)	(1,3) %
Impact of capital gains and losses on disposal and asset impairment	(0,1%)	6,1 %
Other differences	(0,2%)	(0,4) %
Effective tax rate	29,5%	42,4 %

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

(b) In 2021 and 2022, this comprised the impacts of the non-recognition and impairment of the deferred tax mainly in Latin American countries and France.

(c) In 2022, this corresponds mainly to the absence of deductibility of goodwill's impairments.

Geographical zone	Effective Tax Rate 2022
Europe	32.8%
North America ¹	30.6%
China, North Asia & Oceania ²	28.5%
Rest of the World	- 41.7% ³
Total	42.4%

¹United States and Canada

²China, Japan, Australia and New Zealand

³Negative rate due to negative income before tax (the basis) mainly related to the impairments of goodwill. In addition, the ETR is impacted by the absence of deductibility of goodwill's impairments and the impacts of the non-recognition of the deferred tax assets mainly in Latin American countries.

27.3%
RECURRING ETR

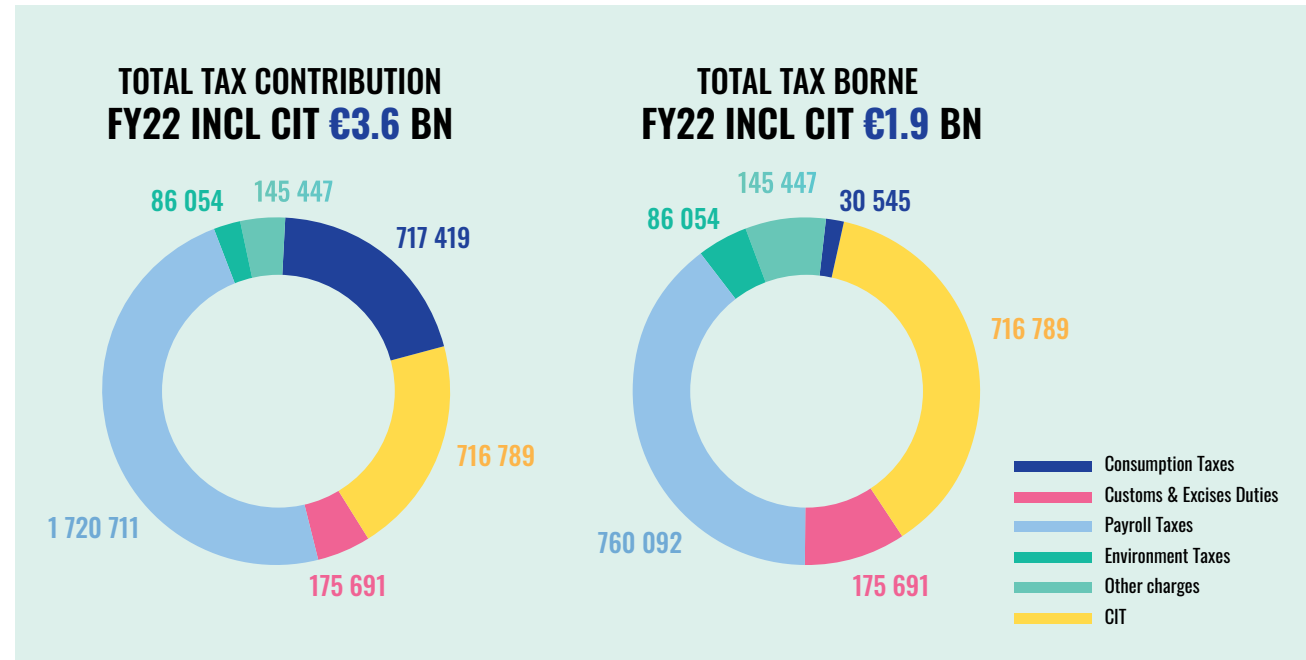
TOTAL TAX CONTRIBUTION

As a multinational located in many jurisdictions, Danone is committed to take its responsibility to pay its fair share of taxes to the host countries of its operations.

The Total Tax Contribution is a measure of all the taxes that a company pays, whether borne or collected. Tax payments of Danone represent a substantial part of our Company's economic contribution to the countries in which we operate. In addition to corporate income taxes, Danone collects and pays numerous other mandatory (tax) contributions. These contributions include employee taxes and social contributions, sales taxes, environmental taxes, as well as customs duties and local transaction taxes.

In 2022, Danone paid a total amount of 3.6 billion euros of contributions (including the amounts collected by Danone on behalf of the local tax authorities) among which a net amount of contributions of 1.9 billion euros.

The difference between the total amount of mandatory contributions paid by Danone and the net amount of mandatory contributions borne by Danone is made up of the amounts collected by Danone on behalf of the local tax authorities (eg. social security contributions, collected VAT, income tax of the employees, etc.).

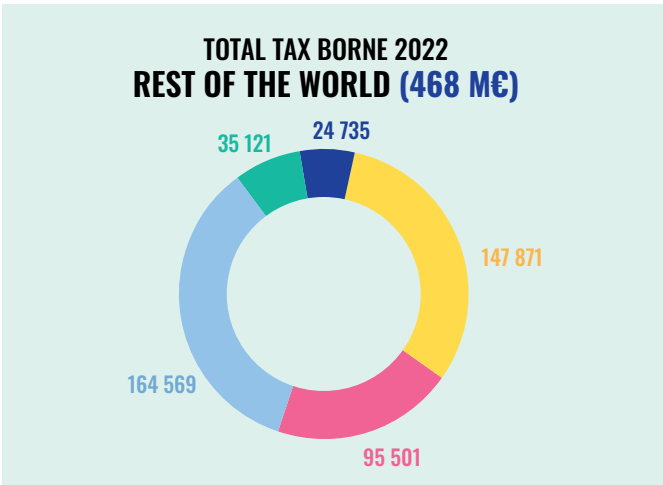
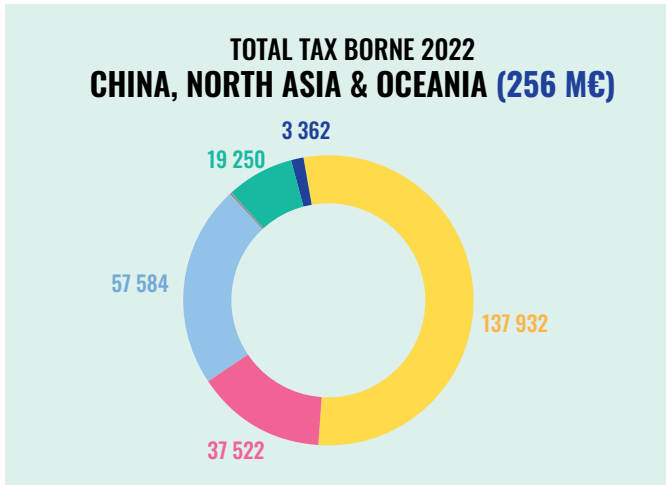
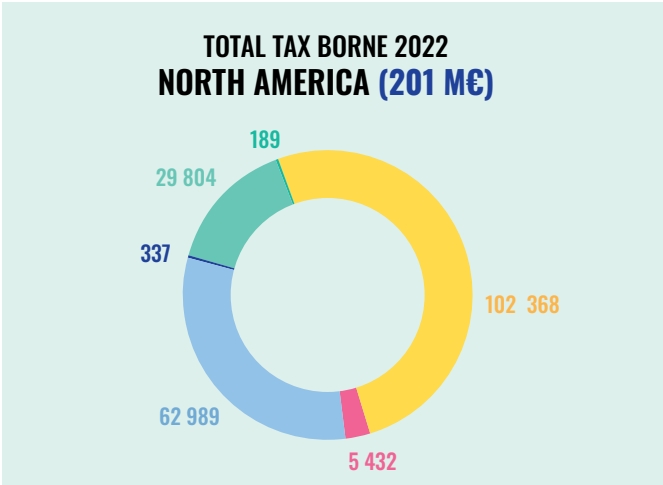
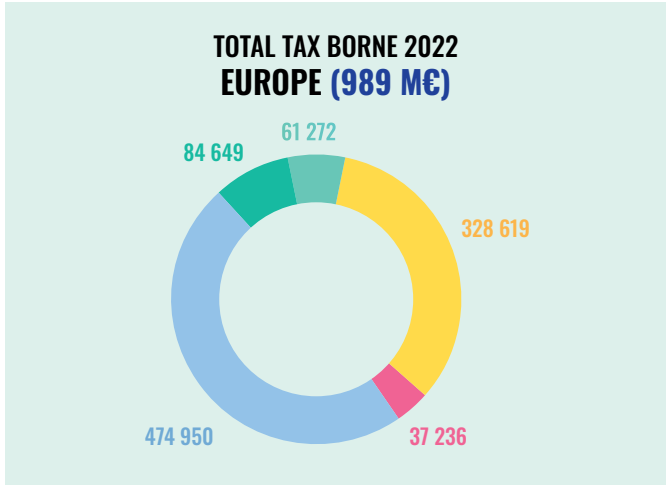


Different category of tax in the Total Tax Contribution:

- **Payroll Taxes** refers to all taxes and social contributions in relation to the employment of staff.
- **Corporate Income Taxes** is paid in all countries where Danone's operations generate business profits.
- **Customs & Excises Duties** correspond to taxes paid on importations and to specific goods due to its ingredients.
- **Environmental Taxes** mainly relate to materials used for our production: Packaging Tax, Waste Tax, Energy Tax, Carbon Tax,...
- **Consumption Taxes** are mainly composed of Value Added Tax (VAT), Good & Services Tax (GST) and Sales Taxes.
- **Other Charges** consist of all taxes and levies not corresponding to the above-mentioned groups of taxes. It includes for example Real Estate Tax, Stamp Duties, Financial Transactions Taxes.

TOTAL TAX CONTRIBUTION

CHART OF THE TAX BORNE FOR THE 4 ZONES



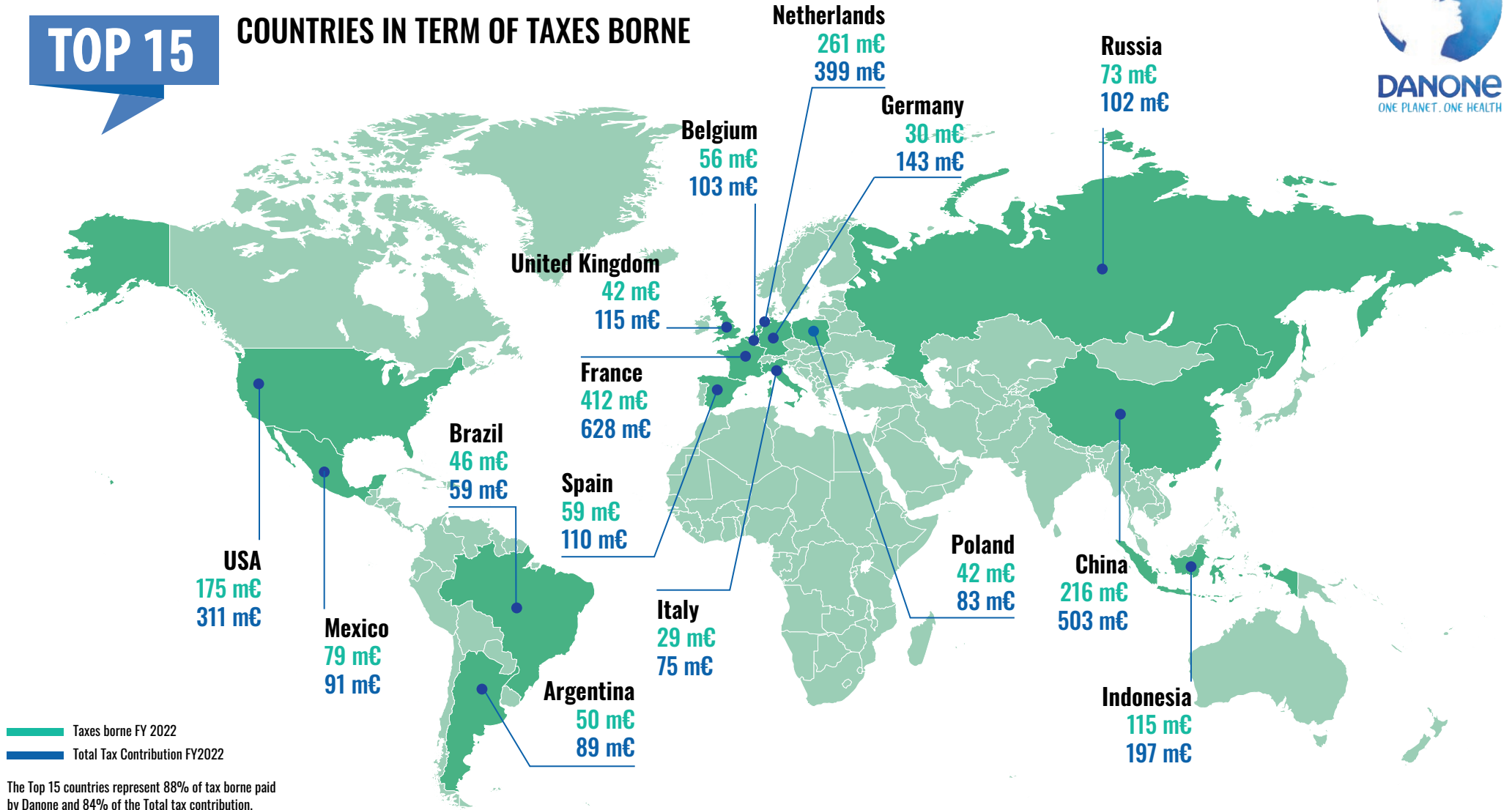
- Consumption Taxes
- Customs & Excises Duties
- Payroll Taxes
- Environment Taxes
- Other charges
- CIT



TOTAL TAX CONTRIBUTION

TOP 15

COUNTRIES IN TERM OF TAXES BORNE



TOTAL TAX CONTRIBUTION



FRANCE

Danone bears the highest amount of mandatory taxes in France where Danone is headquartered and listed. France is the largest European market in terms of Net Sales for all the business categories. Danone's headquarters generate a high tax contribution on payroll. Also, France hosts the main research and innovation center for the Waters and EDP business, manufacturing sites, quality and food safety and marketing & sales functions. In France, the group pays a large range of taxes including corporate income taxes, tax on added value, property taxes, tax on payroll, employer's social contribution and sectorial taxes.



NETHERLANDS

Ever since Danone acquired "Royal Numico" in 2008, a Dutch multinational operating in the baby and medical nutrition food industry headquartered and centrally managed from the Netherlands, Danone acquired a strong footprint in the Netherlands. Today, this business is operated through the Specialized Nutrition ("SN") division within Danone. For SN, the research and innovation, manufacturing, procurement, quality and food safety and global marketing & sales functions are based in the Netherlands. In addition, the Netherlands host the research and innovation center – Nutricia Research - for the SN business as well as 3 manufacturing sites and a global procurement organization for the Danone group. As within other countries, there are also distribution activities for EDP.



CHINA

China is the second largest country of Danone in term of net sales. Danone's business in China mainly focuses on two business segments: its Waters business where it bottles and sells beverages under the brand Mizone, and its Specialized Nutrition business where predominantly Danone's international Early Life Nutrition labels such as Nutrilon and Aptamil are being sold through local sales and distribution organizations. For some years Danone has also been manufacturing and selling certain medical products in Eastern China, Wuxi. Danone recently acquired two manufacturing capabilities: one in Qingdao in the Northeastern part of China and another one in Changsha, Hunan Province, through which Danone aims to expand its local manufacturing footprint for the Early Life Nutrition business. In China Danone is mainly paying consumption taxes, property taxes, payroll taxes and corporate income taxes.



UNITED STATES OF AMERICA

Over the years, Danone has grown its American fresh dairy business to include brands like Activia, Danimals, Light & Fit, and Oikos. The acquisition of the WhiteWave Foods company in 2017 boosted the ambition of Danone in the North American market as well as the plant-based sector through the brands Silk and So Delicious. Danone has also presence in the Waters and Specialized Nutrition market. In 2022, Danone accelerates in the USA on the infant formula market following an urgent food shortage. The USA constitute now the first country in terms of

Net Sales. Danone is paying large range of taxes notably including federal taxes and state taxes. The amount of taxes paid in this country increases compared to last year due to a material tax refund that has been received in 2021 that decreases last year's published amount.



INDONESIA

Indonesia represents one of the main Waters businesses of Danone in terms of net sales through the number 1 bottled water brand Aqua. Danone has many water sources, manufacturing and bottling sites across Indonesia as well as depots from which Danone creates proximity to its customers across the Indonesian archipelago. Danone also has material operations in Indonesia for its Specialized Nutrition business where it locally manufactures and sells Early Life Nutrition mainly under the brand SGM, a brand with long, strong history and heritage going back to 1954. Danone is mainly paying consumption taxes, payroll taxes and corporate income taxes in Indonesia.



MEXICO

Mexico is the largest Latin American country of Danone in term of net sales and in terms of taxes paid in that region. The size of the Mexican business is due to a strong position of the EDP business and also the importance of Waters' sales through the local well-known brand Bonafont. In Mexico, Danone is paying a high level of corporate income taxes according to its profit but is also paying payroll taxes and consumption taxes.

TOTAL TAX CONTRIBUTION



BELGIUM

Danone distributes EDP, Waters and SN products in the Belgium territory. The combination of the three businesses has made Belgium one of the major European countries for Danone. Danone notably owns the iconic plant-based brand Alpro that have a strong position in the Belgium and European plant-based market. This level of operations in Belgium explains the level of taxes being paid in the country. Danone is mainly paying payroll taxes and corporate income taxes in Belgium.



SPAIN

In 1919, the first Danone yogurt were created by Isaac Carasso in Spain, which constitute the historical country of Danone. Over the past century, Danone became the leader in dairy product on Spanish market thanks to its iconic brands Danone, Activia and Actimel, that contribute to the importance of Spain for Danone's business. Danone is also active in Spain through its water brand Fontvella, but also in the SN business through Nutricia. The importance of the Spanish business explains the level of tax paid locally. Danone also owns production plants and store warehouses that result to high payroll taxes, environmental taxes and consumption taxes due and paid in the Spanish territory.



RUSSIA

Russia became an important country for Danone when the company took control over Unimilk in 2010. On October 14th 2022, Danone announces that it has decided to initiate a process to transfer the effective control of its Essential Dairy and Plant-based (EDP) business in Russia. Danone considers that this is the best option to ensure long-term local business continuity, for its employees, consumers and partners. The company is mostly present through the EDP category with a large portfolio of essential dairy products, from yogurt to milk, kefir and cream.



POLAND

Danone entities in Poland are leaders in the respective product categories they operate in: on EDP business mainly through the global brands Danio, Fantasia and Actimel, on Waters business with local brand Zywiec Zdroj and on the SN business with specialized brands Nutricia, Nutrimed and Stomed. The importance of Danone activities in Poland through its two offices in Warsaw and Cięcina, and its 7 production plants, explained the level of tax paid locally, notably social contributions, corporate income tax and environmental taxes. Poland also introduced a new sugar tax in 2021.



ARGENTINA

Danone has been operating in Argentina since few decades with strategic alliance that have been built with local partners to develop its 3 categories of products. Danone is the leader in the dairy market with most recognized local and global brands Yogurísimo, Ser, Casancrem, Danette and Danonino. On 29th April 2022, Danone announced a new partnership with Compañía Cervecerías Unidas to enrich their beverage offerings and strengthen their operations in the country. The Waters business of Danone in Argentina was therefore deconsolidated as of December 2022. Danone has also a presence in the SN market including a factory that export in other Latin America countries. The materiality of Danone business in Argentina explained the amount of tax paid in this country.



GERMANY

Germany is a material market in the European zone for Danone with leading position in all categories. Danone has strong presence in the EDP business with global brands Actimel, Activia, FruchtZwerge (Danonino), on Waters segment with the distribution of French waters brands evian and Volvic, and on the SN business with baby food brand Milupa. Danone owns productions sites for EDP and SN business as well as offices and logistics platform.

TOTAL TAX CONTRIBUTION

UNITED KINGDOM

Danone has an important presence in the market of United Kingdom in all the categories. Danone is leader in the Plant Based market with the Belgium brand Alpro and on the SN business with Aptamil and Cow & Gate. The dairy business is also material with global brand Activia and Actimel as well as the waters business with evian and Volvic distribution. Danone also acquired the British waters brand Harrogate in 2020 to boost its beverage offer. The importance of Danone in the United Kingdom with a center of research and innovation in Liverpool, 3 productions sites, 2 offices in Trowbridge and Chiswick, explained the level of tax paid locally. United Kingdom also set up a new sugar tax in 2021 and has voted an increase of the corporate income tax rate from 19% to 25% as of 2023.

BRAZIL

Present since several decades in Brazil, from the launch of the first yogurt with fruit pulp to the variety of options of today, Danone has conquered the palate of Brazilians with a variety of innovative global products like Yopro, Danone, Activia and Danoninho but also through its local brand Paulista. Danone has also a growing presence in the SN market with Nutricia brands

portfolio. Danone also had a presence in the Brazilian Waters market until 2022. Danone Brazil owns one factory for dairy products and one factory for SN products, both located in the state of Minas Gerais. Danone is paying a wide range of tax and social contributions in Brazil including, Federal taxes, State taxes and Municipal taxes.

ITALY

Danone is present in Italy for several decades through the EDP business with the distribution of global brands like Activia, Actimel and Alpro, but also in the SN market with Mellin and Aptamil.



TAX POLICY

In line with its “dual social and economic project”, Danone is committed to manage its tax policy in a responsible and transparent way. This commitment is in line with Danone’s ambition to achieve “B Corp” certification worldwide⁵, and to meet the highest standards in social and environmental performance, transparency, and accountability.

Guided by this commitment, the tax policy of Danone relies on three key principles.

PREPARE
Ensuring transparent and complete tax compliance 18

PROPOSE
Proposing solutions that are the most relevant for our business 19

PROTECT
Ensuring predictability for the Company 20

⁵ B Corp information in section “Tax governance and application of Corporate Social Responsibility (CSR) standards”



PREPARE

ENSURING TRANSPARENT AND COMPLETE TAX COMPLIANCE

The first objective of the Danone tax policy is to ensure that the Company and its subsidiaries comply with all local tax regulations and laws wherever Danone operates. It means in particular that all tax returns required by law or regulations are filed in due time and all taxes are paid accordingly.

In relation to cross-border transactions, Danone applies the OECD standard and ensures that the transfer pricing policies implemented within Danone respect the “arm’s length principle” . It is part of the mission of the Danone Tax Department to define the transfer pricing policies of each business and to carefully control their correct application within Danone. Also, Danone prepares a Country-by-Country Report, following the international guidelines which is submitted to the French tax authorities each year.

For Danone, cross-border transactions consist mainly of royalty payments for the remuneration of the intangibles owned centrally, management fees for the remuneration of services provided by the French headquarters or locally by shared service centers, payments of interests for financing and payments for raw materials and finished products. Those cross-border transactions are docu-

mented in each country and fully disclosed to the local authorities whenever required.

Finally, on a consolidated basis, Danone supervises the overall amount of corporate income taxes paid by Danone on a worldwide basis. Danone is fully committed to transparency towards local tax administrations.

® In order to avoid artificial transfer of profits, the so-called « arm's length principle » aims at setting the price of intragroup transactions within multinational groups as if they were carried out between independent parties.



PROPOSE

PROPOSING TAX SOLUTIONS THAT ARE THE MOST RELEVANT TO THE REALITY OF OUR BUSINESS

The tax department of Danone monitors the tax situation of the group according to the reality of Danone's activities and ensures that the most relevant options are implemented when available according to local laws and regulations.

The mission of the Danone Tax Department also encompasses the monitoring of the payment deadlines for all taxes to ensure an optimized management of the cash.

Due to the complexity of the various tax systems all over the world, multinational groups very often face situations of “double taxation” when the same economic profit is taxed in two different jurisdictions. As part of its mission, the Danone Tax Department seeks to mitigate such situations of “double taxation” by relying on the good application of the tax treaties signed by the countries where Danone operates. When it is necessary, Danone is willing to open mutual agreement procedure (MAP) that allow competent authorities to interact with the intent to resolve international tax disputes.

The Danone Tax Department is organized through a corporate team and local professionals working closely with the operations. The Tax Department is in charge of assisting the business in the development of the operations and contributes to the implementation of the most efficient organization. When proposing tax solutions, the Danone Tax Department is committed not to implement aggressive tax planning schemes that would disconnect from the conduct of the business or to enter into artificial tax planning arrangements.

In accordance with its social responsibility, Danone also contributes to the public debate. In the field of taxation, Danone regularly participates in consultations initiated by governments, tax authorities and international organizations in order to help progress towards more effective tax policies (e.g. OECD / IF's Pillar One & Two initiatives). In that sense, Danone notably provides input to governments and international organizations about potential impacts of tax changes to the economic environment.



PROTECT

ENSURING PREDICTABILITY FOR THE COMPANY

Finally, the tax policy of Danone aims at providing financial visibility and mid-term projections for the Company.

In this perspective, the Danone tax department constantly monitors proposed draft legislations around the world, so as to anticipate the financial consequences of tax law evolutions. Besides, Danone regularly reviews areas of tax risks, which may result from potential challenges of the Company's tax positions by local tax authorities.

In order to minimize the risks of potential tax disputes, the Danone Tax Department is encouraged to engage proactively with local tax authorities whenever possible. In addition, Danone tax professionals are committed to exchange information with tax authorities in a cooperative and transparent manner.

However, situations may still arise where the positions of the Company are challenged by local tax authorities. Disagreements with tax administrations may result from divergent interpretation of local or international tax provisions. In addition, jurisdictional conflicts may lead to challenges regarding the appropriate country in which a specific item of profit shall be taxed. As a result, Danone manages tax audits that may be initiated anywhere in the world where the Company operates its business.

An important mission of the Danone Tax Department is to ensure a good defense of the Company by making sure that all technical questions of the local tax administration are answered in due time. In order to monitor a good level of information around tax audits and potential tax risks internally, Danone Tax Department put in place internal process called Tax Risk Mapping (TRM). When necessary, Danone put in place specific processes to ensure good application of tax regulations (i.e. DAC 6 in the European Union). In certain cases, the defense of the Company's interests may lead to litigation processes. The Danone Tax Department is then in charge of following up on litigation processes initiated locally.

On March 14th, 2019, Danone signed a partnership agreement with the French tax authorities as part of the «Confiance Plus» program, which aims at developing transparency, trust and collaboration between taxpayers and the French tax administration. As part of "Confiance Plus", Danone maintains a continuous and transparent dialogue with French tax authorities on its French and international tax matters. This partnership is a natural fit with Danone's tax policy, which aims above all to ensure the compliance of our company with the applicable tax provisions and to ensure the security of our technical positions.

In the Netherlands, Danone, as part of the top 100 taxpayers, agreed with the Dutch Tax Authorities on a "Individual Monitoring Plan" (IMP).

This IMP is based on a joint risk assessment where parties will discuss on a regular basis the main risks and developments. The taxes covered are VAT, CIT and Wage tax.

These partnerships are a natural fit with Danone's tax policy, which aims above all to ensure the compliance of our company with the applicable tax provisions and to ensure the security of our technical positions.



TRANSPARENCY ON RECURRING QUESTIONS

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CODE OF CONDUCT

GUARANTEE ON DANONE'S TAX REPUTATION



Danone's Tax Code of Conduct aims at setting out the principles which guide our actions and decisions as members of the B Team. This Code details the guiding principles that Danone's tax teams may know and apply. Obviously, the principles set out below are general and may not be directly applicable to a given specific situation, considering especially the diversity and complexity of circumstances that may arise. But every given situation must be examined in the light of those directing principles, which shall constantly guide our decision-making process in relation with tax matters.

OUR TAX OF CONDUCT TOWARDS THIRD PARTIES

In our dealings with third parties, our attitude shall be open and transparent. Towards the public, we strive to explain our tax policy, while protecting the confidentiality of strategic business information. Towards the tax authorities, we take a cooperative approach within the framework of our regulatory obligations.

COMMUNICATION TOWARDS THE PUBLIC

Tax is a key challenge for the budget of States and a topic of interest to all citizens. Despite its complexity, the taxation of corporations must therefore be subject to explanations. While preserving the confidentiality of business information which may affect their competitiveness, corporations shall communicate on tax matters. As a listed company, Danone reports its consolidated corporate income tax charge on an annual basis. Reported corporate income tax figures are audited by Danone's external auditors and therefore constitute a reliable and publicly available piece of information. In addition, we are striving to initiate new processes aiming at increasing reported data linked to the distribution of our consolidated corporate income tax charge, with due regard to confidentiality of strategic data.

In addition, we are committed to publish the Danone Tax Strategy each year, and to describe our guiding principles in relation with tax matters.



CODE OF CONDUCT

GUARANTEE ON DANONE'S TAX REPUTATION



TRANSPARENCY AND COOPERATION IN OUR DEALINGS WITH TAX AUTHORITIES

We are committed to communicate with the local tax authorities in a transparent and cooperative manner. We comply with all documentation requirements that are imposed in the various countries where we operate. When possible from a practical and legal standpoint, we strive to answer to the tax authorities' requests. In our dealings with the tax authorities, we try to set up a frank and courteous dialogue, with a cooperative mindset. During tax audits taking place at our premises, we make available to the tax administrations the materials resources required for the conduct of their mission.

Furthermore, we are committed to contribute to the open debate relating to corporate taxation. We participate, directly or through professional associations, to public consultations initiated by governments, tax authorities and international organizations, with the objective to support the development of effective tax policies.

CONFORMITY IN OUR DEALINGS WITH PUBLIC AGENTS

In our dealings with public agents, we strictly comply with the Danone's Code of Business Conduct and the Danone's Integrity Policy. Amiable settlements that may be concluded with tax administrations to extinguish tax disputes shall be entered in compliance with local rules and regulations. Discussions initiated with tax administrations with the objective to settle tax disputes shall be conducted with qualified public officials and fully disclosed to their hierarchy. Those discussions shall never give rise to any monetary compensation or other benefits in kind.

CODE OF CONDUCT

GUARANTEE ON DANONE'S TAX REPUTATION

OUR TAX CODE OF CONDUCT TOWARDS THE DANONE COMPANY

When conducting our missions, we constantly keep in mind that we work for Danone's global success. In that sense, our tax decisions are made with due regard to Danone's strategic and operational objectives. We treat our Danone colleagues like internal clients and provide them with our technical support.

ALIGNMENT WITH DANONE'S STRATEGY

The management of Danone's tax affairs shall not be disconnected from the Company's strategy. When making tax decisions, we consider the global impact for Danone, not only financial efficiency. We may opt for solutions that are advantageous from a tax standpoint, but only to the extent that they do not contradict Danone's mission and strategy.

In addition, we make our expertise available to support projects connected to the pursuit of the Danone Dual Project. We contribute to those projects whenever required and engage actively in their implementation.

SUSTAINABILITY OF TAX SOLUTIONS

We make sure that the most relevant tax options are elected for in accordance Danone's business and with applicable laws and regulations. Within that framework, we favor sustainable solutions and do not retain short-term options to the detriment of long-term perspectives. Our tax recommendations shall be aligned with the reality of Danone's operations and the objectives pursued by the Danone's activities.

We are committed not to implement aggressive tax strategies that would be disconnected from Danone's operations or to set up artificial tax schemes.

OPENESS AND TRANSVERSALITY

We contribute to establish a collaborative approach within the various departments of Danone. We encourage that collaborative spirit by describing our missions and projects in a clear manner and we do not confine ourselves into an expert position. We take every opportunity to spread a culture of tax compliance within Danone, especially by explaining our missions to the other departments and operational people.

We show conviction and are able to communicate effectively with non-tax people. We treat our Danone colleagues as internal clients and provide them with our technical support.

IMPLEMENTATION OF THE DANONE TAX POLICY

In all countries, we embrace the guiding principles set out by Danone in relation with tax matters and we apply the Danone Tax Policy. Any decisions having a material impact on the local tax position are systematically discussed with the Corporate Tax Team. The members of the Danone Tax Team proactively report any option, decision or scheme which may potentially deviate from the Danone Tax Policy.

In 2022, Danone implemented a new online training regarding Danone tax policy that will be propose to all newcomers. The Corporate Tax Team also organizes regular internal training and webcast to ensure to correct application of the group tax policy. All newcomers in the tax department can have access to the Tax policy, the Tax code of conduct, the Tax Transparency report as well as individual onboarding sessions at any time.

FOCUS ON SPECIFIC LOCATIONS

Even though there is no universal definition to determine legally and precisely a “tax heaven”, Danone has chosen to share relevant information about its location in some jurisdictions that could be highlighted. Danone reminds that the presence of an entity in a low tax jurisdiction is not necessarily link to tax purposes. In many situations, the income derived by such entity is subject to the statutory corporate tax rate in its country or in the country of its parent company. Danone applies B Team’s Responsible Tax Principles number 3 in its business structure meaning that Danone do not use so-called “tax havens” in order to avoid taxes on activities which take place elsewhere. Danone publishes every year its list of subsidiaries in its website.



HONG KONG, CHINA

Danone has distribution activities for the SN division in Hong Kong under which mainly international labels such as Nutrilon and Aptamil are being sold. Danone furthermore also owns several holding entities in Hong Kong that were mainly inherited through past acquisitions. Danone to date still holds a holding company in Hong Kong that stems from the acquisition of Yili, its China water business that has been divested in 2020, and Hong Kong companies established by a US based group called WhiteWave Foods to support its Asia operations. Danone is in the process of winding down these entities.



HUNGARY

Hungary constitutes a usual place of business for Danone in Europe for its EDP and SN business.



IRELAND

Ireland constitutes a usual place of business for Danone in Europe for its EDP and SN business. Ireland also constitutes an important place of production for the SN business with two production sites in Macroom and Wexford.



LUXEMBOURG

Danone’s legal entities in Luxembourg are a legacy from the acquisition of the WhiteWave Foods company in 2017. Luxembourg was the common base for American multinationals to invest in Europe. These entities play no role in the global tax burden of the group. Danone has initiated several projects during the past few years in order to close most of the Luxembourg inherited entities. Danone also owns a reinsurance company in Luxembourg for operational reason.



SINGAPORE

Singapore is the regional headquarters of Danone for the Asia-Pacific region including the Middle East. From this location key corporate support services are rendered across the zone.. Besides strategic management, procurement activities for the global Waters division is also led from Singapore as well as the sourcing of milk ingredients for the SN manufacturing sites in the region. Singapore also has research facilities housed in the Precision Nutrition D-Lab where capabilities on digital innovation and microbiology, gut, and immunology take place. For Danone, Singapore also plays a pivotal role in the management and execution of acquisitions and divestments in the region.



SWITZERLAND

Switzerland is an operational place of business for Danone in Europe for its EDP, Waters and SN business.



UNITED ARAB EMIRATES

The legal entities established in the United Arab Emirates are mainly entities with distribution activities for the SN business, seeking proximity to customers in the United Arab Emirates as well as in other surrounding countries in the Middle East.

TAX GOVERNANCE AND APPLICATION OF CORPORATE SOCIAL RESPONSIBILITY STANDARDS

Tax governance is embedded into Danone's engagement for a sustainable business model and to Danone's dual project of economic success and social progress. Danone is applying some external tax responsible standards into its tax strategy and tax communication. Tax responsibility is also part of CSR rating agencies concerns. Danone regularly answer to their request on tax matters in a transparent approach.



BENEFIT CORPORATION (B CORP)

B Corp is a movement of companies established to meet the highest standards of social and environmental criteria using their business as a force for good. Since 2015, Danone has partnered with B Lab to help define a meaningful and manageable path to certification for multinationals and publicly traded companies, as well as accelerate growth of the B Corp movement into the mainstream. This goal is supported by Danone's decision to become a Société à Mission (2020). It is also an expression of Danone's long-time commitment to sustainable business and to Danone's dual project of economic success and social progress. In order to obtain the B Corp certification, Danone has to comply with certain tax requirements including the publication of its Tax Policy and the Effective Tax Rate.



GLOBAL REPORTING INITIATIVE (GRI)– STANDARD 207 TAX

This Standard is part of the set of GRI Sustainability Reporting Standards (GRI Standards). The Standards are designed to be used by organizations to report about their impacts on the economy, the environment, and society. The standard GRI 207 is focusing on the importance of tax as source of governments revenue and are central to the fiscal policy and macroeconomic stability of countries.

GRI 207 requires companies to disclose information about their approach to tax, their tax governance including control and risk management as well as the approach of stakeholder engagement. The standard also requires disclosure of financial and tax information on a country by country basis where the group operates through the standards GRI 207-4.

Danone is increasing compliance with GRI standards on its sustainable reports and Danone will also prioritize these standards for its tax publications in the next few years.

THE B TEAM ►

THE B TEAM - RESPONSIBLE TAX PRINCIPLES

On March 25th, 2021, Danone joined a group of companies endorsing the B TEAM responsible tax principles as a blueprint to evolve its own tax policies and practices while advocating for a fairer and more sustainable global tax system. The B Team has developed a set of responsible tax principles that offer a clear framework for responsible tax practices. B Team's responsible Tax Principles require Danone to include tax as a core part of corporate responsibility and governance, to fully comply with tax legislation of the countries in which Danone operates and to pay the right amount of tax, in the right time, in the right place. The principles are requesting to develop cooperative relationship with tax authorities based on mutual respect, transparency and trust, and therefore to contribute to the development of an effective tax system and legislation around the world. B Team proposes also to provide regular information to our stakeholders, including investors, policy makers, employees, civil society and the general public, about Danone's approach to tax and taxes paid which is of one of the objectives of this tax report. Danone's tax policy and tax code of conduct are deeply inspired by the seven B Team's Responsible Tax Principles.

In 2022, Danone has volunteered before being a pilot for accountability mechanism through a peer review with another B Team member. This initiative shows the willingness of Danone to encourage tax transparency practices.

TAX GOVERNANCE AND APPLICATION OF CORPORATE SOCIAL RESPONSIBILITY STANDARDS

EXTERNAL EVALUATIONS

Danone's commitments and achievements regarding its sustainability priorities are externally assessed. The Environmental, Social and Governance (ESG) ratings, which assess us on our overall sustainability strategy (MSCI, Vigeo-Eiris, Sustainalytics...), address mainly financial audience. These assessments include questions regarding the tax policy of Danone. Others non-financial rating agency assess us on specific topics such as nutrition and health issues (ATNI), climate change (CDP) or gender equality (Bloomberg Gender Equality Index), address a broader scope of stakeholders.

MOODY'S | ESG Solutions

Danone was last evaluated by **Moody's ESG Solutions** (formerly Vigeo Eiris) in August 2022, as part of the Food sector. With this evaluation, Danone was awarded an overall ESG score of 75/100, considered as "advanced". Danone achieved rank 1/37 in the sector, 4/1616 in the region and 4/4826 in the world.

SUSTAINALYTICS

As of November 2021, Danone obtained a Sector-leader Low Risk Profile for the Food Products industry in the **Sustainalytics** environmental, social and governance (ESG) rating.

MSCI ESG RATINGS

In July 2021, Danone received a rating of AAA (on a scale of AAA-CCC) in the **MSCI ESG Ratings** assessment. MSCI ESG Research provides MSCI ESG Ratings on global public and a few private companies on a scale of AAA (leader) to CCC (laggard), according to exposure to industry-specific ESG risks and the ability to manage those risks relative to peers.



For the fourth year in a row, Danone has been highlighted as a world environmental leader with triple 'A' score given by the international non-profit organization **CDP**, whose disclosure and scoring system is recognized as the leading standard of corporate environmental transparency.

Out of the nearly 15,000 companies scored in 2022, Danone is one of the only 13 companies that achieved a place on the A List for the three environmental areas covered by CDP: climate change, forest preservation and water security.

Danone's inclusion once again this year in this A list for each of the three areas is a strong recognition of its environmental actions, and progress towards its ambition of reaching net-zero emissions across its full value chain by 2050.

Danone also continues to record high performance with other external evaluation agencies.

APPENDIX METHODOLOGY

1) DATA USE FOR THE REPORT

The data included in the section Key Financial Figures and Effective Tax Rate are sourced from the system use for the consolidation of Danone's financial statements. Danone entities report their financial performance IFRS standards. The same source of data is used in the Universal Registration Documentation (URD). The consolidation system is also used to collect the data reported in the section Total Tax Contribution, without a direct link in the system with the packages used for annual consolidated financial statements. Danone's tax department sets an internal process to insure the collection of the total contribution.

2) SCOPE OF THE ENTITIES IN THE REPORT

The data used in the Report includes all fully consolidated companies under the IFRS standards. The report excludes companies consolidated under equity method. Permanent establishments (PE) and branches are reported in the country of activity of the PE or branch.

3) TAX DATA IN THE REPORT

This report is not audited by external auditors. However, the data included in the section Key Financial Figures and Effective Tax Rate are sourced from the system use for the consolidation of Danone's financial statements, that are audited in light of the publication of annual financial statements. Furthermore, Danone put in place internal process to ensure the accuracy of the *Total Tax Contribution* figures.



GLOSSARY

CORPORATE INCOME TAX (CIT)

All taxes that are based on the taxable profits of the company for which the accounting is defined by IAS 12 including current and deferred income tax expenses. The Corporate Income Tax is paid in all countries where Danone's operations generate business profits.

It includes:

- **Current Income Tax**

The income tax due on taxable profits of an accounting period including taxes for the current fiscal year and previous periods.

- **Deferred Income Tax**

The income tax due on temporary differences between accounting values and tax bases for the current fiscal year and previous periods and deferred taxes related to tax losses carried forward.

CORPORATE INCOME TAX PAID

Income taxes paid relate to taxes imposed on Danone entities' income or profits (taxable income) paid in the relevant fiscal year. The Corporate Income Tax is paid in all countries where Danone's operations generate business profits.

- **Payroll Taxes**

Refers to all taxes and social contributions in relation to the employment of staff. It notably includes the employee social contributions, on behalf of employee and employer, and withholding tax on personal income.

- **Customs & Excises Duties**

Correspond to taxes paid on importations and to specific goods due to its ingredients. It also includes for some countries the sugar taxes and the taxes on waters.

- **Environmental Taxes**

Mainly relate to materials used for our production: Packaging Tax, Waste Tax, Energy Tax, Carbon Tax,...

- **Consumption Taxes**

The consumption taxes are mainly composed of Value Added Tax (VAT), Good & Services Tax (GST) and Sales Taxes. Some of the consumption taxes can give the right of a tax credit refundable (ex: VAT).

- **Other Charges**

Consist of all taxes and levies not corresponding to the above-mentioned groups of taxes. It includes for example Real Estate Tax, Stamp Duties, Financial Transactions Taxes.





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DANONE
ONE PLANET. ONE HEALTH