Danone

ONE PLANET. ONE HEALTH

UNIVERSAL REGISTRATION DOCUMENT

ANNUAL FINANCIAL REPORT

2019

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DANONE GOALS BY 2030

DANONE
A FRENCH CORPORATION (SOCIÉTÉ ANONYME) WITH SHARE CAPITAL OF €171,530,201.50
REGISTERED OFFICE: 17, BOULEVARD HAUSSMANN, 75009 PARIS

PARIS TRADE AND COMPANIES REGISTER NUMBER: 552 032 534

2019

UNIVERSAL REGISTRATION DOCUMENT

ANNUAL FINANCIAL REPORT

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

AUTORITÉ DES MARCHÉS FINANCIERS AMF

This Universal Registration Document was filed with the French Financial Markets Authority (Autorité des Marchés Financiers or AMF) on March 19, 2020, 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.

"2019 has been a year of strong progress for Danone both in terms of the delivery and the transformation of our Company. The sequential acceleration of our business quarter after quarter is evidence that we are in the right direction on sustainable profitable growth, while navigating multiple headwinds.

I am also excited that our 100,000 employees became shareholders at our AGM last year, and that our "One Person. One Voice. One share" program has entered into its second year resulting in 90,000 of our team members voicing their opinions for the Company local and global strategy, and in 26 volunteers having a direct and structured dialogue with non executive Board members.

We end this five-year period of our Danone 2020 plan with a recurring EPS cumulative increase of 50%, a financial deleverage one year ahead of our plan, and a business that embraced the food revolution, leading on flexitarian proteins, organic food and regenerative agriculture.

Yet we read the last 12 months as a shifting point in civil society, consumer, government, financial institutions attitudes and expectations towards the daunting climate and nature issues we are collectively facing. For Danone, as a company that has adopted One Planet. One Health. as a vision and as a business model, this is a strategic topic.

On that front, we are proud that we were able to reach the peak of our full scope carbon emissions last year, literally five years ahead of our 2015 plan, and that our efforts on regenerative agriculture have already resulted in a 9% carbon productivity in our farmers' fields over the last 2 years. This is critical to ensure the resilience of farms, sinking carbon in the soil, therefore reintroducing organic matter and fertility, and saving costs, pesticides, chemical intrants, and water at a critical climate juncture for agriculture.

Yet, we are convinced that there is an urgent and significant opportunity to put climate actions even more at the core of our business model, truly joining people's fight for climate and nature with the power of our brands.

To this effect, we announce a €2 billion climate acceleration plan today, which in the next three years will further transform our agriculture, energy and operations, packaging, and digital capabilities so that we will leverage fully our climate action to generate resilient growth models for our brands.

This is backing my confidence in the relevance of our investment plan in the next three years and in both our short term guidance and mid term objectives as we are setting the company on a unique path of deep alignment between its vision and execution.

We start this year under the uncertain clouds of the coronavirus. Our priority is on the health and safety of our employees, business partners, customers and the communities in which we operate, hand in hand with the work of authorities. I would like in particular to commend and deeply thank our teams in China for their incredible commitment to their mission serving relentlessly families, parents, babies and elderlies despite the difficult conditions. Let me express my support and empathy for the difficulties and challenges they face and my confidence that life will return to normal in China and beyond."

Emmanuel FABER, Chairman and Chief Executive Officer

+2.6% [a]	+76 bps [b]	+8.3% [b]	+12.5% [b]
€25.3 bn	15.21%	€3.85	€2.5 bn
SALES	RECURRING OPERATING MARGIN	RECURRING EPS	FREE CASH FLOW
2.8x	€2.10	AAA [c]	-24.8% [d]
NET DEBT / EBITDA	+8% DIVIDEND PER SHARE	ONE OF THE 6 WORLDWIDE COMPANIES RANKED "AAA" BY CDP	REDUCTION IN CARBON EMISSION INTENSITY ON DANONE'S FULL SCOPE

(a) On a like-for-like basis.
(b) On a reported basis.
(c) Scores obtained as part of the CDP Climate Change, CDP Water and CDP Forests questionnaires.
(d) Compared to 2015 baseline, based on a constant consolidation scope and a constant methodology. In line with Danone's commitment of 50% carbon equivalent intensity reduction full scope (scopes 1, 2 and 3) by 2030.

	ESSENTIAL DAIRY & PLANT-BASED	SPECIALIZED NUTRITION	WATERS
Sales	€13.2 bn +1.1% [a]	€7.6 bn +5.8% [a]	€4.6 bn +1.5% [a]
Recurring Operating Margin	10.22% +13 bps [b]	25.26% +49 bps [b]	12.98% +219 bps [b]

KEYS FINANCIAL FIGURES

In millions of euros except if stated otherwise	2018	2019	Reported Change	Like-for-like
Sales	**24,651**	**25,287**	**+2.6%**	**+2.6%**
Recurring operating income [e]	**3,562**	**3,846**	**+8,0%**	**+7.4%**
Recurring operating margin [e]	***14.45%***	***15.21%***	***+76 bps***	***+71 bps***
Non-recurring operating income and expenses	(821)	(609)	+212	
Operating income	2,741	3,237	+18.1%	
Operating margin	*11.12%*	*12.80%*	*+168 bps*	
Recurring net income – Group share [e]	**2,304**	**2,516**	**+9.2%**	
Non-recurring net income – Group share	46	(586)	(632)	
Net income – Group share	2,349	1,929	(17.9%)	
Recurring EPS [e] *(in €)*	**3.56**	**3.85**	**+8.3%**	
EPS *(in €)*	3.63	2.95	(18.7%)	
Free cash flow [e]	**2,232**	**2,510**	**+12.5%**	
Cash flow from operating activities	3,111	3,444	+10.7%	

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

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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 by the Extraordinary Shareholders' Meeting of April 25, 2013
Registered office	17, boulevard Haussmann, in Paris (75009), France. Tel: +33 (0)1 44 35 20 20
Website	www.danone.com Information that can be found on the Company's website is not an integral part of this document, except if incorporated by reference into said document.
Information about branches (Article L.232-1 of the French commercial code)	Branch (secondary office) located at 152, boulevard Victor Hugo, in Saint-Ouen (93487), 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).

STATUTORY AUDITORS

Principal Statutory auditors

	Ernst & Young Audit Member of the *Compagnie Régionale des Commissaires aux comptes de Versailles*	**PricewaterhouseCoopers Audit** Member of the *Compagnie Régionale des Commissaires aux comptes de Versailles*
Address	Tour First, 1, place des Saisons, TSA 14444 92037 Paris-La Défense Cedex	63, rue de Villiers 92208 Neuilly-sur-Seine Cedex
Represented by	Gilles COHEN and Pierre-Henri PAGNON	Anik CHAUMARTIN 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 Annual Report 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 2019 and outlook for 2020* and from Danone's consolidated financial statements for fiscal year 2019 prepared in accordance IFRS, which, together with the Notes to the consolidated financial statements for fiscal year 2019 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:

ALMA	Region that includes Asia/Pacific, Latin America, Middle East and Africa.
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 2019 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.
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, 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)	Long-term compensation in cash 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 Reporting Entities.
Rest of the World	Region that includes the ALMA and CIS regions.
Sales	Danone's consolidated sales
Specialized Nutrition	All references herein to the "Specialized Nutrition" Reporting Entity refer to production and distribution of specialized food, for babies and young children to complement breast-feeding, and for people afflicted with certain illnesses or frail elderly people.
Waters	All references herein to the "Waters" Reporting Entity refer to bottled water, water sold in large containers (jugs), and water sold in small containers.

INCORPORATION BY REFERENCE

Pursuant to article 28 of regulation (EC) No. 809/2004 of the European Commission dated April 29, 2004 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:

		2017		2018
Incorporation by reference	**Registration Document**	**Pages**	**Registration Document**	**Pages**
Consolidated financial statements and the Statutory auditors' report for the fiscal year ended December 31	filed with the AMF on March 12, 2018 (filing number D.18-0116)	74 to 136	filed with the AMF on March 13, 2019 (filing number D.19-0141)	66 to 133
Annual financial statements and the Statutory auditors' report for the fiscal year ended December 31		137 to 156		134 to 154
Selected financial information, the Group's management report and all non-financial information for the fiscal year ended December 31		2 to 3, 48 to 65		2 to 3, 46 to 60

1.3 PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT

PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT

Emmanuel FABER

Chairman and Chief Executive Officer of Danone

STATEMENT BY THE PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT

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

Paris, March 19, 2020

"I hereby certify, after having taken all reasonable measures, 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."

Chairman and Chief Executive Officer,

Emmanuel FABER

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2

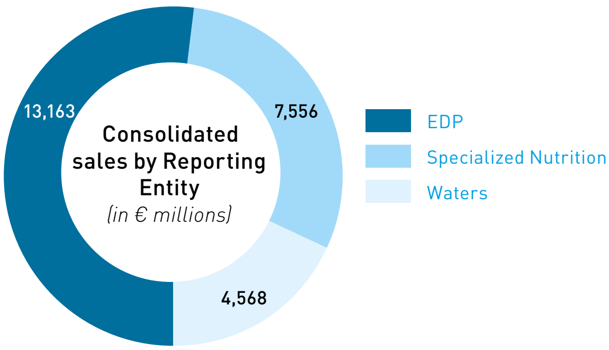
OVERVIEW OF ACTIVITIES, RISK FACTORS

2.1 PRESENTATION OF DANONE

ACTIVITIES

With its mission 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 (52% of the Company's sales in 2019);
- Specialized Nutrition (30% of the Company's sales in 2019) which combines the early life nutrition and advanced medical nutrition activities;
- Waters (18% of the Company's sales in 2019).



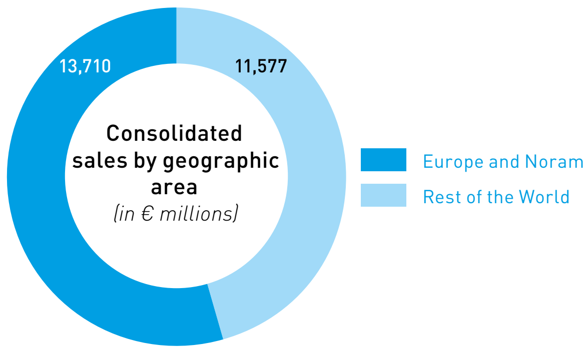
In terms of value, Danone holds the following leadership positions (in the relevant categories and markets):

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

MAIN MARKETS

Danone's organization is structured around two geographical areas:

- Europe and Noram, which represented 54% of the Company's sales in 2019, 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 46% of the Company's sales in 2019:
  - in Latin America, the main contributors are Mexico, Argentina and Brazil, with all the Company's activities present in this region;
  - in the Asia/Pacific region, the leading countries are China and Indonesia thanks to their strong presence in the Waters and Specialized Nutrition Reporting Entities;
  - in Africa and the Middle East, the largest markets are Morocco and Turkey, with activity focused mainly on Essential Dairy & Plant-Based and Waters.



Top 10 countries in terms of sales

	Year ended December 31	
(in percentage)	**2018**	**2019**
United States	20%	19%
China	9%	10%
France	9%	9%
Russia	6%	6%
Indonesia	5%	6%
United Kingdom	5%	5%
Mexico	4%	5%
Spain	4%	4%
Germany	3%	3%
Brazil	3%	3%

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

Top 10 customers

In 2019, Danone's top 10 customers worldwide (five of which are French) accounted for approximately 20% of its consolidated sales; the top five customers represented approximately 13% of its consolidated sales.

2.2 STRATEGIC PRIORITIES

DANONE'S "ONE PLANET. ONE HEALTH" VISION

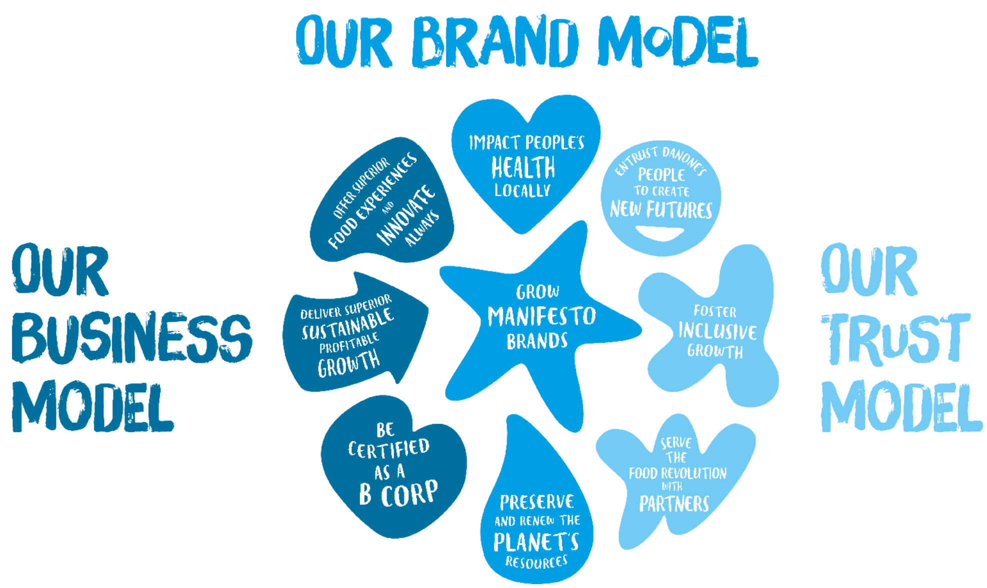
Launched in 2017, Danone's "One Planet. One Health" vision reflects its strong belief that people's and the planet's health are interconnected. This vision builds on decades of responsible business stewardship and lies at the core of Danone's strategic priorities. Danone is committed to offering people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

This vision is inspired by the food generation, *i.e.* the growing number of people who increasingly care about where their food comes from, how it was grown, how it arrived to them, as well as about social and environmental practices of brands. Danone aims to play a key role in this food revolution, and encourages consumers to make better choices, by improving the nutritional quality of products, by proposing innovative formats and packaging, adapted to increasingly nomadic lifestyles, and by improving its distribution channels.

To deliver on its mission of "bringing health through food to as many people as possible", Danone goes beyond taking care of the nutritional needs of consumers. Danone offers products and services suited to each community's specificities by taking into account cultural, social, emotional and physiological aspects related to dietary practices in each part of the world. Danone's goal is to be an agent of positive change towards a healthy world, through food.

DANONE 2030 GOALS

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



Danone's Business Model

Offer superior food experiences and innovate, always

Danone commits to high quality and food safety standards. Danone stands for sustainably sourced ingredients, for naturalness and transparency, and for simple recipes and clean labels, supported by its strong innovation capabilities. Danone believes these are key fundamentals to create superior food experiences for people, as this will remain the first driver of healthier and more sustainable choices.

Deliver superior sustainable profitable growth

Danone builds on a unique health-focused product offering in some of the fastest growing categories, responding to today's and tomorrow's eating and drinking trends. Danone builds on a clear roadmap around three priorities: accelerate growth, maximize efficiencies and allocate capital with discipline and is expecting to deliver in the mid-term a consistent mid-to-high single digit recurring EPS growth with like-for-like sales growth to be in the 3% to 5% range. The accelerated transformation of the company will continue to be supported by very disciplined capital allocation, with a Net Debt/EBITDA ratio that the company expects to maintain in the 2.5 x-3.0 x range.

Be certified as a B Corp™

Danone's ambition to become a Certified B Corp™ expresses its long-term commitment to create and share sustainable value for all, in line with its dual economic and social agenda. B Corp™ certification is a mark of trust for companies demonstrating high standards of social and environmental performance (see section 5.1 *Danone's integrated vision of corporate responsibility).*

Danone is well on track towards achieving its goal of becoming one of the first multinational companies to be fully B Corp™ certified.

Danone's Brand Model

Impact people's health locally

Danone's mission is to "bring health through food to as many people as possible". The Company has created a unique portfolio of healthy products to achieve this mission and strives to continuously optimize their nutritional profile. Danone also builds on its in-depth knowledge of local food cultures, food habits and public health challenges to innovate and actively promote healthier alternatives for better choices. Beyond products, Danone will accelerate current and new initiatives (programs and services) with partners to positively impact dietary habits.

Danone builds on six nutrition commitments: continuously improve the nutritional quality of products; design healthier alternatives relevant for consumers; further reinforce Danone's understanding of local nutrition practices and public health contexts; contribute to addressing local public health challenges on which Danone can have a favorable impact through partnerships; develop even more responsible marketing practices; and provide the most appropriate product labelling to encourage healthier practices.

Grow Manifesto brands

Danone's goal is to build purpose driven brands – what we call Manifesto brands – that will serve as true activists towards their point of view, not only delivering an exciting experience to people, but also committing to create a positive impact on health and the planet.

Preserve and renew the planet's resources

Danone commits to sustainable sourcing for its ingredients and to enhancing the circular economy of packaging. Danone contributes to soil health through regenerative agricultural practices co-developed with partners and Danone will even amplify its ambitious water stewardship journey. Danone takes part in the fight against climate change by implementing carbon positive solutions and aiming to achieve carbon neutrality by 2050. All achievements, commitments and objectives linked to the planet and preservation of resources are detailed in section 5.3 *Preserve and renew the planet's resources*.

Danone's Trust Model

Entrust Danone's people to create new futures

Building on a unique social innovation heritage, Danone gives each employee the opportunity to co-own its strategic agenda and the path to its 2030 goals, both at a global and local level.

Since 2019, through the "One Person, One Voice, One Share" program, Danone's employees have been invited to engage and share their views on the Company's priorities as well as on the definition of local and global roadmaps. A bonus share has also been allotted to each of its 100,000 employees, coupled with a worldwide profit-sharing scheme indexed on the annual dividend amount.

In addition, The Board of Directors decided to further integrate "One Person, One Voice, One Share" participatory governance by creating a new Purpose & Engagement Committee, which ensures that the approach to employee consultation and engagement is in line with the Board's work and strategic policies.

Foster inclusive growth

Danone will continue to invent pioneering ways to foster inclusive growth for vulnerable partners in its food chain, including family farmers, street vendors and waste collectors. Danone will continue to explore sustainable solutions for access to nutrition and safe drinking water for low-income communities. And Danone will maximize the impact of its social innovation funds through scale and transformation of business practices starting with Danone Communities, the Danone Ecosystem Fund and the Livelihoods funds, which are detailed in section 5.1 *Danone's integrated vision of corporate responsibility*.

Danone has led the "Business for Inclusive Growth" (B4IG) initiative since 2019. Launched in August 2019 at the G7 Summit in Biarritz, B4IG is a unique coalition of 40 global companies and partners committed to reducing inequalities and promoting inclusive growth.

Serve the food revolution with partners

A food revolution is happening, and Danone chooses to serve it with its partners. To change the way water and food are grown, produced, marketed, distributed, sold and consumed, Danone needs to co-create solutions with others, leveraging their expertise. To do so, Danone is building on decades of partnership experience to work hand in hand closely with Danone's employees, farmers, suppliers, retailers, consumers and partners as well as with civil society, governments and public health professionals.

Key initiatives include Danone's active participation in the Consumer Goods Forum, to collaborate with consumer goods retailers and manufacturers to drive positive change, and the signing of a global partnership with the Ellen MacArthur Foundation to promote a circular economy of packaging. In addition, Danone relies on its $200 million Danone Manifesto Ventures fund to invest in innovative companies disrupting the food sector.

2.3 DESCRIPTION AND STRATEGY OF THE REPORTING ENTITIES

Danone implements its strategy in a specific way for each of its three Reporting entities.

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 100 years ago, Danone has constantly endeavored to meet the needs of consumers by offering them healthy local products.

Today, consumers increasingly want a diversified range of healthy, great-tasting, natural and sustainably produced foods 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 fermented products, probiotics and high-protein products. The EDP Reporting Entity is positioned to cater to these new trends, thanks to its broad, unique and balanced product portfolio of international brands such as *Activia*, *Danone*, *Actimel*, *Oikos* and *Alpro* and strong local brands. This portfolio consists of:

- essential dairy products, which include three main segments:
  - **yogurts (classic and drinkable)** including (i) yogurt brands 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 digestive health; (iii) indulgence treats with *Oikos* and *Danette* 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, with brands like *YoPRO*;
  - **milk** (fresh or Ultra High Temperature processed - UHT), sold mainly in Russia, Brazil, Morocco, and in the United States where the *Horizon* brand is a leader in the organic milk market;
  - **Coffee Creamers** which includes coffee creamers (fresh or Ultra High Temperature processed), products sold under the *International Delight*, *Dunkin' Donuts* (under license) and *Bailey's* (under license) brands, as well as coffee beverages under the *SToK brand* that enable consumers to replicate the coffeehouse experience at home or on the road;
- plant-based products that offer consumers looking to diversify their sources of protein or are lactose intolerant many nutritional and great-tasting options covering a broad spectrum of ingredients ranging from soy and almond to coconut, cashew, oat and rice. While plant-based beverages and plant-based alternatives to yogurts represent the core product range, Danone is also strengthening its position in new fast-growing categories such as ice creams, desserts, coffee drinks and nutritional powdered protein products. These products are sold in America under the leading *Silk*, *So Delicious* and *Vega* brands and in Europe under the *Alpro* brand, as well as through iconic dairy product brands that offer new plant-based alternatives such as *Oikos* and, more recently, *Activia*.

The EDP Reporting Entity's core strategy is to encourage consumers of all ages to choose naturally healthier food products over the long term thanks to modern brands through six growth drivers:

- **win over the millennial generation** by rejuvenating and launching brands that resonate with them;
- **leverage probiotics and use 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 gourmet products** for a moment of indulgence with new convenient formats;
- **constantly innovate** by moving into new growth regions and offering on-trend packs;
- **strengthen presence in impulse and on-the-go channels** with the right portfolio, dedicated route-to-market and native impulse team.

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 milk formulas**, which represent the bulk of the Specialized Nutrition Reporting Entity's portfolio, are sold under international brands (such as *Aptamil* and *Nutrilon*) and local brands (such as *Gallia* in France, *Cow&Gate* in the United Kingdom and *Bebelac* in Indonesia);

- **complementary food for babies** includes strong local brands such as *Blédina* and *Olvarit* in Europe and *Happy Family Organics* in North America;
- the **pediatric medical nutrition** portfolio includes products that are specially designed to meet the specific needs of children diagnosed with certain medical conditions. The Specialized Nutrition Reporting Entity offers a wide range of products that prevent and manage allergies such as hypoallergenic products for children at risk of allergies (*Aptamil ProSyneo*) and products for children who are moderately to severely allergic to cow's milk (*Aptamil Pepti Syneo*, *Neocate Syneo*);
- the **adult medical nutrition** portfolio includes products such as *Fortimel* and *NutriDrink*, oral nutritional supplements for patients suffering from malnutrition caused by illnesses such as cancer or CVA, as well as tube feeding (*Nutrison*) for patients who can no longer feed themselves normally. Medical nutrition allows better clinical results and is available in formats tailored to the specific nutritional needs of patients.

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

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

- **build on an in-depth understanding of nutritional trends and scientific research:** meet consumers' growing demand for more natural and organic products while incorporating the latest scientific research and innovations in the field of specialized nutrition;
- **seize opportunities related to demographic trends and changes in healthcare systems;** 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, the development of chronic diseases and the need to manage rising healthcare costs;
- **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;
- **develop a stronger presence:** to further enhance its ability to best meet the needs of people around the world, the Specialized Nutrition Reporting Entity is breaking new ground in terms of its distribution strategy by optimizing its digital expertise and forming close partnerships to develop its e-commerce presence and delivery of home care services.

WATERS

The Waters Reporting Entity offers a unique portfolio of mineral waters that come from natural sources which are appreciated and consumed by millions of people worldwide, and flavored waters – also called aquadrinks – enriched or infused with natural fruit extracts, fruit juice and vitamins. The products are sold under international brands such as *evian* and *Volvic* and under many very strong local brands: *Aqua* in Indonesia, *Mizone* in China, *Bonafont* in Mexico, *Villavicencio* and *Villa del Sur* in Argentina, *Hayat* and *Sirma* in Turkey, *Fontvella* and *Lanjarón* in Spain, *Zywiec Zdroj* in Poland and *Aqua d'Or* in Denmark.

Its mission is to offer healthier hydration choices and expand access to drinking water throughout the world, today and for future generations, while preserving natural resources and improving people's living conditions.

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

- **promote healthier hydration habits:** encourage consumers to drink more water and offer them healthier beverages (sugar-free, reduced sugar or more natural alternatives). The nutritional benefits of hydration are mainly promoted through partnerships with public health authorities and scientists and through direct interactions with consumers, 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: 150 scientists and public health authority representatives from around the world meet annually in this framework to share and promote scientific advances, the impacts on health and the challenges related to hydration;
- **distribute products responsibly** by working continuously on the packaging and distribution strategy. In response to consumers' growing concerns over the environmental impact of packaging and in keeping with the goal of protecting the planet, the Waters Reporting Entity made commitments and is implementing action plans to ensure the 100% circularity of its packaging by 2015 and to reduce the carbon footprint of its activity. The *evian* brand, for example, set a target of full carbon neutrality as of 2020;
- **invest in protecting and restoring springs**, particularly in water-stressed areas, with the help of an internal network of trained and certified hydrogeologists and by promoting local initiatives to protect biodiversity. These initiatives lead to improvements in ecosystems and carbon sequestration and more sustainable water resources. They apply to the 80 springs around which Danone operates, *i.e.* the equivalent of 5 million hectares;
- **promote access to drinking water** by investing in innovative activities, technologies and infrastructures to facilitate affordable access to drinking water in poor areas of Asia, Africa and Latin America, with the help of the Danone Communities fund, an expert in this field for over 10 years.

2.4 OTHER ELEMENTS RELATED TO DANONE'S ACTIVITY AND ORGANIZATION

DISTRIBUTION

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

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

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

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

Major retail chains

Danone establishes global partnerships with its main distributors in order to help develop the sales of its products. These partnerships are related in particular to logistics collaboration, online sales development and food safety management. Matters involving pricing 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.

Traditional market outlets

Globally, and in the emerging countries particularly, a large portion of Danone's sales is generated through traditional market outlets thanks to small-scale sales points networks. An in-house sales force and 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 partnerships and investments with e-commerce companies to satisfy growing consumer demand through this distribution channel. There are three different types of e-commerce channels:

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

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

Danone is growing in all these channels and gaining expertise.

Specialized distribution channels of 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 predominately 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, Unilever), predominantly local companies specializing in certain product lines or markets (Blue Diamond, Califia Farms, Triballat, Wessanen, Oatly, Valsoia) and private labels.
	Coffee Creamers	A few large food and beverage multinationals (Nestlé), predominantly local companies specializing in certain product lines or markets (Hood) and private labels.
Specialized Nutrition	Early Life Nutrition	Large early life nutrition companies (Abbott, Reckitt/Mead Johnson, Nestlé) and predominantly local companies and/or companies specializing in certain product lines or markets (Lactalis, Biostime, a2 Milk, Yili, Feihe).
	Medical Nutrition	Large medical nutrition companies (Nestlé, Abbott) and predominantly local companies specializing in certain product lines or markets (Fresenius).
Waters	Waters	Historical beverage market leaders internationally (Coca-Cola, Pepsi, Nestlé) and predominantly local companies (Mayora in Indonesia, Kang Shi Fu in China, Cristalline in France, Epura in Mexico).

RESEARCH AND INNOVATION

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

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

In addition, to offer more innovative solutions in terms of consumer experience, nutritional quality and respect for the environment, and to better meet consumers' needs, the Research and Innovation teams develop consumer centricity by working with consumers to co-build products. Lastly, they use agile methods (design thinking, fast prototyping, lean startup, etc.) to respond quickly to market and consumer 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 in the Early Life Nutrition and Advanced Medical Nutrition Businesses, whose sites are more concentrated. As of December 31, 2019, Danone had 190 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. On the basis of these reviews, management establishes plans for the expansion, specialization, upgrading and modernization (or closing) of specific sites.

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 (the "food raw materials"). 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 a limited portion of Danone's 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 Danone's 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

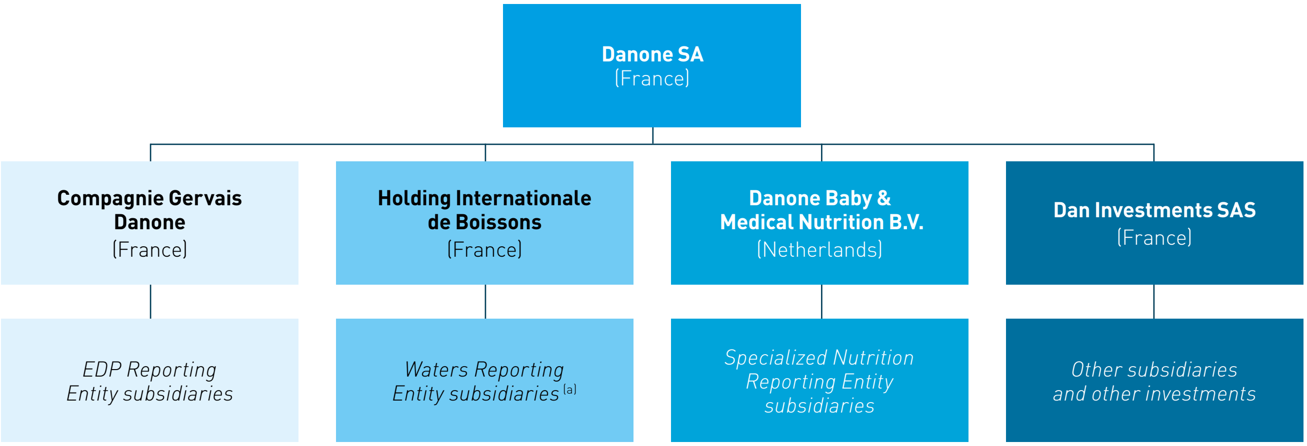
Danone carries out its activities in a complex, fast-changing and increasingly stringent regulatory environment.

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, 2019

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 Evian 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 919 employees in 2019.

SUBSIDIARIES

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

MAIN LISTED COMPANIES

As of December 31, 2019

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

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

2.6 RISK FACTORS

RISK IDENTIFICATION AND CONTROL POLICY

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.

This risk identification and management policy is described in section 2.7 *Internal control and risk management*.

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

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

IMPACTS OF COVID-19 ON DANONE'S MAIN RISK FACTORS

The COVID-19 epidemic, which began in Wuhan, China in December 2019, could have a significant impact on the employees of Danone and its commercial partners, its operations, its principal markets, and therefore its financial situation, particularly in 2020. Although the impacts of this epidemic are difficult to quantify at this stage, the principal risk factors have been identified and include a decline in sales and margin in some of Danone's principal markets (see section 3.5 *Outlook 2020* for more details on the estimated impacts for China), volatility in commodity prices and disruption in the conduct of the Company's operations and major projects.

DESCRIPTION OF MAIN RISK FACTORS

Strategic risks

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 total packaging represented 1.6 million tons in 2019, of which plastic represented 0.7 million tons. Today's mainstream packaging system is unsustainable and there is a global focus on plastics because large amounts of plastic are flowing into the natural environment, particularly the oceans. As a result, regulatory and consumer pressures around plastics are moving at an unprecedented pace. To the extent that Danone would not (i) reduce sufficiently its use of plastics, (ii) find appropriate replacement materials at a commercially reasonable price, and/or (iii) ensure sufficient recycling post-consumer use, therefore not being successful delivering its circularity ambition agenda, or should new regulations on plastic packaging result in higher costs for plastic, the Company could be exposed to (i) loss of volume sales in its main categories (especially in beverages which is at the forefront of the anti-plastic pressure), and (ii) significant cost increase to transition from linear to circular packaging, which could negatively impact its sales, margin, and results and its reputation.	One of Danone's strategic priorities is to make its packaging 100% circular and pursue a transition towards a circular economy of packaging. This means eliminating the packaging Danone doesn't need; innovating so that all the packaging Danone does need is designed to be safely reused, recycled or composted; and ensuring that the material Danone produces or uses stays in the economy and never becomes waste or pollution. Danone targets to design all its packaging so that it is 100% recyclable, reusable or compostable by 2025 (vs 81% in 2019). For more information Danone's packaging, its packaging policy and targets, see section 5.3 *Preserve and renew planet's resources*, section *Packaging*.

DESCRIPTION	MANAGEMENT MEASURES

strong **Over reliance on principal markets**

For the financial year ended on December 31, 2019, Danone's top 5 markets account for around 50% of the Company consolidated sales: USA (19%), China (10%), France (9%), Russia (6%), Indonesia (6%).

Any poor performance (by one or more of Danone's business units 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 reason, would be likely to have a negative impact on Danone's activities and results of the whole Company, thus jeopardizing the achievement of the Company's financial objectives and strategic mandate.

As an example, in 2019, EDP in Russia was impacted by the weak performance of the CIS region. EDP in Russia represents about 15% of EDP sales and reported a low-single digit sales decline in the second-half of the year, as the decrease in consumer purchasing power led to lower sales of premium functional yogurts in the country. As another example, the COVID-19 outbreak, that began in Wuhan in China in December 2019, is likely to have a significant impact on the sales and margin of the Company in China: (i) lost sales in China, estimated at around €100 million for the first quarter of 2020, mostly in Waters China business, (ii) a delay in *Mizone*'s repositioning and (iii) an extended time to market in Early Life Nutrition innovations in China.

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 (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.

For further information on the COVID-19 and on Danone's business in China, see section 3.5 *Outlook 2020*.

strong **Fast changes in consumer preferences**

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 & drinking habits and an increasing health, social and environmental awareness of consumers drive their purchases. Among the key trends in food and beverages, the most notable are:

- the nutritional quality of the product;
- packaging and recycling (risk included in the packaging part);
- presence or absence of certain ingredients (for example sugar, protein, additives);
- sustainable sourcing of ingredients with known social or environmental impact;
- origin of products and transparency on companies behind the brand (strong trend on local); and
- the carbon and water footprint of products.

Authorities and retailers are also paying increasing attention to health, social and environmental concerns of consumers, in particular on the labeling of the nutritional quality and/or environmental footprint of products and packaging, as well as food waste.

If Danone is unable (i) to anticipate rapidly enough changes in consumer expectations in terms of tastes, eating & 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 may incur losses and its activities, results and reputation could be negatively impacted.

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

Moreover, Danone has developed a large product portfolio focused on healthy categories. Its Research and Innovation capabilities allow the Company to offer a wide variety of products to respond to different diets, consumption needs and situations. As an illustration, through the acquisition of WhiteWave in 2017, the Company diversified its product portfolio into plant-based protein and organic products in response to growing consumer trends such as flexitarianism. In 2019, plant-based products represented €1.9 billion of sales or around 14% of total EDP sales.

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

Finally, through its Manifesto Brand Model and its ambition towards the B Corp™ certification, Danone aims 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 *Packaging* of section 5.3 *Preserve and renew the planet's resources*, and section 5.5 *Promoting sustainable, inclusive growth with suppliers*.

DESCRIPTION	MANAGEMENT MEASURES

medium Retail shift

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

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

As a result, retail is undergoing under a growing segmentation of channels, the most powerful (such as hard discount, c-stores, e-business and Cash & Carry) are growing 3 times faster than those that are declining, such as hyper markets (especially in the European Union); for example, e-business sales are expected to grow at +15.8% per year between 2018 and 2022 (*Source: Internal Danone's source and Planet Retail Data*).

In such a fast evolving context, Danone needs to adapt its sales strategy, go to market, its supply chain model & execution accordingly. If not, it could lead to:

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

therefore, negatively impacting the financial situation of Danone.

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

- adapting sales playbook to growing channels (route to market/ execution/specific impulse channel teams);
- designing a portfolio of products to adapt to the fragmentation of channels and their specific needs, including moving from multipack to single serve formats and when necessary late differentiation of type of products in the supply chain. In particular, part of the accelerated investment plan of around €2 billion over 2020-2022 will be dedicated to build end-to-end value chain, strengthen execution and better serve consumers' need anytime, anywhere. For further information on this investment plan, see section 3.1 *Business highlights in 2019*;
- finding selective partnerships in the right geographies and channels;
- re-visiting the supply model to shift from economies of scale to economies of scope;
- use co-packing;
- dedicating teams and plans to reinforce its presence in e-business.

low External growth & integration

Danone's strategy consists in holding strong positions in each of the markets in which it operates, involving the pursuit of growth opportunities through joint-ventures or acquisitions in attractive markets where the Company is absent or under-scaled.

The Company's results depend, to some extent, on its ability to successfully integrate such business acquired or partnerships. As a reference, goodwill represents around 40% of Danone's total assets as of December 31st, 2019.

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

medium Impact of climate change on value chain

Description

Danone's businesses are directly related to nature and agriculture and are naturally facing climate change. Climate change has negative effects on the natural water cycles, soil, biodiversity and ecosystems and also on the availability, quality and prices of raw materials and ingredients used in the Company's products and processes.

In addition, the climate change impact on water availability and quality as well as on watershed and groundwater degradation could impact Danone's activities and operations, and subsidiaries' relationships with local stakeholders.

Financing the transition towards more sustainable agricultural practices and ingredients availability are critical to adapt Danone's business model to this environmental change.

Climate change could therefore affect the activity of Danone, its suppliers and its consumers, which could have negative impacts on its results and financial situation.

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

Management measures

Danone is developing and implementing actions, procedures, tools and policies that seek to prevent and reduce the occurrence of these risks, notably its Climate Policy which aims especially to reduce greenhouse gas emissions on its entire value chain, foster "carbon positive" solutions, reinforce the resiliency of its water and food cycles, and eliminate deforestation from its supply chain by the end of 2020. As part of its Climate Policy, in 2015 Danone committed to achieving carbon neutrality across its entire value chain by 2050.

Danone also decided to increase the depth of its transformation actions to put climate further at the core of its growth model, building truly recognized activist brands. This will translate into an accelerated investment plan of around €2 billion over 2020-2022 on brands, climate and agriculture, packaging and digitalization. For further information on this investment plan, see section 3.1 *Business highlights in 2019*.

For more information on water stewardship and sustainable agriculture, particularly regenerative (including organic) agriculture, see to section 5.3 *Preserve and renew the planet's resources*.

medium Regulatory changes

Description

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*.

As examples:

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

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

Management measures

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

In addition, Danone has developed and implemented internal policies and procedures relating to compliance detailed in section 2.7 *Internal control and risk management*. In order to ensure that such measures are commonly practiced at Danone, the Company has integrated compliance into its quality approach and internal control system.

DESCRIPTION	MANAGEMENT MEASURES

medium Raw materials price volatility & availability

Overall, about 35% of Danone's Cost of Goods Sold are related to raw materials and around 20% are related to packaging (of which approximately 55% in plastics).

Danone's raw materials can be broadly divided in two categories: milk products (50%) and Other Food and Ingredients needed to produce food and beverage products including sugar & sweeteners, oils & fats, soybean & nuts, fruits, 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 in China can lead to price increase of milk powder supply.

Variations in supply and demand at global or regional levels expose Danone to potential:

- price increase for key raw materials that may not be passed on, either in full or in part, in the sales price of Danone's products;
- reduced availability of key raw materials which could adversely affect Danone's ability to meet consumer demand for its products;

which could negatively impact the sales, margin and results of Danone.

Danone's supply policy and exposure to principal raw materials risks, including milk, are described in Note 6.7 of the Notes to the consolidated financial statements.

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, Danone manages this cost inflation through actions described in section 2.4 *Other elements related to Danone's activity and organization*.

low 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, 2019, 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 13.2 of the Notes to the consolidated financial statements.

Management measures

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 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 contaminants (chemical, microbiological, physical or allergens), in raw materials, packaging or final products; these actual or alleged contaminations 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 adverse publicity on social and mainstream media regarding product quality, leading to market share loss locally.

Because food science, food safety regulations and analytical methods are evolving very quickly and because the number of emerging Food safety issues is rising, the Danone Food Safety Management System might not integrate all of them on time. This risk is exacerbated by the social media coverage of any incident or crisis related to food safety that may directly impact Danone's reputation.

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 consumers' confidence and demand for Danone products.

Through its food safety policy, Danone is committed to "manufacture and deliver products and services that meet regulatory requirements and the highest Quality and Food Safety standards".

Danone has put in place an organization and a governance to achieve this ambition, with 2 complementary functions:

- the Food Safety function (independent from operations and reporting to the Executive Committee);
- the Quality and Food Safety Departments embedded into the Business whose role is to implement the standards in all the Business Units and ensure full compliance.

The standards, which include multiple control measure across the value chain and aim at eliminating all risks, are enforced in all plants where frequent audits are conducted.

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 cyber-attacks & 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 confidential company data;
- cyber fraud & ransomware attacks.

Any breach of IS/IT security resulting in low/reduced data integrity, system failure, loss of data, proprietary or otherwise, may result in high costs and/or multiple impacts for Danone and its subsidiaries, including disruption of production and sales, inaccurate financial reporting, theft of strategic data, regulatory fines, and reputational damages with stakeholders, ultimately impacting Danone's financial results.

Danone has integrated in its global strategy, action plans to tackle possible identified weaknesses and improve its security systems and processes regarding "identify, protect, detect, respond and recover" elements around cyberattacks. Danone is embedding the U.S. Commerce Department's National Institute of Standards and Technology's (NIST) industry framework to structure these efforts.

Moreover, Danone is actively working on 4 areas of cyber risk mitigation:

- user awareness: building more awareness through communication & training;
- industrial sites: protecting the Company against industrial site attacks;
- local infra and shadow IT: major infrastructures or Cloud services are hosted by global specialists;
- digital applications: streamlining & standardizing digital applications;
- safe workplace solutions for its employees.

low **Shortage of talent**

In 2019, Danone employed more than 100,000 employees in over 55 countries with an overall turnover of 17%. The availability, quality and engagement of Danone's people 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). If the Company was to fail in retaining or attracting talents, it could affect the Company's results.

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

To engage its employees and develop a co-ownership mindset, in 2018, Danone deployed "One Person, One Voice, One Share", an innovative governance and employee engagement model to empower employees to co-own the Company's agenda.

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

2

2.7 INTERNAL CONTROL AND RISK MANAGEMENT

GENERAL ORGANIZATION OF INTERNAL CONTROL

Internal control objectives and framework used

Internal control is a process put in place by Danone's General Management, managers and operational teams. It is designed to provide reasonable assurance, albeit not absolute certainty, that (i) financial information is reliable, (ii) corporate governance is compliant with applicable laws, rules and internal policies, and (iii) internal processes are compliant with regulatory standards, internal policies and best practices defined for Danone, including those related to the protection of the Company's assets.

Internal control framework: DANgo

Danone's internal control system is adapted to its strategic policies and consistent with its international development. It covers the main operating processes and operational risks in the Sales, Purchasing, Operations, Human Resources, Finance, Information Systems and General Secretary functions.

The internal control framework developed and used by Danone, DANgo (Danone Governing and Operating Processes), is based on the reference framework proposed in 2007 by the French Financial Markets Authority, together with its application guide, and updated in 2010. This reference framework is consistent with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) guidelines. It includes risk and process mapping as well as Danone Internal Control Evaluations. It is reviewed annually (see section *Control environment* hereinafter).

It was created in 2003 and was completely reworked with the key functions in 2018 to adapt it to the new Danone requirements associated with the changes in its strategy and environment. This new framework has been in effect since 2019 and continues to be supported by a software application accessible to everyone worldwide.

Scope of internal control

Danone's internal control system applies systematically to its fully consolidated subsidiaries and to some associates. A differentiated approach is used based on the size and risk level for each subsidiary.

In 2019, its subsidiaries, located in around 60 different countries and accounting for more than 99% of total consolidated sales, were evaluated under the internal control system.

Internal control stakeholders

General Management

General Management is responsible for the internal control system, while the Audit Committee is responsible for monitoring the effectiveness of Danone's control and risk management systems (see section 6.1 *Governance bodies*). To this end, General Management relies primarily on the Finance Department and the operational management (Reporting Entities, regions, subsidiaries).

Company Finance Department

The Company Finance Department is responsible for:

- the Finance function throughout the company, both directly through centralized functions (Controlling and Business Performance Management, Consolidation, Reporting & Standards, Treasury and Financing, Insurance, Tax, Strategic Planning, Financial Communication, Acquisitions) and through functional ties, with the finance directors of the various Reporting Entities.
- risk management, internal control and internal audit, which enables a focus on corporate governance and compliance related topics.

The EVP, Chief Financial Officer, Technology & Data, Cycles and Procurement, who reports to the Chief Executive Officer, is a member of the Executive Committee.

Risk management

Danone has organized its risk identification and risk management system around two 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;
- 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.

Strategic Planning Department

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 *Organization of the finance function* hereinafter).

Internal Control Department

Part of the Corporate Finance, Control and Services Department (see section *Organization of the finance function* hereinafter), the Internal Control Department is composed of a central team, which is supported by a large network of local internal controllers who generally report to the finance directors of the Clusters Business Services. These internal controllers ensure, in particular, that the procedures defined by Danone are properly applied at their subsidiaries and organizations. The Internal Control Department's main responsibilities are as follows:

- preparing and implementing the DANgo internal control framework;
- defining (i) priorities related to internal control, and (ii) the methodology to be used for its assessment, testing and documentation;
- managing and analyzing (i) the internal control indicators, and (ii) the results of the assessments and action plans implemented by the community of internal controllers;
- establishing and monitoring operational risk mapping at the various levels of the organization and coordinating the network of internal controllers as regards the priority actions to be defined in response to this risk mapping;
- supporting and overseeing the international network of internal controllers through coordination, communication and training initiatives.

Internal Audit Department

In 2019, the Internal Audit Department conducted 38 internal audits in subsidiaries or cross-company functions, following the plan previously approved by the Audit Committee. These audits seek to verify the quality of the DANgo assessment performed by the subsidiaries. In light of the reinforcement of the Internal Audit teams and heightened compliance requirements, these audits periodically identify some differences in the subsidiaries' assessments compared with the central assessments. Communication has been strengthened with the management of the Reporting Entities and key functions concerning these differences.

Following each audit, an action plan is prepared by the management of the subsidiary to correct weaknesses identified in the internal audit report. The implementation of action plans is monitored by the operational and functional managers, under the supervision of the Internal Audit Department. In 2019, 24 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, in addition to the general internal audits.

Compliance Department

The Compliance Department reports to the General Counsel. It is supported by teams as well as local Compliance Committees, which are assigned to the Regions (there may, in rare cases, be several for one region). Compliance Officers report to the General Counsel and, in rare cases, to the General Secretary; they report functionally to the Chief Compliance Officer. The Compliance department has developed and oversees Danone's Compliance Program, which is an integral part of its control environment. It is described in the section hereinafter, *Control environment*. Lastly, the Chief Compliance Officer oversees the Corporate Compliance & Ethics Board (see section *Other elements of Danone's organization that contribute to the prevention, identification and analysis of risks*).

Other internal control stakeholders

In Danone's largest and most complex subsidiaries, particularly in emerging countries, the local head of internal control is supported by a team of operational internal controllers, who are responsible for ensuring the proper operational application of internal control practices at the sites (warehouses, production sites, etc.).

In addition, the operational line managers at the subsidiaries and headquarters play a major role in internal control and its implementation in their respective areas of responsibility, with support from the relevant corporate functions (mainly Finance, but also Human Resources, Sustainable Development, Nature & Water Cycle, Safety, Quality, Information Systems, Legal, etc. – see section *Risk identification and assessment* hereinafter).

Finally, (i) the DANgo Steering and Cross-functional Coordination Committee; (ii) the Internal Control Steering Committee; and (iii) the Compliance Committee described hereafter are also involved in the management and continuous monitoring of internal control, with a view to ensuring consistency with the operating activity at all levels.

OVERALL INTERNAL CONTROL AND RISK MANAGEMENT PROCESS

Internal control consists of the following five components, implemented as described hereinafter:

- control environment;
- risk identification and assessment;
- control activities;
- dissemination of information;
- continuous monitoring.

Control environment

The aim of the control environment is to make staff aware of the usefulness and necessity of internal control; it is the foundation of all the other components of internal control and imposes an ethical standard, discipline and an organization. Danone's control environment is based on the following:

- its values (widely communicated across all of its subsidiaries) and its dual economic and social project;
- its Business Conduct Policy;
- its human resources and social policy, particularly with regard to employee development and training;
- the impetus given by the Board of Directors and General Management's commitment to achieving continuous improvements in operating procedures;
- its Danone Way approach, which is deployed in nearly all its subsidiaries;
- its Compliance Program, aimed at protecting the Company and its subsidiaries against risks related in particular to corruption, anti-competitive practices, non-compliance with laws on personal data protection and international laws on trade sanctions. It describes the key principles and defines the responsibilities, organization and governance at all Company levels. It is also responsible for risk assessment, the integration of compliance and control procedures in the business, training, advisory, as well as prevention, investigation and reporting audits;
- the standardization of its operating processes through the implementation of the DANgo framework and the regular use of a single integrated information system (Themis, see section *SAP/Themis integrated information system* hereinafter) which contribute to the strength of the control environment;
- the DANgo framework (see section *Danone's internal control framework*: *DANgo*): accessible to all Danone employees in an electronic version, it is subject to a systematic annual review by (i) experts from the network of internal controllers; and (ii) operational teams from various businesses, which enables DANgo to be used by those in the various functions and allows the framework to be enhanced through best operating practices. As described above, it was completely reworked in 2018 and the new framework has been in effect since 2019.
- in addition to DANgo, an intranet site for its internal controllers and its social network presenting all the documents useful for internal control and contributing to the sharing of experiences and best practices in the area of internal control. They are also accessible by all Danone employees and are updated regularly;
- annual updates to the scope of the internal control entities and guidelines.

Risk identification and assessment

Every company faces internal and external risks that may hinder the achievement of its objectives. The principal risks to which Danone believes it is exposed as of the date of this Universal Registration Document are described in section 2.6 *Risk factors*. Danone has established a system for identifying and managing risks based on two processes.

Operational risks

The first process for risk identification and management focuses on operational risks related to the recurring activity of the Company (Sales, Purchasing, Operations, Human Resources, Finance, Information Systems and General Secretary) and to the deficiencies identified by the internal control review (through the assessment and testing of control indicators, see section *Internal Control Department* hereinbefore).

Strategic risks

The second risk identification and management process focuses on strategic risks and takes the form of a risk mapping hierarchy based on their likelihood of occurrence and their estimated impact on the Company.

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.

Other elements of Danone's organization that contribute to the risk identification and analysis

The existence of procedures – regarding competitive intelligence, trainings, prevention and protection, etc. – as well as the initiative taken by specialized departments – such as the Nature & Water Cycle Department and the Quality and Safety Department for food – contribute to the identification and analysis of risks.

The Security Department also helps to identify threats against Danone's employees and assets.

In addition, the Crisis Management Department uses information made available by the risk maps established by each Reporting Entity to identify potential crises and prepare the affected entities accordingly, ensuring that an appropriate response is provided for all crises, even if the related risk was not previously identified.

The identification and reporting of risks is also facilitated by the relatively low number of reporting levels within the Company, short decision-making channels and input from the operating units in strategic discussions. In addition, the Corporate Compliance & Ethics Board, a quarterly cross-functional committee led by the Chief Compliance Officer, supervises the Compliance Program, notably by reviewing compliance-related risks and approving some of the policy and action proposals it receives. It is supported at local level by the Compliance Committees.

Control activities

Control activities are intended to ensure the application of the standards, procedures and recommendations that contribute to the implementation of General Management's policies. All the subsidiaries integrated into the DANgo scope use an annual assessment process. The largest of them follow a more elaborate internal control review methodology that includes detailed documentation of information flows, control points and tests conducted by management:

- the IT application that hosts the DANgo system allows subsidiaries to make an assessment and determine whether they are compliant with the internal control framework. It also makes it possible to monitor any action plan that may be needed;
- the results of the subsidiaries' DANgo assessment campaign are sent periodically to the Internal Control Department, which analyzes them and sends relevant summaries to the various stakeholders. Appropriate action plans are put in place by the subsidiaries under its supervision and internal audits are subsequently carried out to validate that these plans have been properly implemented.

In addition, the performances and results of each subsidiary in the area of internal control are regularly and systematically monitored by the subsidiaries' Management Committees.

Dissemination of information

Appropriate information must be identified, collected, quantified and disseminated in a manner and within a timeframe that enables each person to assume his or her responsibilities. To this end, Danone relies on:

- its organization and information systems, which facilitate the communication of information needed for decision-making;
- the various intranet sites and documentation databases that enable information to be shared within the Company. This information includes not only financial information but also non-financial information that meets the needs of the various operating and administrative departments;
- the distribution of the DANgo framework by the Internal Control Department, which oversees, trains and coordinates the network of internal controllers, who:
  - organize working and annual training sessions for the network of internal controllers, including workshops and information-sharing seminars. The session held in 2019 included the heads of internal control from each Clusters Business Services, namely more than 30 participants covering 176 subsidiaries;
  - are responsible for the training and integration of new internal controllers, including those working for newly acquired companies;
  - are also responsible for internal control training sessions open to all managers of the finance functions;
  - communicate regularly at various levels of the organization (Corporate Committees, meetings with the finance directors or operational employees of the Reporting Entities, meetings with the general managers and finance directors of the regions, and participation in functional Management Committees).

Continuous monitoring

The internal control system is reviewed periodically so that its performance and effectiveness may be qualitatively assessed. The continuous monitoring of control procedures is part of the ongoing activities of Danone and its subsidiaries. The quality of the internal control system's steering and monitoring is ensured by two Committees, led by the Internal Control Department, which meet regularly, notably at the end of each internal control reporting phase:

- meetings of the DANgo Steering and Cross-functional Coordination Committee with operational senior executives representing Danone's key functions: Purchasing, Operations, Sales, Finance, Human Resources, Information Systems and General Secretary;
- the Internal Control Steering Committee, which consists mainly of the heads of the Finance function.

In addition, 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 results of the audits conducted by the Internal Audit Department. The following year's targets are also presented as well as the priorities selected by the Internal Control and Internal Audit functions.

Monitoring of internal control indicators

The Internal Control Department has introduced and monitors internal control performance indicators (coverage rate and deficiency rate on control points) to analyze and communicate the internal control results of the subsidiaries and of the Company together with monitoring by Region and by Reporting Entity. Danone also sets annual internal control priorities (the subsidiaries and operational risks that will take priority). These priorities are closely monitored by stakeholders throughout the year and are discussed in presentations to the Audit Committee.

In 2019, Danone's key internal control indicators were as follows: the coverage ratio was near 100%; the deficiency rate (7.5%) cannot be compared with the 2018 rate due to the extensive changes that were made to the DANgo framework in 2018 and took effect for the first time in 2019.

Danone Ethics Line

Danone has a whistleblowing system described in section 5.1 *Danone's integrated vision of corporate responsibility.* The Danone Ethics Line Committee is also responsible for monitoring non-compliance cases.

INTERNAL CONTROL PROCESS RELATED TO THE PREPARATION AND PROCESSING OF FINANCIAL AND ACCOUNTING INFORMATION

Organization of the finance function

The finance function's organization is based on:

- 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); Controlling and Business Performance Management; Strategy; Acquisitions; Financial Communication; the corporate functions (accounting, treasury, etc.) and certain expertise functions are then organized by country or group of countries (Cluster Business Services), which are themselves grouped by continent or subcontinent (Region Business Services);
- operational finance departments for the Reporting Entities and key operating activities responsible for managing and steering the business; each Reporting Entity therefore has its own operational finance department, which is itself organized by region (Region Business Units) including one unit per country or group of countries (Category Business Unit).

Production of financial and accounting information

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

- 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 relevance and selection of financial indicators used to monitor performance are reviewed on a regular basis. In this context, each operating unit prepares a detailed monthly financial report and a semi-annual exhaustive consolidation package for the consolidated financial statements. These consolidation packages are verified by a central team (Consolidation & Standards Department), which is also responsible for the elimination and consolidation entries and for analyzing and validating the most significant line items of the consolidated financial statements (intangible assets, taxes, equity, provisions and liabilities, etc.).

In addition, the production of financial information includes the following preliminary control stages, carried out by the Consolidation, Reporting & Standards Department:

- validation by the central team, 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;
- maintenance and implementation of a central tool that identifies the Finance function's main organizational principles and processes and Danone's accounting procedures and principles (WeFi);
- meetings to share information and best practices are attended regularly by the main financial managers, notably those from Cluster Business Services and the corporate departments, training sessions covering specific accounting topics are also held regularly.
- (i) preparatory meetings with the financial staff of the main subsidiaries and the Cluster Business Services covering them based on the specific transactions and risks identified; and (ii) presentations to the Audit Committee (specific transactions during the period, the main accounting options concerning the closing and the potential significant changes introduced by developments of the International Financial Reporting Standards) (see section 6.1 *Governance bodies*).

Danone also uses the following applications to produce its financial and accounting information:

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 being steadily deployed in the subsidiaries and its features are constantly being improved. As of December 31, 2019, the activities supported by Themis accounted for 77% of consolidated sales in the EDP and Waters Reporting Entities. The Themis rollout will continue in 2020, in particular in the subsidiaries of the Specialized Nutrition Reporting Entity.

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.

Control environment

The control environment relating to the preparation and processing of Danone's financial and accounting information is based on the following:

- the organization of the finance function, which is based on corporate functional departments and the finance department of each of the Reporting Entities (see section *Organization of the finance function* hereinbefore). In all cases, the Category Business Units and Cluster Business Services are jointly responsible for the production and content of the financial statements of the operating units as well as their internal control;
- the DANgo control practices and procedures, which help to ensure the reliability of the processes for preparing the financial statements. Indeed, the DANgo framework includes many controls that address the quality of the financial and accounting information;
- the controls carried out by the Consolidation, Reporting & Standards Department (see section *Production of financial and accounting information* hereinbefore);
- the definition for the Company of the roles and skills required at the various levels of the financial organization and the development, as a result, of internal training programs;
- the production and communication of the Company's financial and accounting information via the unified tools described above;
- the single set of guidelines covering the Company's accounting procedures and principles, which are consistent with its internal control principles and accessible to all Finance function employees.

Risk identification and assessment

The monitoring and management of the main identified risks related to the preparation and processing of Danone's financial and accounting information is organized as follows:

- the risks identified in the results obtained from the annual assessment of internal control (DANgo) and internal audits are monitored;
- the budgeting and strategic planning processes, performance monitoring, the regular meetings mainly attended by the finance functions (Controlling, Treasury and Financing, Consolidation, Reporting & Standards, Development) and the meetings of the Risks Executive Committee and the Executive Committee allow the main risks identified to be monitored and managed.

The internal control system is adapted on the basis of the risks identified.

Control activities

Each Reporting Entity has a finance department, which is responsible for monitoring performance, capital expenditure and operating cash flow, primarily through the rigorous financial planning and reporting process. The Reporting Entities' finance departments are supported by the finance departments in the regions and operating units, with the overall financial planning process administered by the Controlling Department.

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).

Twice a year, the general manager and finance director of each subsidiary and the finance director of the Cluster Business Service covering it, along with their counterparts in the Regions and Reporting Entities, provide written confirmation of compliance with Danone's applicable procedures and with all of the standards applicable to the financial information sent to the corporate teams. This confirmation is provided in a representation letter that covers the closing of the interim and annual financial statements, including all subjects involving risk management, internal control and corporate law.

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.

Dissemination of information

Danone's financial and accounting information is produced and communicated via the tools described above. To disseminate financial information within the Company, 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. Lastly, its guidelines related to financial and accounting information (WeFi, DANgo, etc.) are accessible to all employees of the Finance function and some are available to all Danone employees.

Continuous monitoring

One of the responsibilities of each Reporting Entity's finance director and functional manager is to improve the procedures used to prepare and process financial information. Detailed audits are conducted on the key control procedures in the preparation of financial information (particularly published disclosures) in the subsidiaries and in Danone's headquarters and on their effective application.

Moreover, the internal audit assignments conducted in the Category Business Units and Cluster Business Services are aimed primarily at verifying the quality of the accounting and financial information. The Reporting Entities' Finance Departments ensure that the action plans established subsequent to the above-mentioned work and internal and external audits have been carried out correctly.

Assessment

The procedures 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.

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 was approximately €33 million in 2019.

Insurance programs for "traditional" risks, which require local management, such as coverage of vehicle fleets, guarantees for the transportation of merchandise, work-related accidents (in countries in which these accidents are covered by private insurance), and insurance specific to some countries, are negotiated and managed in accordance with local practices and regulations, within the framework of precise directives provided and controlled by the Group. Total premiums came to approximately €18 million in 2019.

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. The total cost of this category of coverage amounted to approximately €3 million in 2019.

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.

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3

BUSINESS HIGHLIGHTS IN 2019 AND OUTLOOK FOR 2020

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

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

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

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

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

3.1 BUSINESS HIGHLIGHTS IN 2019

HIGHLIGHTS OF 2019 (HIGHLIGHTS WERE DETAILED IN THE MAIN PRESS RELEASES ISSUED BY DANONE DURING 2019)

- On April 1st, 2019, Danone increased its ownership and became the majority shareholder of the French company Michel et Augustin, which was the first investment of Danone Manifesto Ventures in 2016;
- on April 11th, 2019, Danone completed the sale of the U.S. organic salads business Earthbound Farm to Taylor Farms, in line with its portfolio management and capital allocation optimization strategy. The transaction will contribute to the improvement of the recurring operating margin in 2019 and will lead to a non-recurring loss of net income of around 100 million dollars. Earthbound Farm had annual sales of about 400 million dollars in 2018;
- on April 25th, 2019, the Shareholders' Meeting approved all proposed renewals of terms of office of the members of the Board of Directors: Emmanuel FABER, Chairman and Chief Executive Officer, Franck RIBOUD and Clara GAYMARD. At this occasion, it was also confirmed that within the "One Person, One Voice, One Share" program, each of the 100,000 Danone employees across the world would be granted a free share combined with a global annual dividend-based incentive scheme with immediate effect. Furthermore, the Board of Directors decided to further integrate the "One Person, One Voice, One Share" participative governance through the creation of a new Purpose & Engagement Committee, in charge of ensuring that this approach of consultation and engagement with employees is properly coordinated with the work and strategic orientations of the Board;
- on June 3rd, 2019, Danone announced the launch of its first global Employee Share Subscription Plan as part of the "One Person. One Voice. One Share" program. Including French employees, who already benefit from a local company savings plan, this represents 50% of all Danone employees worldwide;
- on August 20th, 2019, Danone announced the appointment of Nigyar MAKHMUDOVA as Executive Vice President, Growth & Innovation. In this role, she will be responsible for overseeing the company's global Marketing, Innovation, R&D, Digital and Sales functions, and joins as a member of Danone's Executive Committee;
- on October 16th, 2019, Danone Manifesto Ventures announced that it entered into a strategic partnership, as a minority investor, with Forager Project, a San Francisco-based company, which produces and markets organic, plant-based foods notably made of cashew.

OTHER ACTIVITIES IN 2019

Acquisitions, disposal of shares in fully consolidated companies

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

(a) Month in the 2019 fiscal year.

Acquisitions, disposal of shares in associates

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

(a) Month in the 2019 fiscal year.

3

Leading the battle against climate change

2019 Environmental footprint

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

Providing visibility into the cost of carbon emissions to earnings

See sections 5.1 *Danone's integrated vision of corporate responsibility* and 5.3 *Preserve and renew the planet's resources*.

Investment to accelerate climate action of our brands and strengthen Danone's growth model

In a context of shifting point in attitudes and expectations towards climate and nature issues and growing industry disruption, Danone is stepping up the speed and increase the depth of its transformation actions to put climate further at the core of its growth model, building truly recognized activist brands, moving from purpose to bold actions.

This will translate into an accelerated investment plan of around €2 billion cumulative over the 2020-2022 period on brands, climate and agriculture, packaging and digitalization with the objective to build the most attractive business platform in the food industry, with greater recognition from consumers for climate-proofing actions, and create a virtuous cycle that fuels a superior growth model and unlocks value further and faster. The accelerated investment will support new bold commitments to advance some of the Company's Goals for 2030, including:

- sustaining current high level of innovation;
- accelerating B Corp™ journey;
- building truly recognized activist brands, moving from purpose to bold actions towards responsible packaging, carbon neutrality and climate-efficient sourcing, in the areas of (i) circular packaging, (ii) climate, diets and agriculture, (iii) digital, end-to-end connected value chain.

For further information on these new commitments, see section 5 *Social, societal and environmental responsibility*.

This accelerated investment plan for 2020-2022 will include around €600 million of accelerated recurring costs behind brands, technology and capabilities (approximately €200 million in 2020) as well as an accelerated capital expenditure plan of around €1 billion. It will include on top material 'other income and expenses' dedicated to the transformation of our operations, notably in EDP. These 'other operating income and expenses' will, as usual, be determined and communicated in the course of the investment plan. We consider today they could amount to around €500 million costs in 2020.

Governance

See sections 6.1 *Governance Bodies* and 6.2 *Positions and responsibilities of the Directors*.

Research and Innovation

Essential Dairy and Plant-Based Products

The EDP Reporting Entity's Research and Innovation teams continued to innovate in 2019 by expanding the product ranges:

- plant-based products, for example by developing soy-based products under the *Activia* brand in Europe;
- high-protein products, for example by offering Skyr products under different brands (*Light* & *Free* and *Les Deux* Vaches in France, *Corpus* in Brazil, *Alpro*, etc.);
- products with no added sugar, by developing sugar-free plant-based beverages under the *Alpro* brand;
- products for children, for example with the launch in the United States of the Growing Years range under the *Horizon Organic* brand to meet the nutritional needs of children aged 1 to 5;
- formats tailored to new eating and drinking habits, for example with the launch of large containers.

Danone also continued to conduct research on the effect of human nutrition on intestinal microbiota. In particular, the Research and Innovation teams launched, in collaboration with the University of California San Diego, the Human Diet & Microbiota Initiative, a research program aimed at better understanding the link between the diet of different populations and their intestinal microbiota.

Waters

In 2019, the Waters Reporting Entity's Research and Innovation team focused their efforts on:

- developing new healthy hydration products. For example, healthier products were added to the Aquadrinks range and sugar-free drinks made with organic ingredients were launched in Europe under the *Volvic* brand. Beverages such as *Bonafont* in Brazil, *Levité* in Argentina and *Mizone* in Indonesia were updated to include more natural ingredients. Fruit drinks with low sugar content were launched in Europe under the *Badoit* brand;

- designing more circular packaging: Danone launched several 100% recycled PET bottles in a number of European countries, in Mexico and in Indonesia, where the first label-free 100% recycled PET bottle was introduced. 70 bottles were redesigned to reduce the amount of plastic. Danone also ramped up its efforts in (i) large formats (more than 5 liters) in France, Poland and Spain and alternatives to plastic (aluminium cans in the United Kingdom and Poland). Finally, Danone launched the Evian water dispenser, which uses 66% less plastic than standard bottles.

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

Specialized Nutrition

In 2019, the Specialized Nutrition Reporting Entity's Research and Innovation teams continued to develop products and services for children, parents and people of all ages who have been diagnosed with various medical conditions, such as the new Pronutra Advance formula for development of the immune system of babies with an increased risk of allergies and new tube feeding packaging (the Optri bottle) now available in 38 countries and several formats, which contribute significantly to patients' recovery and well-being. They also continued their research in areas such as the functioning of the digestive system, biotics (pre, pro, syn, post) and microbiota, the functioning of the immune system, and fields of technology such as the development of processes, technologies and digital solutions.

Work was carried out in cooperation with many organizations in the scientific community to conduct clinical trials in the field of nutrition, particularly on the importance of children's acceptance of vegetables, the effect of preparations with synbiotics that impact the microbiota of babies with allergies and accelerated muscle loss associated with cancer. Results of the research were published in scientific journals such as Appetite, Clinical and Translational Allergy and the Journal of Cachexia, Sarcopenia and Muscle.

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

IFRS STANDARDS APPLICABLE IN 2019

See section 3.7 *Main changes in IFRS standards*.

KEY FIGURES

Year ended December 31

(in € millions except if stated otherwise)	2018	2019	Reported changes	Like-for-like changes [a]
Sales	**24,651**	**25,287**	**2.6%**	**2.6%**
Recurring operating income [a]	**3,562**	**3,846**	**8.0%**	**7.4%**
Recurring operating margin [a]	**14.45%**	**15.21%**	**+76bps**	**+71bps**
Non-recurring operating income and expenses	(821)	(609)	212	
Operating income	2,741	3,237	18.1%	
Operating margin	11.12%	12.80%	+168bps	
Recurring net income – Group share [a]	**2,304**	**2,516**	**9.2%**	
Non-recurring net income – Group share	46	(586)	(632)	
Net income – Group share	2,349	1,929	(17.9)%	
Recurring EPS *(in €)* **[a]**	**3.56**	**3.85**	**8.3%**	
EPS *(in €)*	3.63	2.95	(18.7)%	
***Free cash flow* [a]**	**2,232**	**2,510**	**12.5%**	
Cash flow from operating activities	3,111	3,444	10.7%	

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

SALES

Consolidated sales

In 2019, consolidated sales stood at €25.3 billion, up +2.6% on a like-for-like basis. Sales grew by +3.8% in value, led by continued positive mix and portfolio valorization, while volumes declined by (1.2)%. Reported sales were up +2.6%, including a negative scope effect of (1.0)%, mainly reflecting the deconsolidation from April 1st of Earthbound Farm, a positive impact of currencies (+0.7%), as well as a +0.4% organic contribution of Argentina to growth. Pace of growth accelerated all along the year, with Q4 like-for-like sales growth reaching +4.1%.

Sales by Reporting Entity

		Year ended December 31		
(in € millions except percentage)	**2018**	**2019**	**Sales growth [a]**	**Volume growth [a]**
EDP	13,056	13,163	1.1%	(2.2)%
Specialized Nutrition	7,115	7,556	5.8%	(0.1)%
Waters	4,480	4,568	1.5%	(0.4)%
Total	**24,651**	**25,287**	**2.6%**	**(1.2)%**

(a) Like-for-like.

EDP

Sales

EDP posted net sales growth of +1.1% in 2019 on a like-for-like basis, including a +3.3% increase in value, and a (2.2)% decline in volumes.

Main Markets

Europe went back to growth in 2019, with plant-based *Alpro* brand registering double-digit growth and Essential Dairy progressively stabilizing, supported by the deployment of new brands to address new consumer tribes.

In North America top-3 brands in the region – *International Delight, Silk,* and *Horizon* – delivered strong growth in 2019. Growth in the region was moderated by the double-digit decline of protein powder brand Vega as well as some portfolio pruning initiatives.

In the rest of the world, CIS registered a weak performance, as sales of premium functional yogurts in Russia have been impacted in H2 by a decrease in consumer purchasing power. Latam posted solid growth in all markets and Morocco exited the year with double-digit growth, bringing back the business to market leader position.

In 2019, Plant-based sales amounted to €1.9 billion growing at high-single-digit rate for the full-year.

Specialized Nutrition

Sales

Specialized Nutrition posted net sales growth of +5.8% in 2019 on a like-for-like basis, with an increase in value of +6.0% and (0.1)% in volumes, with a balanced contribution of both Medical and Early Life Nutrition.

Main Markets

Advanced Medical Nutrition posted mid-single digit growth in 2019, fostered by a good performance of the pediatrics range. Early Life Nutrition sales grew strongly. China posted high-single digit growth, driven by an increased presence in physical stores in lower tier cities, very strong growth in e-commerce, and premium innovations roll-out. Outside China, Early Life Nutrition grew solidly, driven by the rest of Asia and *Happy Family* in the US.

The further integration of Early Life Nutrition and Advanced Medical Nutrition is being implemented successfully.

Waters

Sales

Waters posted net sales growth of +1.5% in 2019 on a like-for-like basis, with an increase in value of +1.8% and (0.4)% in volumes.

Main Markets

In Europe, sales were penalized by a difficult summer season due to lower temperatures than last year in Q2 and Q3, while business returned to growth in Q4 driven by better performance in Spain and Poland.

In Emerging Markets, outside China, growth was strong and led by Indonesia and Turkey, as well as by plain waters in Mexico. In China, *Mizone* sales slowed down at a double-digit rate, before the repositioning plan initially planned for March 2020 to revitalize the brand.

In 2019, approximately 50% of Waters' volumes were offered in reusable formats (especially jugs in Indonesia, Mexico, and Turkey) and the use of rPET increased to reach 16% worldwide.

Sales by geographical area

Year ended December 31

(in € millions except percentage)	2018	2019	Sales growth [a]	Volume growth [a]	Share of sales delivered by the region in 2018	Share of sales delivered by the region in 2019
Europe & Noram	13,654	13,710	0.3%	(1.2)%	55%	54%
Rest of the World	10,997	11,577	5.6%	(0.8)%	45%	46%
Total	**24,651**	**25,287**	**2.6%**	**(1.2)%**	**100%**	**100%**

(a) Like-for-like.

Europe & Noram

The Europe & Noram region posted sales of €13,710 million in 2019, up +0.3% vs 2018 on a like-for-like basis, including a decline in volume of (1.2)%.

Rest of the World

The Rest of the World region posted sales of €11,577 million in 2019, up +5.6% vs 2018 on a like-for-like basis, including a decline in volume of (0.8)%.

RECURRING OPERATING INCOME AND RECURRING OPERATING MARGIN

Consolidated recurring operating income and recurring operating margin

In 2019, Danone's recurring operating income stood at €3.8 billion. The recurring operating margin reached 15.21%, up +76 bps on a reported basis.

On a like-for-like basis, recurring operating margin increased by +71bps driven by gross margin improvement - as an outcome of the continued portfolio valorization efforts and focus on efficiency offsetting the strong inflation on raw materials - and sustained sales and marketing investments. In total, gross savings reached €900 million for the year. The Protein program delivered approximately €400 million gross savings, bringing the cumulated savings since its launch in 2017 to around €700 million.

In addition, reported margin also included:

- the positive scope effect of +20bps, reflecting the impact of the Earthbound Farm divestiture;
- a slight positive effect from currencies, at +6bps; and
- a negative effect of -21bps reflecting Argentina's impact on margin.

Cost of goods sold totaled €12,878 million in 2019 (€12,729 million in 2018), or 50.9% of consolidated sales (51.6% in 2018). Global input costs posted more than 6% inflation for the company in 2019, including close to 10% inflation for milk and mid-single digit inflation for plastics.

Selling expense totaled €5,773 million in 2019 (€5,640 million in 2018), or 22.8% of consolidated sales, broadly in line with 2018 (22.9%).

General and administrative expense totaled €2,385 million in 2019, or 9.4% of consolidated sales (9.0% in 2018).

Research and Development costs totaled €351 million in 2018, slightly above 2018 (€335 million). (see section 3.1 *Business highlights in 2019*).

Other income and expenses stood at €53 million in 2019 (€164 million in 2018).

Recurring operating income and recurring operating margin by Reporting Entity

Year ended December 31

(in € millions except percentage and bps)	Recurring operating income		Recurring operating margin		Reported changes	Like-for-like changes
	2018	2019	2018	2019		
EDP	1,317	1,345	10.09%	10.22%	+13bps	-7bps
Specialized Nutrition	1,762	1,908	24.77%	25.26%	+49bps	+94bps
Waters	483	593	10.79%	12.98%	+219bps	+189bps
Total	**3,562**	**3,846**	**14.45%**	**15.21%**	**+76bps**	**+71bps**

The recurring operating margin of EDP slightly improved by 13bps, reaching 10.2%, with portfolio valorization actions and efficiencies offsetting an almost double-digit milk price inflation.

The recurring operating margin of Specialized Nutrition improved by +49bps to reach a record level of 25.3%, led by a positive product and country mix as well as first synergies from a successful Early Life and Medical Nutrition integration.

The recurring operating margin of Waters reached 13.0% up +219bps, thanks to an over delivery of efficiencies and a strong pricing effect.

Recurring operating income and recurring operating margin by geographical area

Year ended December 31

(in € millions except percentage and bps)	Recurring operating income		Recurring operating margin		Reported changes	Like-for-like changes
	2018	2019	2018	2019		
Europe & Noram	1,928	1,999	14.12%	14.58%	+46bps	+47bps
Rest of the World	1,634	1,847	14.86%	15.96%	+109bps	+96bps
Total	**3,562**	**3,846**	**14.45%**	**15.21%**	**+76bps**	**+71bps**

The recurring operating margin of the Europe & Noram region was 14.58% in 2019, up +46 bps vs 2018.

The recurring operating margin of the Rest of the World was 15.96% in 2019, up +109 bps vs 2018.

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)	2018	2019
Interest income on cash, cash equivalents and short term investments	162	181
Interest expense on financial debt	(393)	(400)
Cost of net financial debt	**(231)**	**(220)**
Other financial income	48	37
Other financial expense	(165)	(188)
Other financial income or expense	**(117)**	**(151)**
Net financial income (expense)	**(348)**	**(370)**

The recurring net financial result slightly increased in 2019 vs 2018 (from €(350) million to €(370) million), reflecting the appreciation of the cost of US-denominated debt and higher interest rates in Argentina.

EFFECTIVE TAX RATE

The recurring income tax rate stood at 27.5% in 2019, down 40bps from 2018, supported by a favorable country mix.

RECURRING NET INCOME – GROUP SHARE AND RECURRING EPS

Recurring net income totaled €2,618 million in 2019 (€2,397 million in 2018).

Net income from associates

Recurring net income from associates was €98 million, increasing compared to 2018, reflecting good results from the participation in Mengniu, offsetting the decrease in the participation in Yakult from 21.3% to 6.6%, which occurred in March 2018.

Net income from non-controlling interests

Recurring minority interests increased to €103 million, driven by the good results of *Aqua* in Indonesia.

Recurring net income – Group share

Recurring net income – Group share was €2,516 million in 2019, up +9.2% vs last year.

Recurring EPS was €3.85 per share, up +8.3%. Reported EPS was €2.95, down (18.7)% on the high base of last year, which included an exceptional capital gain of €0.7 billion from the partial sale of Danone's stake in Yakult.

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

Year ended December 31

(in € millions except if stated otherwise)			2018			2019
	Recurring	**Non-recurring**	**Total**	**Recurring**	**Non-recurring**	**Total**
Recurring operating income	**3,562**		**3,562**	**3,846**		**3,846**
Other operating income and expense		(821)	(821)		(609)	(609)
Operating income	**3,562**	**(821)**	**2,741**	**3,846**	**(609)**	**3,237**
Cost of net debt	(231)		(231)	(220)		(220)
Other financial income and expense	(119)	2	(117)	(150)		(151)
Income before taxes	**3,213**	**(819)**	**2,393**	**3,477**	**(609)**	**2,867**
Income tax	(895)	179	(716)	(956)	163	(793)
Effective tax rate	27.9%		29.9%	27.5%		27.7%
Net income from fully consolidated companies	**2,318**	**(640)**	**1,678**	**2,521**	**(446)**	**2,075**
Net income from associates	79	683	762	98	(144)	(46)
Net income	**2,397**	**43**	**2,440**	**2,618**	**(590)**	**2,028**
• Group share	**2,304**	**46**	**2,349**	**2,516**	**(586)**	**1,929**
• Non-controlling interests	93	(3)	90	103	(4)	99
EPS *(in €)*	**3.56**		**3.63**	**3.85**		**2.95**

Bridge from EPS to Recurring EPS

Year ended December 31

		2018		2019
	Recurring	**Total**	**Recurring**	**Total**
Net income – Group share *(in € millions)*	2,304	2,349	2,516	1,929
Coupon relating to hybrid financing net of tax *(in € millions)*	(14)	(14)	(14)	(14)
Number of shares				
• Before dilution	642,721,076	642,721,076	648,250,543	648,250,543
• After dilution	643,450,446	643,450,446	649,106,039	649,106,039
EPS *(in €)*				
• After dilution	3.56	3.63	3.86	2.95
• After dilution	3.56	3.63	3.85	2.95

ADDITIONAL INFORMATION ON CONSOLIDATED INCOME STATEMENT: BRIDGE FROM REPORTED TO LIKE-FOR-LIKE FIGURES

(in € millions except percentage)	2018	Impact of changes in scope of consolidation	Impact of changes in exchange rates and others, including IAS 29	Argentina organic contribution	Like-for-like growth	2019
Sales	24,651	(1.0)%	+0.7%	+0.4%	+2.6%	25,287
Recurring operating margin	14.45%	+20bps	+6bps	-21bps	+71bps	15.21%

DIVIDEND PAID IN RESPECT OF 2019 FISCAL YEAR

At the Annual General Meeting on April 28, 2020, Danone's Board of Directors will propose a dividend increase of 16 cents to €2.10 per share, in cash, in respect of the 2019 fiscal year. This dividend increase is in line with recurring earnings progression and reflects the solid financial position of the Company and the strong confidence of both the Board and the management.

Assuming this proposal is approved, the ex-dividend date will be May 11, 2020 and dividends will be payable on May 13, 2020

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 grew +12.5% in 2019 to €2.5 billion, and free cash flow conversion ratio significantly increased to 9.9% of sales, driven by stronger operating performance and capital discipline. Capex amounted to €951 million in 2019, or 3.8% of net sales, in line with 2018.

FREE CASH FLOW

Transition from operating cash flow to free cash flow

	Year ended December 31	
(€ millions)	2018	2019
Cash flow from operating activities	**3,111**	**3,444**
Capital expenditure	(941)	(951)
Disposal of tangible assets & transaction fees related to business combinations [(a)]	61	17
Free cash flow	**2,232**	**2,510**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended December 31	
(in € millions)	**2018**	**2019**
Net income	**2,440**	**2,028**
Share of profit of associates net of dividends received	(729)	99
Depreciation, amortization and impairment of tangible and intangible assets	1,601	1,386
Net change in provisions and non-current liabilities	13	111
Change in deferred taxes	(135)	40
(Gains) losses on disposal of property, plant and equipment and financial investments	(12)	14
Expense related to Group performance shares	24	30
Cost of net financial debt	231	220
Net interest paid	(218)	(212)
Net change in interest income (expense)	13	8
Other components with no cash impact	(44)	39
Cash flows provided by operating activities, before changes in net working capital	**3,170**	**3,755**
(Increase) decrease in inventories	(167)	(178)
(Increase) decrease in trade receivables	807	(268)
Increase (decrease) in trade payables	(770)	266
Change in other receivables and payables	70	(131)
Change in working capital requirements	(59)	(311)
Cash flows provided by (used in) operating activities	**3,111**	**3,444**
Capital expenditure [a]	(941)	(951)
Proceeds from the disposal of property, plant and equipment [a]	22	16
Net cash outflows on purchases of subsidiaries and financial investments [b]	(52)	(112)
Net cash inflows on disposal of subsidiaries and financial investments [b]	1,305	58
(Increase) decrease in long-term loans and other financial assets	(9)	(19)
Cash flows provided by (used in) investment activities	**326**	**(1,008)**
Increase in share capital and additional paid-in capital	47	55
Purchase of treasury shares (net of disposals)	–	
Interest on undated subordinated notes	(14)	(22)
Dividends paid to Danone shareholders [c]	(431)	(1,256)
Buyout of non-controlling interests	(120)	(153)
Dividends paid to non-controlling interests	(79)	(60)
Contribution from non-controlling interests to capital increases	–	4
Transactions with non-controlling interests	(199)	(209)
Net cash flows on hedging derivatives [d]	(8)	(7)
Bonds issued during the period	300	–
Bonds repaid during the period	(2,157)	(1,899)
Net cash flows from other current and non-current financial debt	27	354
Net cash flows from short-term investments	(815)	584
Cash flows provided by (used in) financing activities	**(3,251)**	**(2,400)**
Effect of exchange rate and other changes [e]	14	(231)
Increase (decrease) in cash and cash equivalents	**200**	**(195)**
Cash and cash equivalents as of January 1	**638**	**839**
Cash and cash equivalents as of December 31	**839**	**644**
Additional information		
Income tax payments during the year	(556)	(774)

(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)	**2018**	**2019**
Non-current assets	33,843	35,244
Current assets	10,334	10,118
Total assets	**44,177**	**45,362**
Equity – Group share	**16,344**	**17,241**
Non-controlling interests	131	137
Non-current liabilities	17,738	16,731
Current liabilities	9,965	11,253
Total equity and liabilities	**44,177**	**45,362**
Net debt	12,744	12,819
Net financial debt	12,235	12,337

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 2019

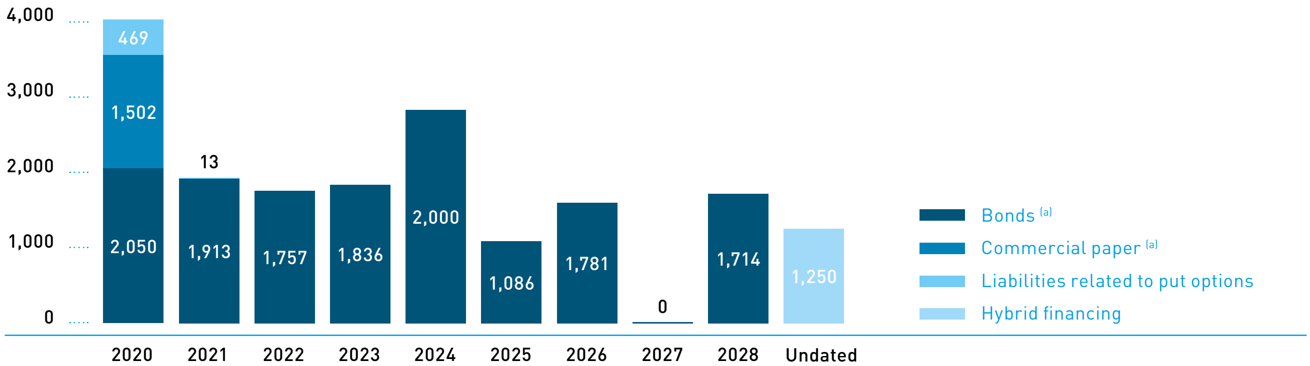
	Year ended December 31		
	2019		
(in millions of currency)	**Currency**	**Nominal**	**Maturity**
New financing			
None			
Repayments			
Eurobonds	EUR	150	2019
Eurobonds	EUR	650	2019
Bonds on the US market	USD	1,200	2019

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

(in € millions)

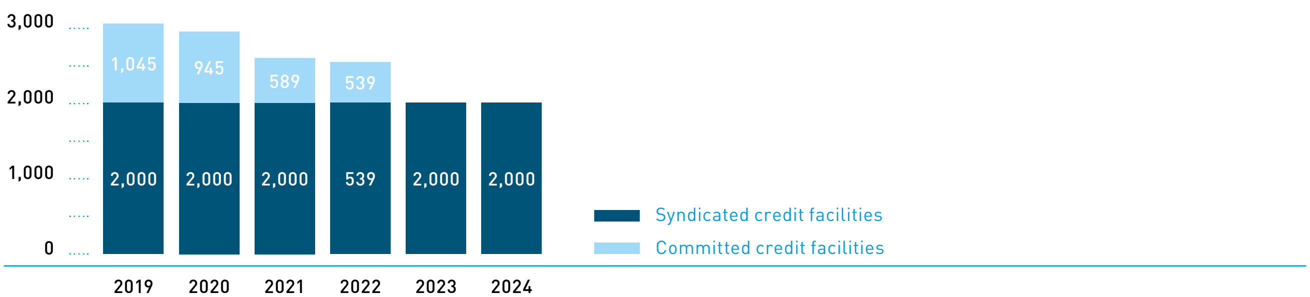


(a) Includes the value of derivatives hedging bonds and commercial paper.

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.

(in € millions)



Company rating

				As of December 31
		2018		2019
	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 [c]	Stable	Stable [c]

(a) Rating given to the Company's commercial paper program.
(b) Rating given to the Company's debt issues with a maturity of more than one year.
(c) Outlook attributed on February 20, 2018.

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)	**2018**	**2019**
As of January 1	607	508
New options and options recognized previously in accordance with IFRS 9	–	19
Options exercised [a]	(123)	(125)
Changes in the present value of outstanding options	24	79
As of December 31 [b]	**508**	**482**

(a) Carrying amount at the closing date of the previous period for options exercised and for which payment has been made.
(b) Several options, none of which individually exceeds €200 million. In most cases, the strike price is an earnings multiple.

NET DEBT AND NET FINANCIAL DEBT

Net debt

	As of December 31	
(in € millions)	**2018**	**2019**
Non-current financial debt [a]	14,343	12,906
Current financial debt [a]	3,546	4,474
Short-term investments	(4,199)	(3,631)
Cash and cash equivalents	(839)	(644)
Derivatives – assets – Non-current [b]	(81)	(271)
Derivatives – assets – Current [b]	(27)	(16)
Net debt	**12,744**	**12,819**

(a) The application of IFRS 16 increased the net debt by €670 million as of January 1, 2019.
(b) Used solely to manage net debt.

Changes in net debt in 2019

The application of IFRS 16 increased Danone's net debt as of January 1, 2019 by €670 million, from €12,744 million to €13,414 million.

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

Bridge from net debt to net financial debt

	Year ended December 31	
(in € millions)	**2018**	**2019**
Net debt	**12,744**	**12,819**
Liabilities related to put options granted to non-controlling interests – Non-current	(46)	(13)
Liabilities related to put options granted to non-controlling interests – Current	(463)	(469)
Financial debt excluded from net debt	**(508)**	**(482)**
Net financial debt	**12,235**	**12,337**

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

Danone tracks these ratios every year.

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 fiscal 2019 year was 2.8x:

(in € millions except ratio)	2018	2019
Net debt as of December 31	**12,744**	**12,819**
Operating income	2,741	3,237
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	1,601	1,386
EBITDA of the year	**4,342**	**4,623**
Net debt / EBITDA of the year	**2.9x**	**2.8x**

ROIC

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

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

The ROIC stood at 9.6% in 2019:

(in € millions except percentage)	2017 Restated [a]	2018 [a]	January 1, 2019 [b]	2019 [b]
Recurring operating income		3,562	3,562	3,846
Recurring income tax rate		27.9%	27.9%	27.5%
Tax on recurring operating income		(992)	(992)	(1,058)
Recurring income from associates		79	79	98
Operating income		**2,649**	**2,649**	**2,887**
Intangible assets	24,945	24,445	24,445	24,803
Property, plant and equipment	6,005	6,175	6,842	6,844
Goodwill and other tangible and intangible assets	**30,950**	**30,620**	**31,288**	**31,647**
Investments in associates	2,678	2,104	2,104	2,055
Other financial investments	260	278	278	482
Short-term loans	14	13	13	6
Investments in non-consolidated companies and other financial investments	**2,952**	**2,394**	**2,394**	**2,542**
Assets held for sale net of liabilities	**–**	**–**	**–**	**43**
Deferred taxes net of deferred tax assets	(910)	(777)	(777)	(766)
Provisions for retirement and other long-term benefits	(919)	(868)	(868)	(1,091)
Other non-current provisions and liabilities	(1,003)	(989)	(1,079)	(1,178)
Provisions and other net liabilities	**(2,832)**	**(2,634)**	**(2,724)**	**(3,034)**
Working capital	**(1,168)**	**(1,162)**	**(1,162)**	**(1,000)**
Invested capital of the year	29,902	29,219	29,796	30,197
Average invested capital		**29,560**	**29,849**	**29,997**
ROIC		**9.0%**	**8.9%**	**9.6%**

(a) IFRIC 23 and IFRS 16 did not apply for these periods.
(b) After the application of IFRIC 23 and IFRS 16.

SHAREHOLDER'S EQUITY

Change in shareholder's equity – Group share

		Year ended December 31
(in € millions)	**2018**	**2019**
As of January 1 [a]	**14,456**	**16,251**
Net income	2,349	1,929
Other comprehensive income	22	(165)
Dividends paid [b]	(431)	(1,256)
Translation adjustments	(151)	391
Other	98	91
As of December 31	**16,344**	**17,241**

(a) As of January 1, 2019, IFRIC 23 is applicable as from this date.
(b) Impact on the Group share of equity, impact of the dividends paid on the consolidated equity amounting to €(1,315) million in 2019 (€(510) million in 2018).

3

OFF-BALANCE SHEET COMMITMENTS

Commitments given as of December 31, 2019 relating to operating activities

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

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

3.5 OUTLOOK 2020

MATERIAL CHANGE IN FINANCIAL OR TRADING POSITION

There has been no significant change in the financial or trading position of the Company and its subsidiaries as a whole since 31 December 2019, except as disclosed below.

OUTLOOK FOR 2020

Danone assumes that economic conditions in 2020 will remain particularly volatile and uncertain overall, including specific contextual difficulties in a few major markets including the CIS and Argentina, with additional pressure on the world economy since the beginning of the year related to the COVID-19 outbreak that began in Wuhan in China last December.

For the year 2020, Danone is targeting a mid-single-digit growth of recurring EPS. This assumes a like-for-like sales growth between +2% and +4% (vs. +4% to +5% previously) and a recurring operating margin above 15% (vs. above 16% previously), reflecting both the strategic steps the Company is taking from 2020 to transform the business for the long-term and unlock value further and faster, and the impact of external environment factors.

Full-year guidance was prepared on a basis which is comparable with the historical financial information and consistent with Danone's accounting policies, and factors in the following assumptions:

- an assessment to date of the COVID-19 impact on:
  - the Company's sales and margin in the first quarter, which the Company currently estimates at around €100 million lost sales on its business in China (see section hereinafter *Focus on Danone* in China), mostly impacting Waters, expecting to bring Q1 like-for-like sales growth broadly flat;
  - timing of Mizone's repositioning plan initially planned in March, putting at risk its summer season;
  - time to market of Early Life Nutrition innovations in China;
- a year-on-year mid-single digit rise in the cost of its strategic raw materials, although the impact of COVID-19 on commodities price in 2020 remains uncertain at this stage.

Danone remains particularly vigilant to developments in the situation, although it is difficult at this stage to precisely assess the duration of COVID-19 and its impact outside China.

Danone is strong and resilient, and, confident in its strategy, will continue in this context to promote in 2020 strategic growth investments over short-term tactical allocations.

Focus on Danone in China

China is the second largest country of Danone, representing ~10% of its sales in 2019, with ~1/3 of its revenues from Waters and ~2/3 from Specialized Nutrition. It employs around 8,200 employees and runs 8 production sites: 7 for Waters (of which one in Wuhan) and 1 for Medical Nutrition.

3.6 FINANCIAL INDICATORS NOT DEFINED IN IFRS

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

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

Recurring operating income is defined as Danone's operating income excluding Other operating income and expenses. Other operating income and expenses is defined under Recommendation 2013-03 of the French CNC (format of consolidated financial statements for companies reporting under international reporting standards), and comprises significant items that, because of their exceptional nature, cannot be viewed as inherent to its recurring activities. These mainly include capital gains and losses on disposals of fully consolidated companies, impairment charges on goodwill, significant costs related to strategic restructuring and major external growth transactions, and costs related to major crisis and major litigations. Furthermore, in connection with IFRS 3 (Revised) and IAS 27 (Revised) relating to business combinations, the Company also classifies in Other operating income and expenses (i) acquisition costs related to business combinations, (ii) revaluation profit or loss accounted for following a loss of control, (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 capital gains or losses on disposal and impairment of non-consolidated interests as well as significant financial income and expense items that, in view of their exceptional nature, cannot be considered as inherent to Danone's recurring financial management.

Non-recurring income tax corresponds to income tax on non-recurring items as well as significant tax income and expense items that, in view of their exceptional 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 significant items that, because of their exceptional nature, cannot be viewed as inherent to the recurring activity of those companies and distort the reading of their performance. They include primarily (i) capital gains and losses on disposal and impairment of Investments in associates, and (ii) when material, 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 measures Danone's recurring performance and excludes significant items that, because of their exceptional nature, cannot be viewed as inherent to its recurring performance. Such non-recurring income and expenses mainly include other operating income and expense, other non-recurring financial income and expense, non-recurring tax, and non-recurring income from associates. Such income and expenses excluded from Net income are defined as Non-recurring net income and expenses.

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

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

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

3.7 MAIN CHANGES IN IFRS STANDARDS

IFRS 16: APPLICABLE STARTING JANUARY 1, 2019, NO RESTATEMENT OF 2018 FINANCIAL STATEMENTS

Danone applies IFRS 16 on leases starting January 1, 2019 and elected for the modified retrospective approach for its implementation:

- lease assets and lease liabilities are calculated as of January 1, 2019 based on discounted future lease payments;
- they are recognized in the consolidated balance sheet as of January 1, 2019 and prior-period financial information are not restated (*i.e.* IAS 17 is applied).

The application of IFRS 16 resulted in an increase of the consolidated balance sheet of €664 million as of January 1, 2019 and has no significant impact on the recurring operating income, recurring operating margin and recurring net income.

IAS 29 IMPACT ON REPORTED DATA

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

(in € millions except percentage)	**2019**
Sales	(15)
Sales growth	(0.1)%
Recurring Operating Income	(36)
Recurring Net Income – Group share	(46)

Breakdown by quarter of FY 2019 sales after application of IAS 29

FY 2019 sales correspond to the addition of:

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

(in € millions)	**Q1 2019 (a)**	**Q2 2019 (b)**	**Q3 2019 (c)**	**Q4 2019**	**Total**
EDP	3,309	3,276	3,243	3,335	13,163
Specialized Nutrition	1,828	1,864	1,921	1,943	7,556
Waters	1,003	1,344	1,259	962	4,568
Total	**6,139**	**6,485**	**6,423**	**6,241**	**25,287**

(a) results from the application of IAS 29 until December 31, 2019 to Q1 sales of Argentinian entities.
(b) results from the application of IAS 29 until December 31, 2019 to Q2 sales of Argentinian entities.
(c) results from the application of IAS 29 until December 31, 2019 to Q3 sales of Argentinian entities.

IFRIC 23: APPLICABLE STARTING JANUARY 1, 2019, NO RESTATEMENT OF 2018 FINANCIAL STATEMENTS

See Notes 1.2 and 1.5 of the Notes to the consolidated financial statements.

3.8 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

The 2018 comparatives have not been restated to reflect IFRS 16 and IFRIC 23, which are applicable since January 1, 2019 (see Note 1.3 of the 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	**2018**	**2019**
Sales	6.1, 6.2	**24,651**	**25,287**
Cost of goods sold		(12,730)	(12,878)
Selling expense		(5,685)	(5,773)
General and administrative expense		(2,342)	(2,385)
Research and Development expense		(337)	(351)
Other income (expense) [a]	6.3	5	(53)
Recurring operating income		**3,562**	**3,846**
Other operating income (expense)	7.1	(821)	(609)
Operating income		**2,741**	**3,237**
Interest income on cash equivalents and short-term investments		162	181
Interest expense		(393)	(400)
Cost of net debt	11.7	(231)	(220)
Other financial income	1.6, 12.3	48	37
Other financial expense	12.3	(165)	(188)
Income before tax		**2,393**	**2,867**
Income tax expense	9.1	(716)	(793)
Net income from fully consolidated companies		**1,678**	**2,075**
Share of profit of associates	5.4	762	(46)
Net income		**2,440**	**2,028**
Net income – Group share		**2,349**	**1,929**
Net income – Non-controlling interests		90	99
Net income – Group share, per share	14.4	**3.63**	**2.95**
Net income – Group share, per share after dilution	14.4	**3.63**	**2.95**

(a) The 2018 comparatives have been restated (reclassification of €169 million initially presented in Other income (expense)), see Note 1.7 of the Notes to the consolidated financial statements.

Consolidated statement of comprehensive income

	Year ended December 31	
(in € millions)	**2018**	**2019**
Net income – Group share	**2,349**	**1,929**
Translation adjustments	(198)	389
Cash flow hedge derivatives		
Gross unrealized gains and losses	(47)	–
Tax effects	18	(3)
Financial assets		
Gross unrealized gains and losses	(9)	–
Amount recycled to profit or loss in the current year	–	–
Tax effects	4	–
Other comprehensive income, net of tax	–	–
Items that may be subsequently recycled to profit or loss	**(232)**	**386**
Financial assets		
Gross unrealized gains and losses [a]	–	(6)
Tax effects	–	(1)
Actuarial gains and losses on retirement commitments		
Gross gains and losses	71	(203)
Tax effects	(15)	49
Items not subsequently recyclable to profit or loss	**56**	**(161)**
Total comprehensive income – Group share	**2,174**	**2,154**
Total comprehensive income – Non-controlling interests	74	82
Total comprehensive income	**2,249**	**2,236**

(a) Includes, in particular, the changes in fair value of Investments in other non-consolidated companies, measured at fair value through other comprehensive income.

Consolidated balance sheet

		As of December 31	
(in € millions)	Notes	**2018**	**2019**
Assets			
Goodwill		17,711	18,125
Brands		6,359	6,329
Other intangible assets		376	348
Intangible assets	10.1 to 10.3	24,445	24,803
Property, plant and equipment	1.3, 1.4, 6.5	6,175	6,844
Investments in associates	5.1 to 5.8	2,104	2,055
Investments in other non-consolidated companies		105	131
Long-term loans and financial assets		173	351
Other financial assets	12.1, 12.2	278	482
Derivatives – assets [(a)]	13.2, 13.3	81	271
Deferred taxes	9.2	761	790
Non-current assets		**33,843**	**35,244**
Inventories	6.4	1,789	1,933
Trade receivables	6.4	2,689	2,906
Other current assets	6.4	778	940
Short-term loans		13	6
Derivatives – assets [(a)]	13.2, 13.3	27	16
Short-term investments	11.1, 11.5	4,199	3,631
Cash and cash equivalents		839	644
Assets held for sale		–	43
Current assets		**10,334**	**10,118**
Total assets		**44,177**	**45,362**

(a) Derivative instruments used to manage net debt.

			As of December 31
(in € millions)	Notes	**2018**	**2019**
Equity and liabilities			
Share capital		171	172
Additional paid-in capital		5,805	5,859
Retained earnings and others [(a)]	1.3 to 1.6, 11.3	15,896	16,491
Translation adjustments		(3,332)	(2,941)
Accumulated other comprehensive income		(564)	(729)
Treasury shares	14.2	(1,632)	(1,610)
Equity – Group share		**16,344**	**17,241**
Non-controlling interests	4.5	131	137
Consolidated equity		**16,475**	**17,378**
Financing	1.3, 1.4, 11.1 to 11.4	14,277	12,875
Derivatives – liabilities [(b)]	13.2, 13.3	21	19
Liabilities related to put options granted to non-controlling interests	4.5	46	13
Non-current financial debt		14,343	12,906
Provisions for retirement obligations and other long-term benefits	8.3	868	1,091
Deferred taxes	9.2	1,537	1,556
Other non-current provisions and liabilities	1.3, 1.4, 1.6, 15.2, 15.3	989	1,178
Non-current liabilities		**17,738**	**16,731**
Financing	1.3, 1.4, 11.1 to 11.4	3,021	3,996
Derivatives – liabilities [(b)]	13.2, 13.3	63	9
Liabilities related to put options granted to non-controlling interests	4.5	463	469
Current financial debt		3,546	4,474
Trade payables	6.4	3,675	3,959
Other current liabilities	6.4	2,743	2,819
Liabilities directly associated with assets held for sale		–	–
Current liabilities		**9,965**	**11,253**
Total equity and liabilities		**44,177**	**45,362**

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

Consolidated statement of cash flows

		Year ended December 31	
(in € millions)	Notes	**2018**	**2019**
Net income		**2,440**	**2,028**
Share of profit of associates net of dividends received	5.5	(729)	99
Depreciation, amortization and impairment of tangible and intangible assets	6.5, 10.3	1,601	1,386
Net change in provisions and non-current liabilities	15.2, 15.3	13	111
Change in deferred taxes	9.2	(135)	40
(Gains) losses on disposal of property, plant and equipment and financial investments		(12)	14
Expense related to Group performance shares	8.4	24	30
Cost of net financial debt	11.7	231	220
Net interest paid		(218)	(212)
Net change in interest income (expense)		13	8
Other components with no cash impact		(44)	39
Cash flows provided by operating activities, before changes in net working capital		**3,170**	**3,755**
(Increase) decrease in inventories		(167)	(178)
(Increase) decrease in trade receivables		807	(268)
Increase (decrease) in trade payables		(770)	266
Change in other receivables and payables		70	(131)
Change in working capital requirements	6.4	(59)	(311)
Cash flows provided by (used in) operating activities		**3,111**	**3,444**
Capital expenditure [a]	6.5	(941)	(951)
Proceeds from the disposal of property, plant and equipment [a]	6.5	22	16
Net cash outflows on purchases of subsidiaries and financial investments [b]		(52)	(112)
Net cash inflows on disposal of subsidiaries and financial investments [b]	5.7	1,305	58
(Increase) decrease in long-term loans and other financial assets		(9)	(19)
Cash flows provided by (used in) investment activities		**326**	**(1,008)**
Increase in share capital and additional paid-in capital		47	55
Purchase of treasury shares (net of disposals)	14.2	–	
Interest on undated subordinated notes	11.4	(14)	(22)
Dividends paid to Danone shareholders [c]	14.5	(431)	(1,256)
Buyout of non-controlling interests	4.5	(120)	(153)
Dividends paid to non-controlling interests		(79)	(60)
Contribution from non-controlling interests to capital increases		–	4
Transactions with non-controlling interests		(199)	(209)
Net cash flows on hedging derivatives [d]		(8)	(7)
Bonds issued during the period	11.3, 11.4	300	–
Bonds repaid during the period	11.3, 11.4	(2,157)	(1,899)
Net cash flows from other current and non-current financial debt	11.3	27	354
Net cash flows from short-term investments		(815)	584
Cash flows provided by (used in) financing activities		**(3,251)**	**(2,400)**
Effect of exchange rate and other changes [e]		14	(231)
Increase (decrease) in cash and cash equivalents		**200**	**(195)**
Cash and cash equivalents as of January 1		**638**	**839**
Cash and cash equivalents as of December 31		**839**	**644**
Additional information			
Income tax payments during the year		(556)	(774)

(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 consolidation scope, and (iv) other non-monetary items.

Consolidated statement of changes in equity

			Changes during the period									
(in € millions)	Notes	**As of January 1, 2019** [b]	**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 – portion in shares**	**Dividends paid to Danone shareholders – portion in cash**	**Interest on undated subordinated notes net of tax**	**Other transactions with non-controlling interests**	**Other changes**	**As of December 31, 2019**
Share capital		**171**										**172**
Additional paid-in capital		**5,805**		54								**5,859**
Retained earnings and others [a]	11.3	**15,803**	1,929			30		(1,256)	(14)	(98)	97	**16,491**
Translation adjustments		**(3,332)**	389							1		**(2,941)**
Gains and losses related to hedging derivatives, net of tax		**(190)**	(3)									**(192)**
Gains and losses on assets recognized at fair value through other comprehensive income, net of tax	13	**6**	(7)									**(2)**
Actuarial gains and losses on retirement commitments not recyclable to profit or loss, net of tax	9	**(381)**	(154)									**(535)**
Other comprehensive income		**(564)**	**(165)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(729)**
DANONE treasury shares	14.2	**(1,632)**			21							**(1,610)**
Equity – Group share		**16,251**	**2,154**	**55**	**21**	**30**	**–**	**(1,256)**	**(14)**	**(96)**	**97**	**17,241**
Non-controlling interests		**131**	82	4				(60)		(30)	9	**137**
Consolidated equity		**16,382**	**2,236**	**58**	**21**	**30**	**–**	**(1,315)**	**(14)**	**(126)**	**107**	**17,378**

(a) "Others" corresponds to undated subordinated notes totaling €1.25 billion.
(b) Retained earnings and others at January 1, 2019, see Note 1.3 of the Notes to the consolidated financial statements.

Share capital represents Danone SA's share capital and amounts to €171,530,201.50 as of December 31, 2019 (171,263,800 as of December 31, 2018).

		Changes during the period									
(in € millions)	As of January 1, 2018	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 – portion in shares	Dividends paid to Danone shareholders – portion in cash	Interest on undated subordinated notes net of tax	Other transactions with non-controlling interests	Other changes	As of December 31, 2018
Share capital	**168**					3					**171**
Additional paid-in capital	**4,991**		47			767					**5,805**
Retained earnings and others [a]	**14,677**	2,349			24	(770)	(431)	(9)	(51)	106	**15,896**
Translation adjustments	**(3,181)**	(198)								47	**(3,332)**
Gains and losses related to hedging derivatives, net of tax	**(160)**	(29)									**(190)**
Gains and losses on assets recognized at fair value through other comprehensive income, net of tax	**50**	(5)								(39)	**6**
Actuarial gains and losses on retirement commitments not recyclable to profit or loss, net of tax	**(435)**	56								(2)	**(381)**
Other comprehensive income	**(545)**	**22**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(41)**	**(564)**
DANONE treasury shares	**(1,653)**			22							**(1,632)**
Equity – Group share	**14,456**	**2,174**	**47**	**22**	**24**	**–**	**(431)**	**(9)**	**(51)**	**111**	**16,344**
Non-controlling interests	**73**	74					(79)		40	23	**131**
Consolidated equity	**14,529**	**2,249**	**47**	**22**	**24**	**–**	**(510)**	**(9)**	**(10)**	**134**	**16,475**

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

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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, 2019 were approved by Danone's Board of Directors on February 25, 2020 and will be submitted for approval to the Shareholders' Meeting on April 28, 2020.

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

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

	Notes
Measurement of intangible assets	7.2, 10.3
Measurement of investments in associates	5.1, 5.4 to 5.6
Measurement of deferred tax assets	9.3
Determination of the amount of Other non-current provisions and liabilities	15.2, 15.3
Determination of the amount of rebates, trade supports and other deductions relating to agreements with customers	6.1

These assumptions, estimates and appraisals are made on the basis of available information and conditions at the end of the financial period presented. Actual amounts may differ from those estimates, particularly in a climate of economic and financial volatility.

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, 2019

	Notes
IFRS 16 *Leases*	1.3, 1.4
IFRIC 23 *Uncertainty over Income Tax Treatments*	1.3, 1.5

Main standards, amendments and interpretations published by the IASB whose application is not mandatory within the European Union as of January 1, 2019

Amendments to IFRS 9 – Reform of the IBOR – Phase 1, see Note 1.8 of the Notes to the consolidated financial statements.

Note 1.3. Reconciliation of the consolidated balance sheet as of December 31, 2018 with the consolidated balance sheet as of January 1, 2019

The restatements required by IFRS 16 and by IFRIC 23 on the transition date have been recognized in the opening balance sheet as of January 1, 2019 and the 2018 comparative information has not been restated.

		Impacts on the transition date		
(in € millions)	**December 31, 2018**	**IFRS 16**	**IFRIC 23**	**January 1, 2019**
Assets				
Intangible assets	24,445	–	–	24,445
Land and buildings	2,141	446		2,587
Machinery and equipment	2,846	36		2,882
Other and assets in progress	1,187	185		1,373
Property, plant and equipment	6,175	667	–	6,842
Investments in associates	2,104			2,104
Other financial assets	278	–	–	278
Derivatives – assets [a]	81			81
Deferred taxes	761			761
Non-current assets	**33,843**	**667**	**–**	**34,510**
Inventories	1,789			1,789
Trade receivables	2,689			2,689
Other current assets	778	(3)		775
Short-term loans	13			13
Derivatives – assets [a]	27			27
Short-term investments	4,199			4,199
Cash and cash equivalents	839			839
Assets held for sale	–			–
Current assets	**10,334**	**(3)**	**–**	**10,331**
Total assets	**44,177**	**664**	**–**	**44,841**

(a) Derivative instruments used to manage net debt.

4

		Impacts on the transition date		
(in € millions)	**December 31, 2018**	**IFRS 16**	**IFRIC 23**	**January 1, 2019**
Equity and liabilities				
Share capital	171			171
Additional paid-in capital	5,805			5,805
Retained earnings and others [a]	15,896		(93)	15,803
Translation adjustments	(3,332)			(3,332)
Accumulated other comprehensive income	(564)			(564)
Treasury shares	(1,632)			(1,632)
Equity – Group share	**16,344**	**–**	**(93)**	**16,251**
Non-controlling interests	131			131
Consolidated equity	**16,475**	**–**	**(93)**	**16,382**
Financing managed at Company level and other financing	13,973			13,973
Lease debt [b]	304	506		810
Financing	14,277	506	–	14,783
Derivatives – liabilities [c]	21			21
Liabilities related to put options granted to non-controlling interests	46			46
Non-current financial debt	14,343	506	–	14,849
Provisions for retirement obligations and other long-term benefits	868			868
Deferred taxes	1,537			1,537
Other non-current provisions and liabilities	989	(3)	93	1,079
Non-current liabilities	**17,738**	**503**	**93**	**18,332**
Financing managed at Company level and other financing	2,947			2,947
Lease debt [b]	74	165		239
Financing	3,021	165	–	3,186
Derivatives – liabilities [b]	63			63
Liabilities related to put options granted to non-controlling interests	463			463
Current financial debt	3,546	165	–	3,711
Trade payables	3,675	(3)		3,672
Other current liabilities	2,743			2,743
Liabilities directly associated with assets held for sale	–			–
Current liabilities	**9,965**	**161**	**–**	**10,126**
Total equity and liabilities	**44,177**	**664**	**–**	**44,841**

(a) Undated subordinated notes.
(b) As of December 31, 2018 corresponded to the liability in respect of finance leases pursuant to IAS 17.
(c) Derivative instruments used to manage net debt.

Note 1.4. First-time application of IFRS 16 *Leases*

On January 13, 2016, the IASB issued a new standard on accounting for leases. As of January 1, 2019, it has been mandatory to apply IFRS 16 in place of IAS 17 and the associated IFRIC and SIC interpretations. IFRS 16 has, for lessees, ended the distinction previously made between "operating leases" and "finance leases". Danone has applied the standard since January 1, 2019, opting for the simplified retrospective transition method and in accordance with the accounting principles set out in Note 6.5 of the Notes to the consolidated financial statements. The application of IFRS 16 resulted, as of January 1, 2019, in a €664 million increase in the balance sheet total, of which €670 million related to the lease debt as set out in Note 1.3 of the Notes to the consolidated financial statements.

Reconciliation of the operating lease commitments presented in accordance with IAS 17 as of December 31, 2018 and the lease debt recognized in the consolidated financial statements as of January 1, 2019

(in € millions)	
Operating lease commitments as of December 31, 2018	**718**
Leases not recognized pursuant to the exemptions provided for by IFRS 16	(26)
Differences in the assessment of contractual obligations	46
Non-discounted lease debt as of January 1, 2019	**738**
Discounting effect	(67)
Lease debt recognized as of January 1, 2019	**670**

Note 1.5. First-time application of IFRIC 23 *Uncertainty over Income Tax Treatments*

The interpretation IFRIC 23 *Uncertainty over Income Tax Treatments*, applicable as of January 1, 2019, clarifies the accounting treatment used to recognize the fiscal consequences of uncertainties relating to income taxes. Its application has resulted in the recognition of additional tax liabilities totaling €93 million, recognized as a reduction of equity as of January 1, 2019, as set out in Note 1.3 of the Notes to the consolidated financial statements. Uncertain tax liabilities are presented in Other non-current liabilities within Other non-current provisions and liabilities in accordance with the accounting principles detailed in Note 15.1 of the Notes to the consolidated financial statements.

Note 1.6. Application of IAS 29 to Argentina

In 2018, a consensus view was reached that all the conditions for deeming Argentina to be a hyperinflationary economy under IFRS had been met and that therefore IAS 29 was now applicable to that country. Danone continues to apply IAS 29 to its activities in Argentina.

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.

Danone has used the following indexes to remeasure its income statement items, cash flows and non-monetary assets and liabilities as of December 31, 2019: the Consumer Price Index (CPI). This index was up 54% in 2019. The EURARS exchange rate used to translate the income statement amounted to 67.2 in 2019 (43.09 in 31, 2018).

Main accounting implications

The application of IAS 29 had a €52 million impact on consolidated equity and on non-monetary assets net of non-monetary liabilities as of December 31, 2019 (€66 million as of December 31, 2018) and had the following main impacts on the consolidated income statement for the period:

- a €15 million decrease in consolidated sales and a €36 million decrease in recurring operating income (decrease of €51 million and €30 million respectively in 2018);
- a €7 million loss on the net monetary position recognized in Other financial income (expense), compared with a €3 million positive impact in 2018;
- a €73 million expense in Net income – Group share (€45 million expense in 2018).

Note 1.7. Presentation of costs related to employee benefits

As from January 1, 2019, the Group presents all costs related to employee benefits (bonuses, employee profit-sharing, Group performance shares, defined benefit retirement plans and other employee benefits) under the same headings as those used for salaries and social security charges. As a result, the costs related to employee benefits previously presented under Other income (expense) are now allocated to the other headings under Recurring operating income. The 2018 comparatives have been restated in the consolidated financial statements for the year ended December 31, 2019 (reclassification of €169 million initially presented in Other income (expense)).

Note 1.8. Application of the amendment to IFRS 9 – Phase 1

For Danone, the reform of reference rates (IBOR) concerns instruments used to manage net debt, qualified as hedging and indexed to Euribor as the financings they manage (see Note 13.3 to the consolidated financial statements). The Group expects Euribor to be replaced by hybrid Euribor simultaneously in the contracts of the hedging instruments and hedged items and therefore does not anticipate any significant impact of this reform on its hedging relationships.

The Group is applying the amendment to IFRS 9 relating to the reform of reference rates in advance in the consolidated financial statements for the year ended December 31, 2019. Consequently, the hedging relationships concerned are not affected by the reform.

NOTE 2. HIGHLIGHTS OF THE YEAR

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NOTE 3. DISPOSAL OF EARTHBOUND FARM TO TAYLOR FARMS (EDP, UNITED STATES)

Note 3.1. Context of the transaction

On April 11, 2019, Danone signed a definitive agreement for the sale of Earthbound Farm, the US organic salads business, to Taylor Farms. The sale of Earthbound Farm is part of Danone's portfolio management and capital allocation optimization strategy.

Note 3.2. Recognition of the transaction

Following the receipt of an unconditional offer, non-current assets and related liabilities have been classified as held for sale as from March 31, 2019, as required by IFRS 5.

They have been thus measured at the lower of their carrying amount and fair value less costs to sell based on the terms of the transaction. Since their carrying amount exceeded their fair value less costs to sell by €119 million, their carrying amount has been written down by this amount and the corresponding impairment provision has been recognized in Other operating income (expense) for the year.

The transaction was completed on April 11, 2019. The disposal net loss amounted to €(47) million including an income tax credit of €107 million related to the deductibility of a portion of the capital loss on disposal.

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), all payments relating to these adjustments are presented in the cash flow statement within cash flows from operating activities;
- when control is obtained (or lost), the revaluation at its fair value of the interest previously held (or the residual interest) is recognized in the income statement under the heading (i) Other operating income (expense) when control is lost, (ii) Share of profit of associates when control is obtained of an entity previously

accounted for as an associate, and (iii) Other financial income (expense) when control is obtained of an entity previously accounted for as an investment in a non-consolidated company;

- when control is obtained, non-controlling interests are recognized, either at their share of the fair value of the assets and liabilities of the acquired entity, or at their fair value. In the latter case, the goodwill is then increased by the portion relating to these non-controlling interests. The treatment adopted is selected on an individual basis for each acquisition.

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

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

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

Note 4.2. Main changes during the period

2019 fiscal year

(in percentage)	Notes	Reporting Entity	Country	Transaction date [a]	Ownership as of December 31 2018	2019
Main companies consolidated for the first time during 2019						
Michel et Augustin		EDP	France and United States	April	46.9%	93.9%
Main consolidated companies with change in ownership percentage						
Fan Milk Group's main companies		EDP	West Africa	July	51.0%	100.0%
Main companies no longer fully consolidated as of December 31						
Earthbound Farm	3	EDP	United States	April	100.0%	–

(a) Month in the 2019 fiscal year.

Regarding Michel and Augustin, on April 1, 2019, Danone increased its stake in this French company, which was Danone Manifesto Ventures' first investment in 2016, and thus became the majority shareholder. The company is fully consolidated in Danone's accounts as of April 1, 2019.

2018 fiscal year

There were no material changes during the period.

Note 4.3. Fully consolidated companies

The list of companies included in the consolidation scope, whether they are fully consolidated directly or indirectly or recognized as investments in associates as of December 31, 2019, is available on Danone's website (www.danone.com).

Note 4.4. Accounting for acquisitions resulting in control being obtained in 2019

The business combinations carried out in 2019 were not material.

Note 4.5. Non-controlling interests

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

As a result of the buyouts carried out in recent years, non-controlling interests in companies that are fully consolidated but not wholly owned were not material as of December 31, 2019.

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)	**2018**	**2019**
As of January 1	607	508
New options and options recognized previously in accordance with IFRS 9	–	19
Options exercised [(a)]	(123)	(125)
Changes in the present value of outstanding options	24	79
As of December 31 [(b)]	**508**	**482**

(a) Carrying amount at the closing date of the previous period for options exercised and for which payment has been made.
(b) Several options, none of which individually exceeds €200 million. In most cases, the strike price is an earnings multiple.

NOTE 5. ASSOCIATES

Note 5.1. Accounting principles

Accounting treatment

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

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

The main components of Net income of associates are:

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

Impairment review

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

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

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

As of December 31

(in € millions, except percentage)	Notes	Country	Listing market [(a)]	2018 Ownership	2019 Ownership	2019 Market capitalization [(a)(b)]
Mengniu [(c)]	5.6	China	Hong Kong	9.9%	9.9%	14,177
Yashili [(d)]	5.6	China	Hong Kong	25.0%	25.0%	380
Yakult [(e)]	5.7	Japan	Tokyo	6.6%	6.6%	8,466

(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) YASHILI INTERNATIONAL HOLDINGS LTD.
(e) YAKULT HONSHA CO LTD.

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

In 2019, these companies accounted for 65% in total of Investments in associates (other investments in associates did not, individually, account for more than 15% of the total). In addition, none of these companies generated net income representing more than 5% of the consolidated net income or had net assets of more than 5% of the consolidated net assets.

Note 5.3. Main changes during the period

2019 fiscal year

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

(a) Month in the 2019 fiscal year.

2018 fiscal year

(in percentage)	Reporting Entity	Country	Transaction date [(a)]	Ownership as of December 31 2017 Restated	2018
Main companies accounted for using the equity method for the first time during 2018					
–	–	–	–	–	–
Main associates with changes in ownership percentage					
Yakult	EDP	Japan	March	21.3%	6.6%
Main companies no longer accounted for using the equity method as of December 31					
–	–	–	–	–	–

(a) Month in the 2018 fiscal year.

Note 5.4. Carrying amount and changes during the period

		2018			2019		
(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		**1,207**	**1,472**	**2,678**	**1,057**	**1,046**	**2,104**
Acquisitions, influence acquired during the year and capital increase	5.3	4	9	13	20	21	**41**
Disposals, losses of influence during the year and decreases in ownership percentage	5.3	(152)	(403)	(555)	(30)	1	**(29)**
Share of profit of associates before impact of disposals, revaluation and other	5.5	–	81	81	–	100	**100**
Dividends paid		–	(33)	(33)	–	(53)	**(53)**
Translation adjustments		17	12	29	21	13	**34**
Impairment	5.6	(19)	–	(19)	(145)	–	**(145)**
Adjustment of the Group's share in net assets		–	(91)	(91)	–	4	**4**
As of December 31		**1,057**	**1,046**	**2,104**	**923**	**1,131**	**2,055**

Note 5.5. Share of profit of associates

(in € millions)	Notes	Year ended December 31 2018	2019
Share of profit of associates before impact of disposals, revaluation and other		81	100
Impairment	5.4, 5.6	(19)	(145)
Gains (losses) on disposal, revaluation and other	5.7	700	(1)
Total		**762**	**(46)**

Note 5.6. Mengniu (EDP International, China) and Yashili (Specialized Nutrition, China)

Background to the acquisition of these equity interests

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

Mengniu (EDP International, China)

Accounting treatment of the investment

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

Main financial information

	2018		2019
(in € millions)	**Interim financial statements as of June 30**	**Financial statements for the year ended December 31**	**Interim financial statements as of June 30**
Non-current assets [a]	4,236	4,669	4,148
Current assets [a]	3,786	3,782	5,296
Equity [a]	3,645	3,874	4,056
Non-current liabilities [a]	1,118	1,384	908
Current liabilities [a]	3,259	3,193	4,481
Sales [a]	4,476	8,838	5,199
Net income [a]	215	411	282
Other comprehensive income [a]	(29)	(58)	(9)

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

Impairment review as of December 31, 2019

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

Impairment review as of December 31, 2018

The Group has not noted any indications of impairment.

Yashili (Specialized Nutrition, China)

Accounting treatment of the investment

This shareholding, acquired under the terms of the Group's strategic agreement with Mengniu, is recognized under Investments in associates. As of December 31, 2019, 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 and it proposed the candidate for appointment as Chief Executive Officer. Consequently, its shareholding is recognized within Investments in associates.

Impairment review as of December 31, 2019

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

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

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

Assumptions	Indicators	Additional impairment *(in € millions)*
-500 bps	Sales growth rate [a]	(36)
-500 bps	Recurring operating margin [a]	(46)
-100 bps	Long-term growth rate	(24)
+100 bps	Discount rate	(34)

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

Impairment review as of December 31, 2018

The Group noted significant volatility in the Yashili stock price in 2018, in line with the volatility observed on the local stock market index. The stock price remained below the shares' average purchase price. As of December 31, 2018, the carrying amount of the investment in Yashili (€322 million) was subjected to an impairment test based on estimated future cash flows.

The assumptions used reflected the results expected from the strategic changes made by its management, gradually implemented since year-end 2015 and supplemented in 2017 by a new positioning of the brands and changes in the distribution channels, *i.e.* dynamic sales growth over the period 2019 to 2023 and a significant increase in profitability. Meanwhile, the assumptions for the discount rate and long-term growth rate were 8.2% and 3.0%, respectively. Following the impairment test carried out in late 2018, the impairment provision recognized in 2016 (€99 million) was retained as of December 31, 2018.

Note 5.7. Yakult (EDP International, Japan)

Main characteristics of the investment

Danone has a stake in Yakult and has representatives on the company's board of directors under the terms of its strategic alliance signed in 2004, which aimed at strengthening their global leadership in probiotics and accelerating the growth of both companies in the functional food market, the first phase of which had ended in May 2012. In 2013, Danone and Yakult signed a new cooperation agreement to replace the existing strategic alliance. This new agreement calls for existing collaborations to be continued and envisages extending them into areas that are more operational in nature. In 2018, Danone reached a new phase in its partnership with Yakult with the strengthened scientific and commercial collaboration to promote and develop probiotic activities and the reduction of Danone's stake in Yakult from 21.29% to 6.61%, Danone remaining its main shareholder and having two representatives on the company's board of directors. This transaction resulted in a disposal gain of €701 million, recognized in Share of profit of associates in 2018.

Accounting treatment of the investment

This investment, which is a strategic investment for the Group, is recognized under Investments in associates, since the Group has significant influence over the financial and operating policies of Yakult due to (i) its role as the main shareholder, (ii) its participation in Yakult's governance, and (iii) the scientific and commercial partnership.

It should be noted that, as Yakult's fiscal year closing date is March 31, the amounts prepared for Group consolidation purposes as of December 31 are estimated on the basis of the most recent financial statements published for each fiscal year (interim financial statements for the six months ended September 30, 2018 for 2018 and interim financial statements for the six months ended September 30, 2019 for 2019).

Impairment review as of December 31, 2019

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

Impairment review as of December 31, 2018

The Group had not noted any indications of impairment.

Main financial information

	2018		2019	
(in € millions)	Financial statements for the year ended March 31	Interim financial statements as of September 30	Financial statements for the year ended March 31	Interim financial statements as of September 30
Non-current assets [a]	2,916	2,894	2,981	3,044
Current assets [a]	1,874	1,896	1,990	2,170
Equity [a]	2,954	2,995	3,153	3,377
Non-current liabilities [a]	600	589	890	915
Current liabilities [a]	1,236	1,206	928	922
Sales [a]	3,019	1,556	3,253	1,649
Net income [a]	291	183	321	189
Other comprehensive income [a]	118	(92)	(191)	(115)

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

Note 5.8. Impairment review of other Investments in associates

Impairment review as of December 31, 2019

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

Impairment review as of December 31, 2018

Following the impairment review of other investments in associates, the Group recognized an impairment charge totaling €19 million in respect of a company in the fresh dairy products business.

NOTE 6. INFORMATION CONCERNING THE GROUP'S OPERATING ACTIVITIES

Note 6.1. Accounting principles

Sales

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

Cost of goods sold

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

Selling expense

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

General and administrative expense

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

Research and Development expense

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

Note 6.2. Operating segments

General principles

The key indicators reviewed and used internally by the primary operational decision-makers (the Chairman and Chief Executive Officer, Emmanuel FABER, and the Chief Financial Officer, Technology & Data, Cycles and Procurement, Cécile CABANIS) to assess operational performance are:

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

Information by Reporting Entity

Among the key indicators reviewed and used internally by the primary operational decision-makers, only Sales, Recurring operating income and Recurring operating margin are monitored by Reporting Entity, while the other indicators are monitored at Group level. Since January 1, 2019, Danone has adapted the reporting of the organization of the EDP Reporting Entity. To reflect its organization under a single business leader, a single strategy and a single management, the EDP Noram (United States and Canada) and EDP International businesses have been integrated into a single EDP Reporting Entity. The main decision-makers monitor the three Reporting Entities which now make up the Danone company organization: EDP, Specialized Nutrition and Waters.

The aggregate figures by operating segment for the comparable period are therefore presented below in a comparable manner.

Information by Reporting Entity

Year ended December 31

(in € millions, except percentage)	Sales [a]		Recurring operating income		Recurring operating margin	
	2018	2019	2018	2019	2018	2019
EDP	13,056	13,163	1,317	1,345	10.1%	10.2%
Specialized Nutrition	7,115	7,556	1,762	1,908	24.8%	25.3%
Waters	4,480	4,568	483	593	10.8%	13.0%
Group total	**24,651**	**25,287**	**3,562**	**3,846**	**14.5%**	**15.2%**

(a) 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)	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**
Europe and Noram [b]	13,654	13,710	1,928	1,999	14.1%	14.6%
Rest of the World	10,997	11,577	1,634	1,847	14.9%	16.0%
Group total	**24,651**	**25,287**	**3,562**	**3,846**	**14.5%**	**15.2%**

(a) Sales to third parties.
(b) Including net sales of €2,190 million generated in France in 2019 (€2,127 million in 2018).

Top ten countries contributing to sales

		Year ended December 31
(in percentage)	**2018**	**2019**
United States	20%	19%
China	9%	10%
France	9%	9%
Russia	6%	6%
Indonesia	5%	6%
United Kingdom	5%	5%
Mexico	4%	5%
Spain	4%	4%
Germany	3%	3%
Brazil	3%	3%

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

	As of January 1 [a]	As of December 31
(in € millions)	**2019**	**2019**
Europe and Noram [b]	23,454	23,621
Rest of the World	7,833	8,026
Group total	**31,288**	**31,647**

(a) See Note 1.3 of the Notes to the consolidated financial statements.
(b) Including €2,396 million in France as of December 31, 2019 (€2,317 million as of January 1, 2019).

Note 6.3. Other components of recurring operating income

Change in the presentation of costs related to employee benefits

See Note 1.7 of the Notes to the consolidated financial statements.

Other income (expense)

		Year ended December 31
(in € millions)	**2018**	**2019**
Various taxes [a]	(41)	(43)
Restructuring costs [b]	(23)	(25)
Capital gains on disposals of property, plant and equipment and intangible assets	9	4
Other [c]	60	11
Total	**5**	**(53)**

(a) Comprises notably sales taxes.
(b) Excluding restructuring of the EDP and Waters Reporting Entities in certain countries whose costs are presented in Other operating income (expense).
(c) Comprises currency translation differences, asset impairment, provisions for doubtful receivables and several other components.

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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 January 1 [a]	As of December 31
(in € millions, except percentage)	**2019**	**2019**
Goods purchased for resale	98	122
Raw materials and supplies	802	874
Semi-finished goods and work-in-progress	168	184
Finished goods	846	902
Non-refundable containers	36	17
Impairment provisions	(161)	(167)
Inventories, net	1,789	1,933
Trade and other receivables from operations	2,809	3,019
Impairment provisions	(120)	(114)
Trade receivables, net	2,689	2,906
State and local authorities	621	812
Derivatives – assets [b]	37	23
Other	116	105
Total other current assets [a]	775	940
Total current assets	**5,253**	**5,778**
Trade payables	(3,672)	(3,959)
Year-end rebates payable to customers	(1,199)	(1,230)
State and local authorities	(274)	(342)
Personnel costs, including social security charges	(895)	(917)
Derivatives – liabilities [b]	(59)	(80)
Other	(315)	(251)
Total other current liabilities	(2,743)	(2,819)
Total current liabilities	**(6,415)**	**(6,779)**
Working capital	**(1,162)**	**(1,000)**
As a percentage of consolidated sales	4.7%	4.0%

(a) See Note 1.3 of the Notes to the consolidated financial statements.
(b) 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)	**2018**	**2019**
Portion of consolidated sales made to the Group's largest customers		
Group's largest customer	5.7%	5.9%
Group's five largest customers	13.0%	13.0%
Group's ten largest customers	19.6%	19.0%
Portion of overdue trade receivables not yet fully impaired [(a)]	**4.7%**	**6.4%**

(a) More than 30 days overdue.

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

	As of December 31	
(in € millions)	**2018**	**2019**
Total trade receivables derecognized in connection with the non-recourse factoring program [(a)]	61	23

(a) These relate to several Group subsidiaries that use non-recourse factoring programs (with transfer of risks and benefits).

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)	**2018**	**2019**
Trade receivables	2,809	3,019
Impairment provisions	(120)	(114)
Fair value of trade receivables	**2,689**	**2,906**
Discounts granted to customers [(a)]	(1,199)	(1,230)
Fair value of trade receivables net of discounts granted	**1,490**	**1,676**

(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;
- in cash flows provided by (used in) 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.

First-time application of IFRS 16 Leases

See Note 1.4 of the Notes to the consolidated financial statements.

In addition, in the case of finance leases, in 2018, the amounts of the related assets were recognized pursuant to IAS 17 and presented within property plant and equipment (their carrying amount totaled €0.4 billion as of December 31, 2018); in 2019, the amounts of the right-of-use assets are recognized pursuant to IFRS 16 and are presented on the lines relating to right-of-use assets.

Carrying amount and changes during the period

	2018				2019			
(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
Gross amount								
As of January 1 [a]	**3,352**	**7,216**	**1,990**	**12,558**	**3,993**	**7,801**	**2,386**	**14,179**
Capital expenditure [b]	108	139	762	1,009	96	228	602	926
Disposals [b]	(13)	(46)	(23)	(82)	(9)	(47)	(40)	(96)
Reclassification of assets held for sale [b]	–	–	–	–	(67)	–	–	(67)
Changes in consolidation scope [b]	–	–	–	–	(33)	(73)	(19)	(125)
Translation adjustments [b]	(35)	(226)	(33)	(295)	41	12	24	77
Impairment [b]	(11)	(79)	(111)	(201)	(52)	(168)	(58)	(277)
Other [b] [c]	144	760	(384)	520	178	432	(603)	8
Impacts of the above on the right-of-use assets [d]	–	–	–	–	119	32	46	197
As of December 31	**3,544**	**7,765**	**2,201**	**13,510**	**4,266**	**8,217**	**2,339**	**14,822**
Of which right-of-use assets [d]					*792*	*272*	*270*	*1,334*
Depreciation and provisions								
As of January 1 [a]	**(1,276)**	**(4,323)**	**(954)**	**(6,553)**	**(1,405)**	**(4,918)**	**(1,013)**	**(7,337)**
Depreciation charges and impairment [b]	(134)	(496)	(135)	(765)	(138)	(495)	(137)	(770)
Disposals [b]	11	42	21	74	6	37	41	84
Reclassification of assets held for sale [b]	–	–	–	–	24	–	–	24
Changes in consolidation scope [b]	–	–	–	–	26	64	14	103
Translation adjustments [b]	27	178	24	230	(9)	20	(4)	8
Impairment [b]	7	50	98	154	12	89	48	149
Other [b] [c]	(37)	(369)	(67)	(474)	(23)	(106)	116	(13)
Impacts of the above on the right-of-use assets [d]	–	–	–	–	(115)	(31)	(81)	(227)
As of December 31	**(1,403)**	**(4,918)**	**(1,013)**	**(7,335)**	**(1,622)**	**(5,340)**	**(1,016)**	**(7,978)**
Of which right-of-use assets [d]					*(129)*	*(65)*	*(68)*	*(262)*
Carrying amount								
As of December 31	**2,141**	**2,846**	**1,187**	**6,175**	**2,644**	**2,877**	**1,323**	**6,844**
Of which right-of-use assets [d]					*663*	*207*	*201*	*1,072*
Including assets in progress			*805*	*805*			*738*	*738*

(a) See Note 1.3 of the Notes to the consolidated financial statements.
(b) Excluding right-of-use assets.
(c) Corresponds mainly to the effects of the application of IAS 29 to Argentina (see Note 1.6 of the Notes to the consolidated financial statements).
(d) Right-of-use assets pursuant to IFRS 16 Leases.

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)	**2018**	**2019**
Related cash flows	(941)	(951)
As a percentage of sales	*3.8%*	*3.8%*

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

First-time application of IFRS 16 *Leases*

See Note 1.4 of the Notes to the consolidated financial statements.

Commitments given in 2019

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

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

Commitments given in 2018

		Amount of financial flows for the period				
(in € millions)	**Total**	**2019**	**2020**	**2021**	**2022**	**2023 and after**
Commitments to purchase goods and services [a]	(3,824)	(2,106)	(899)	(527)	(236)	(56)
Capital expenditure commitments	(166)	(164)	(2)	–	–	–
Operating lease commitments	(718)	(219)	(133)	(92)	(64)	(210)
Guarantees and pledges given	(16)	(14)	–	–	–	(2)
Other	(49)	(39)	(7)	(2)	–	(1)
Total	**(4,773)**	**(2,542)**	**(1,041)**	**(621)**	**(300)**	**(269)**

(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, 2019, 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 raw material needs consist mainly of:

- materials needed to produce food and beverage products, mainly milk, sugar and fruit (the "food raw materials"). 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 2019 fiscal year)

	Year ended December 31	
	2018	**2019**
(in € millions)	**Income (expense)**	**Income (expense)**
Increase of 5%		
Liquid milk, milk powder and other milk-based ingredients	(114)	(111)
Plastics, including PET	(74)	(74)
Decrease of 5%		
Liquid milk, milk powder and other milk-based ingredients	114	111
Plastics, including PET	74	74

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

Note 7.1. Other operating income (expense)

Accounting principles

Other operating income (expense) is defined under Recommendation 2013-03 of the French CNC relating to the format of consolidated financial statements prepared under international accounting standards, and comprises significant items that, because of their exceptional nature, cannot be viewed as inherent to Danone's current activities. These mainly include capital gains and losses on disposals of businesses and fully consolidated companies, impairment charges on goodwill, significant costs related to strategic restructuring and major external growth transactions, and incurred or estimated costs related to major crises and major litigation. Furthermore, in connection with Revised IFRS 3 and Revised IAS 27, Danone also classifies in Other operating income (expense) (i) acquisition costs related to business combinations, (ii) revaluation profit or loss recognized following a loss of control, and (iii) changes in earn-outs related to business combinations and subsequent to the acquisition date.

Other operating income (expense) in 2019

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

(in € millions)	Notes	**Related income (expenses)**
Effect of the disposal of Earthbound Farm [a]	3	(154)
Costs relating to the strategic restructuring of the EDP and Waters Reporting Entities in certain countries [b]		(159)
Expenses related to the transformation of Danone's organization	7.2	(114)
Impairment of two brands in the EDP Reporting Entity and one brand in the Specialized Nutrition Reporting Entity	10.3	(84)
Costs associated with the integration of WhiteWave		(46)

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

Other operating income (expense) in 2018

In 2018, the net Other operating expense of €(821) million consisted mainly of the following items:

(in € millions)	**Related income (expenses)**
Impairment of intangible assets of Centrale Danone	(662)
Other costs relating to the boycott of Centrale Danone [a]	(28)
Impairment of the intangible assets of a CGU in the EDP International Reporting Entity	(25)
Costs relating to the restructuring of the EDP International Reporting Entity in certain countries [b]	(71)
Costs associated with the integration of WhiteWave [c]	(69)
Compensation received [d]	60

(a) The main components are the costs of surplus fresh and packaged milk, as well as the impairment provisions in respect of production lines that have been shut down.
(b) Mainly in Latin America and Africa.
(c) Mainly related to IS/IT costs, consulting fees and end-of-contract penalties.
(d) Late payment interest received in respect of the Fonterra case (€30 million) and compensation receivable following settlement of a dispute with Système U (€30 million).

Note 7.2. Transformation of Danone's organization

On February 19, 2019, Danone announced the proposed transformation of its organization on the basis of the following three priorities:

- integration of its Early Life Nutrition and Advanced Medical Nutrition activities;
- organization of its activities around 13 regions;
- evolution of its shared service centers.

The impacts on the consolidated financial statements for the year ended December 31, 2019 relate mainly to the integration of the Early Life Nutrition and Advanced Medical Nutrition activities (regarding impairment testing, see Note 10.3 of the notes to the consolidated financial statements). The related costs recognized during the period are mainly costs related to personnel.

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	
	2018	**2019**
Total number of employees	**105,783**	**102,449**
By geographical area		
Europe and North America	31%	31%
North America	7%	6%
Europe	24%	25%
Rest of the World	69%	69%
Asia, Pacific and Middle East	21%	21%
China	8%	8%
CIS	9%	9%
Africa	8%	8%
Latin America	23%	23%
Total	**100%**	**100%**
By Reporting Entity		
EDP	42%	41%
Specialized Nutrition	20%	21%
Waters	35%	35%
Corporate functions	3%	3%
Total	**100%**	**100%**

Note 8.2. Personnel costs of fully consolidated companies

	Year ended December 31	
(in € millions)	**2018**	**2019**
Salaries and social security charges [a]	(3,668)	(3,917)
Retirement obligations – defined benefit plans [b]	(38)	(37)
Expenses relating to Group performance shares	(24)	(28)

(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 several 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)	**2018**	**2019**
Defined benefit retirement plans	843	1,063
Other long-term benefits	25	28
Total	**868**	**1,091**

Defined benefit retirement plans and other post-employment benefits

Carrying amount of gross obligations

	As of December 31	
(in percentage)	**2018**	**2019**
Retirement plan for senior managers	*32%*	*32%*
Other	*17%*	*18%*
France	49%	50%
Germany	12%	11%
Indonesia	8%	9%
Belgium	7%	7%
United States	7%	7%
Ireland	6%	6%
Other [a]	11%	9%
Total	**100%**	**100%**

(a) Several countries, none of which represent 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, 2019, 88 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					
			2018			**2019**
(in € millions)	**Retirement plan for senior managers**	**Other plans**	**Total**	**Retirement plan for senior managers**	**Other plans**	**Total**
Vested rights with projected salaries	449	942	1,391	518	1,079	1,597
Fair value of plan assets	(158)	(390)	(548)	(146)	(388)	(534)
Vested rights net of fair value of plan assets	**291**	**552**	**843**	**372**	**691**	**1,063**
Impact of ceiling on assets			–			–
Obligations for which provisions have been recorded on the balance sheet	**291**	**552**	**843**	**372**	**691**	**1,063**

In addition, the total amount of contributions/benefits to be paid out in 2020 in connection with these plans is estimated at €43 million.

Actuarial assumptions

Methodology

The Group defines the actuarial assumptions by country and/or subsidiary. The discount rates used in 2019 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)	**2018**	**2019**
Discount rate	2.2%	1.2%
Expected return on plan assets	2.2%	1.2%
Salary growth rate	3.0%	3.0%
Retirement age	60-66	60-66

Sensitivity analysis to the discount rate

	Year ended December 31	
	Retirement plan for senior managers	
	2018	**2019**
(in € millions)	**Increase (decrease)**	**Increase (decrease)**
50 bps increase	(40)	(47)
50 bps decrease	44	54

Changes in carrying amount of provisions

	2018				2019			
(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	**1,449**	**(551)**	**–**	**898**	**1,391**	**(548)**	**–**	**843**
Service cost	38	–		38	37	–		37
Effect of discounting	35	–		35	39	–		39
Expected return on plan assets	–	(10)		(10)	–	(12)		(12)
Other	(3)	–		(3)	(56)	30		(26)
Expense for the year	71	(10)	–	61	20	17		38
Payments made to retirees	(52)	29		(22)	(53)	32		(22)
Contributions to plan assets	–	(21)		(21)	–	(12)		(12)
Changes in demographic assumptions	5	–		5	9	–		9
Changes in economic assumptions	(81)	–		(81)	219			219
Experience effects	(5)	8		3	(5)	(19)		(23)
Actuarial gains and losses	(81)	8	–	(73)	224	(19)	–	205
Translation adjustments	4	(3)		1	13	(5)		8
Other	–	–		–	2	–		2
As of December 31	**1,391**	**(548)**	**–**	**843**	**1,597**	**(534)**	**–**	**1,063**

The increase in the provision between December 31, 2018 and December 31, 2019 was due mainly to the decrease in the discount rates used for the Senior Managers' Plan and the other plans in most countries.

Defined benefit retirement plan assets

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

Plan assets of retirement plan for senior managers

	As of December 31	
	Retirement plan for senior managers	
(in € millions, except percentage)	2018	2019
Fair value of plan assets	**(158)**	**(146)**
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 under Recurring operating income.

Note 8.4. Group performance shares

Group policy

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

General principles applicable to Group performance shares

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

Group Performance Shares outstanding

	Year ended December 31	
(in number of shares)	**2018**	**2019**
As of January 1	**2,314,990**	**2,151,944**
Maximum number [a]	*2,347,311*	*2,212,646*
Shares granted during the year	624,039	551,159
Maximum number [a]	*655,488*	*578,923*
Shares that lapsed or were canceled during the year	(262,412)	(103,989)
Shares delivered during the year	(524,673)	(447,613)
As of December 31	**2,151,944**	**2,151,501**
Maximum number [a]	*2,212,646*	*2,236,479*

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

Accounting treatment

Accounting principles

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

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

Valuation

	Year ended December 31	
(in € per share, except for number of shares)	**2018**	**2019**
Number of shares granted	624,039	551,159
Fair value of shares granted [a]	58.2	66.7
Average DANONE share price	65.7	72.5

(a) Fair value as of the grant date.

Expenses related to GPS including taxes

	Year ended December 31	
(in € millions)	**2018**	**2019**
Group performance shares	(24)	(28)
Total expense	**(24)**	**(28)**

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 2019, these various capital increases reserved for employees accounted for a total amount of €54,622,803.90.

NOTE 9. INCOME TAX

Note 9.1. Income tax

Income before tax and tax expense

	Year ended December 31	
(in € millions, except tax rate in percentage)	**2018**	**2019**
Income before tax	**2,393**	**2,867**
Current tax (expense) income	(851)	(753)
Deferred tax (expense) income	135	(40)
Current and deferred tax (expense) income	**(716)**	**(793)**
Effective tax rate	29.9%	27.7%
Amount (paid) received during the year	(556)	(774)

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 2019, the Group effective tax rate was 27.7%, lower than the 2018 rate, which included non-recurring items (impairment of Centrale Danone assets (EDP, Morocco)).

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 34.43% country tax rate in France

		Year ended December 31	
(in percentage)	Notes	**2018**	**2019**
Country tax rate in France		34.4%	34.4%
Differences between French and foreign tax rates [a]		(14.2)%	(11.9)%
Tax on dividends and royalties		2.5%	2.0%
Permanent differences		2.2%	2.9%
Tax loss carryforwards [b]	9.3	0.4%	0.6%
Tax rate adjustments and unallocated taxes [c]		(0.1)%	3.2%
Impact of capital gains and losses on disposal and asset impairment [d]	3.2, 7.1	6.3%	(2.6)%
Other differences		(1.5)%	(1.1)%
Effective tax rate		**29.9%**	**27.7%**

(a) Various countries, none of which generates a significant difference with the French income tax rate.
(b) In 2019 and 2018, this comprised the impacts of the deferred tax asset impairment in certain Latin American countries.
(c) In 2018, this corresponded mainly to the favorable effects of the change in the rate in the Netherlands on the measurement of the long-term deferred tax balances.
(d) In 2019, this corresponded mainly to the disposal of Earthbound Farm. In 2018, this corresponded mainly to the impairment of the Centrale Danone assets.

Note 9.2. Deferred taxes

Accounting principles

Deferred taxes are recognized for all 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 last 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	**2018**	**2019**
Breakdown by type of deferred tax			
Property, plant and equipment and intangible assets		(1,624)	(1,710)
Tax loss carryforwards	9.3	289	306
Provisions for retirement obligations and other long-term benefits		198	257
Employee profit-sharing provisions		15	13
Restructuring provisions		6	10
Other		339	360
Net deferred taxes		**(777)**	**(765)**
Deferred tax assets		761	790
Deferred tax liabilities		(1,537)	(1,556)
Net deferred taxes		**(777)**	**(766)**

Changes during the period

(in € millions)	Notes	**2018**	**2019**
As of January 1		**(910)**	**(777)**
Changes recognized in Other comprehensive income		2	70
Changes recognized in profit or loss		138	(40)
Changes in consolidation scope	4.2, 5.3	2	1
Other		(8)	(21)
As of December 31		**(777)**	**(766)**

Note 9.3. Tax loss carryforwards

Accounting principles

Deferred tax assets relating to tax loss carryforwards and temporary differences are recognized in the consolidated balance sheet 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)	**2018**	**2019**
Tax losses – recognized portion		
Recognized tax loss carryforwards [a] [b]	1,085	1,167
Tax savings [c]	289	306
Tax losses – unrecognized portion		
Tax loss carryforwards and tax credits not yet used [a]	593	550
Potential tax savings	169	148

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

Consumption horizon

Most of the tax losses as of December 31, 2019 can be carried forward indefinitely. The probable consumption horizon for most of these losses is less than ten years.

NOTE 10. INTANGIBLE ASSETS

Note 10.1. Accounting principles

Goodwill

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

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

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

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

Brands with indefinite useful lives

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

Other brands

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

Development costs

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

Technologies, development costs and other intangible assets

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

- acquired technologies, which are generally valued with the assistance of specialized consultants and amortized over the average duration of the patents;
- acquired development costs meeting the criteria for the recognition of an intangible asset in accordance with IAS 38 *Intangible Assets* (see hereinbefore);
- 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

					2018				2019
(in € millions)	Notes	Goodwill	Brands [a]	Other intangible assets	Total	Goodwill	Brands [a]	Other intangible assets	Total
Gross amount									
As of January 1		**18,132**	**6,432**	**1,103**	**25,666**	**17,711**	**6,379**	**1,198**	**25,288**
Changes in consolidation scope [b]	3.1, 4.2, 5.3	48	(35)	–	13	50	(25)	(15)	10
Capital expenditure		–	–	56	56	10	4	62	75
Disposals		–	–	(4)	(4)	–	–	(1)	(1)
Translation adjustments		119	8	(29)	97	352	120	(6)	467
Impairment	7.1, 10.3	(608)	(79)	(17)	(704)	(3)	(140)	(26)	(169)
Other [c]	1.6	20	54	90	164	5	16	23	45
As of December 31		**17,711**	**6,379**	**1,198**	**25,288**	**18,125**	**6,354**	**1,235**	**25,715**
Amortization									
As of January 1		**–**	**(20)**	**(701)**	**(722)**	**–**	**(20)**	**(822)**	**(843)**
Changes in consolidation scope [b]		–	–	–	–	–	–	12	12
Charges		–	(2)	(96)	(98)	–	(3)	(98)	(101)
Disposals		–	–	16	16	–	–	1	–
Impairment		–	–	–	–	–	–	8	8
Other [c]		–	2	(41)	(39)	–	(2)	13	12
As of December 31		**–**	**(20)**	**(822)**	**(843)**	**–**	**(25)**	**(887)**	**(912)**
Carrying amount									
As of December 31		**17,711**	**6,359**	**376**	**24,445**	**18,125**	**6,329**	**348**	**24,803**

(a) Includes brands with indefinite useful lives and the other brands (€102 million as of December 31, 2019).
(b) In 2019, corresponded mainly to the preliminary allocation of the acquisition price following the acquisition of control of Michel et Augustin and the disposal of Earthbound Farm (see Note 3 of the Notes to the consolidated financial statements).
(c) In 2019 corresponded mainly to the effects of the application of IAS 29 to Argentina (see Note 1.6 of the Notes to the consolidated financial statements).

Note 10.3. Impairment review

Methodology

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

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

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

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

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

- three to five years for the CGUs and groups of CGUs in the Waters and EDP Reporting Entities (with the exception of the emerging countries for which the forecasts cover eight years);
- nine years for the Specialized Nutrition Reporting Entity, to better reflect the expected development of its activity on the estimation

of the value in use. The Group uses projections over nine years to better reflect the Reporting Entity's growth over this period, since the actual growth rate of these CGUs and groups of CGUs exceeds the long-term growth rate that the Group applies to each of these CGUs.

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

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

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

Impairment tests carried out as of December 31, 2019

Integration of the Early Life Nutrition and Specialized Nutrition activities

The impairment tests have been carried out on the basis of historical CGUs for the December 31, 2019 reporting date since the reorganization of the Early Life Nutrition and Advanced Medical Nutrition activities was still in progress (see Note 7.2 of the Notes to the consolidated financial statements).

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

As of December 31

	Carrying amount of goodwill and brands with indefinite useful lives		Long-term growth rate [g]		Discount rate after tax [g]	
(in € millions)	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**
EDP						
Noram	8,618	8,634	1 to 2.5%	1 to 2.5%	6.5%	6.5%
Centrale Danone	224	229	2.0%	2.0%	8.2%	8.0%
Danone CIS [a]	282	314	3.0%	3.0%	7 to 13%	7 to 13%
Europe	2,601	2,612	0 to 2.5%	0 to 2.5%	7 to 9%	7 to 10%
Other CGUs [b]	233	292	0 to 3%	0 to 3%	7 to 14%	7 to 19%
Total EDP	**11,958**	**12,081**				
• of which, goodwill	8,586	8,811				
• of which, brands with indefinite useful lives [c]	3,371	3,269				
Waters						
Danone Waters France	428	428	1%	1%	6.5%	6.5%
Other CGUs [d]	262	277	0 to 3%	0 to 3%	7 to 14%	7 to 19%
Total Waters	**690**	**704**				
• of which, goodwill	502	518				
• of which, brands with indefinite useful lives [e]	188	186				
Specialized Nutrition						
Early Life Nutrition Asia	2,511	2,674	2.5%	2.5%	7.4%	7.1%
Early Life Nutrition Rest of the World	4,631	5,093	2.5%	2.5%	8.4%	8.5%
Advanced Medical Nutrition	4,014	3,621	2.5%	2.5%	7.5%	7.4%
Other CGUs	178	181	2.5%	2.5%	6.7%	6.6%
Total Specialized Nutrition	**11,334**	**11,569**				
• of which, goodwill	8,623	8,796				
• of which, brands with indefinite useful lives [f]	2,711	2,772				
Total	**23,982**	**24,354**				
• of which, goodwill	17,711	18,125				
• of which, brands with indefinite useful lives	6,270	6,227				

(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, 2019 or December 31, 2018.
(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) For the year ended December 31, 2018, applicable to those CGUs whose recoverable amount is determined on the basis of their value in use, *i.e.* the CGUs corresponding to the companies consolidated before 2017.

Goodwill of the groups of CGUs in the Specialized Nutrition and EDP Noram Reporting Entities

As of December 31, 2019, the recoverable amount exceeded the carrying amount by the following amounts:

(in € billions)	
Early Life Nutrition Asia	14.6
Early Life Nutrition Rest of the World	4.3
Advanced Medical Nutrition	5.0
EDP Noram	5.1

Sensitivity analysis on the value in use to the key 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]		
Early Life Nutrition Asia	(0.7)	23.0%
Early Life Nutrition Rest of the World	(0.4)	6.5%
Advanced Medical Nutrition	(0.4)	10.4%
EDP Noram	(0.5)	6.5%
Recurring operating margin – 100bps decrease [b]		
Early Life Nutrition Asia	(0.8)	18.8%
Early Life Nutrition Rest of the World	(0.5)	8.0%
Advanced Medical Nutrition	(0.4)	12.7%
EDP Noram	(1.0)	5.2%
Long-term growth rate – 50bps decrease		
Early Life Nutrition Asia	(1.4)	
Early Life Nutrition Rest of the World	(0.7)	
Advanced Medical Nutrition	(0.7)	
EDP Noram	(1.1)	
Discount rate – 50bps increase		
Early Life Nutrition Asia	(1.9)	
Early Life Nutrition Rest of the World	(0.9)	
Advanced Medical Nutrition	(1.0)	
EDP Noram	(1.4)	

(a) Decrease applied, each year, to the assumed growth in sales, including the final year, on the basis of the 2020 projections.
(b) Decrease applied, each year, to the assumed recurring operating margin, including the final year, on the basis of the 2020 projections.

Goodwill of other CGUs

As of December 31, 2019, the CGUs of the Reporting Entities Waters and EDP other than EDP Noram represented in total 16% of the carrying amount of the Group's goodwill and comprised more than 20 CGUs located in diverse geographic regions and in different countries. Following the goodwill impairment test of these CGUs, the Group did not recognize any impairment provision.

As of December 31, 2018, following the goodwill impairment test of these CGUs, the Group recognized an impairment provision of €583 million in the Centrale Danone CGU and of €25 million in one of the EDP Reporting Entity's CGUs.

Brands with indefinite useful lives

The Group's main brands are *Nutricia, International Delight, Silk* and *Alpro*. As of December 31, 2019, 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, 2019.

Impairment review of the main brands with indefinite useful lives

As of December 31, 2019, the Group tested the value of the *Nutricia, International Delight, Silk* and *Alpro* brands in accordance with the methodology and the valuation model described above and on the basis of assumptions based on those of the groups of CGUs concerned. These tests did not result in the recognition of any impairment provisions.

In addition, analysis of the sensitivity of the value in use to the key assumptions was carried out on each of these main brands. The key assumptions involved in the valuation model used by the Group are (i) the growth in sales, (ii) the royalty rate, (iii) the long-term growth rate used to calculate the terminal value, and (iv) the discount rate. The following changes, deemed reasonably possible, in the key assumptions do not alter the findings of the impairment test, *i.e.* the absence of any impairment:

- 50bps decrease in sales (decrease applied, each year, to the assumed growth in sales, including the final year, on the basis of the 2020 projections);
- 50bps decrease in the royalty rate;
- 50bps decrease in the long-term growth rate;
- 50bps increase in the discount rate.

Other brands with indefinite useful lives

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

As of December 31, 2018, following the impairment test of the other brands with indefinite useful lives, the Group recognized a €79 million impairment provision in respect of the Centrale Danone brand.

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.

When the fair value risk of a debt is hedged by a derivative, 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.

When future cash flows of a debt are hedged by a derivative, 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 and other short-term investments:

- Marketable securities comprise highly liquid instruments with short maturities that are easily convertible into a known amount of cash. They are measured as assets held for trading within the meaning of IFRS 9 *Financial Instruments* and are recognized at their fair value in the consolidated balance sheet;
- Other short-term investments are measured at their fair value as securities held for trading within the meaning of IFRS 9.

Changes in the fair value of short-term investments are recognized directly under the heading Interest income 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 borrowings denominated in foreign currencies or other instruments that are used to hedge long-term investments 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 relative 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 January 1, 2019 [a]	Bonds issued	Bonds repaid	Net flows from other financing arrangements	Impact of accrued interest	Impact of changes in exchange rates and other non-cash impacts [d]	Non-current portion becoming current	Changes in consolidation scope	As of December 31, 2019
Financing managed at Company level									
Bonds – non-current portion	13,929	–	–			208	(2,050)	–	12,087
Bonds – current portion	1,848	–	(1,899)			51	2,050	–	2,050
Short-term debt instruments [b]	716			786		(2)	–	1	1,502
Total	16,493	–	(1,899)	786	–	258	–	1	15,638
Lease debt									
Non-current portion	810			–		167	(212)	(14)	751
Current portion	239			(266)		31	212	(1)	215
Total	1,049	–	–	(266)	–	199	–	(15)	967
Other financing arrangements [c]									
Non-current portion	44			1		–	(9)	–	37
Current portion	383			(168)	8	(2)	9	–	229
Total	427	–	–	(167)	8	(2)	–	–	266
Total	**17,968**	**–**	**(1,899)**	**354**	**8**	**454**	**–**	**(15)**	**16,871**

(a) See Note 1.3 of the Notes to the consolidated financial statements.
(b) As of January 1 and December 31, 2019, these were included in Current financial debt.
(c) Subsidiaries' bank financing.
(d) Concerning the lease debt, corresponds mainly to new financing in the period.

Financing classified as equity

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

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

Structure of the Group's financial security

	As of December 31			
	2018		2019	
(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]	1,037	–	1,045	–
Capital markets financing [a]				
EMTN financing [d]	NA	10,223	NA	9,630
Hybrid financing	NA	1,250	NA	1,250
Bonds on the US market [d]	NA	5,553	NA	4,507
Short-term debt instruments	NA	716	NA	1,502

(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 2020 to 2023.
(d) Bonds issued by the Company are disclosed on the Danone website.

Main financing transactions in 2019

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

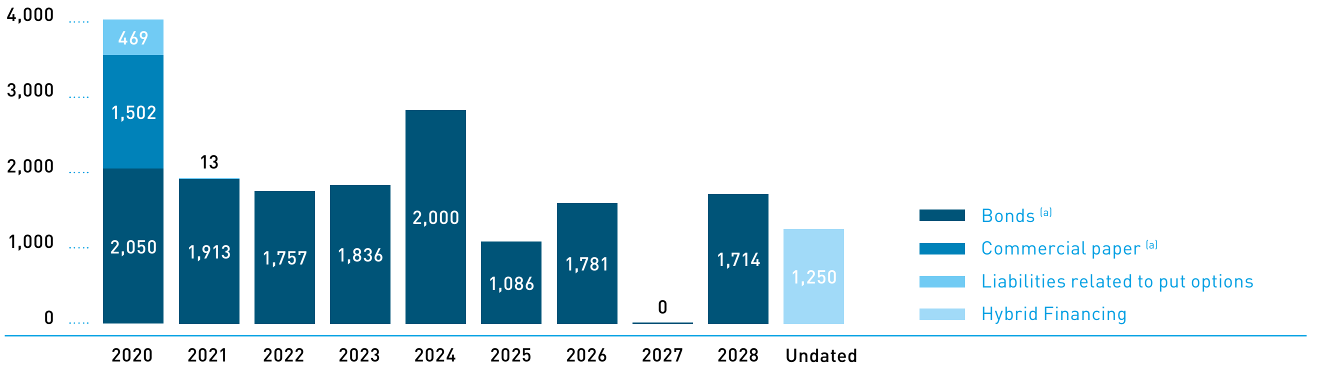
Main financing transactions in 2018

	Year ended December 31		
	2018		
(in millions of currency)	Currency	Nominal	Maturity
New financing			
Social bond	EUR	300	2025
Repayments			
Eurobonds	EUR	750	2018
Private placement	EUR	1,350	2018
Private placement	JPY	7,500	2018

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

(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

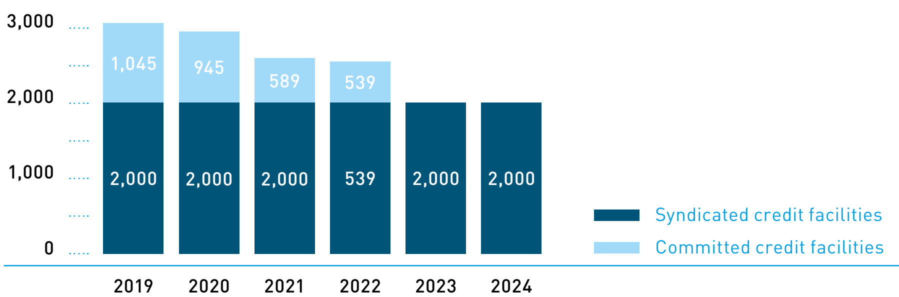
(in € millions)	Cash flows 2020	Cash flows 2021	Cash flows 2022	Cash flows 2023	Cash flows 2024 and after
Interest on debt [a]	(235)	(210)	(164)	(138)	(270)
Cash flows on derivatives [a] [b] [c]	69	71	60	50	107

(a) The floating interest rates are calculated on the basis of the rates applicable as of December 31, 2019.
(b) Net contractual flows, including premiums payable, 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 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.

(in € millions)



Company rating

				As of December 31
		2018		2019
	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 [c]	Stable	Stable [c]

(a) Rating given to the Company's commercial paper program.
(b) Rating given to the Company's debt issues with a maturity of more than one year.
(c) Outlook attributed on February 20, 2018.

Note 11.5. Short-term investments

Carrying amount

		As of December 31
(in € millions)	2018	2019
Money market funds	3,644	2,749
Bank deposits, negotiable debt instruments and other short-term investments	555	882
Total	**4,199**	**3,631**

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 January 1 [a]	As of December 31
(in € millions)	2019	2019
Non-current financial debt	14,849	12,906
Current financial debt	3,711	4,474
Short-term investments	(4,199)	(3,631)
Cash and cash equivalents	(839)	(644)
Derivatives – assets – Non-current [b]	(81)	(271)
Derivatives – assets – Current [b]	(27)	(16)
Net debt	**13,414**	**12,819**

(a) Consists of €670 million of lease debt following the application of IFRS 16, *Leases*, see Note 1.3 of the Notes to the consolidated financial statements.
(b) Used solely to manage net debt.

Changes in net debt in 2019

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

Changes in net debt in 2018

Danone's net debt totaled €12,744 million as of December 31, 2018, €2,628 million lower than as of December 31, 2017.

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 2019

During 2019, cost of net debt decreased from €(231) million in 2018 to €(220) million in 2019, 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 management and monitoring

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, 2019 and December 31, 2018, 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 2019 as in 2018, 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. In application of its financial currency risk hedging policy, the Group's residual exposure (after hedging) is not material.

Risk management and monitoring

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

Exposure

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

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

Note 12.1. Accounting principles

Investments in other non-consolidated companies

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

Fair value

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

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

Other financial assets

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

Bonds and money-market funds are recognized at fair value in the consolidated balance sheet. Changes in fair value are recognized under consolidated equity in Accumulated other comprehensive income. They are not subsequently recycled to profit or loss except for bonds and money-market funds with an equity underlying, for which fair value changes are recognized directly in profit or loss in Other financial income (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 2019 as in 2018, the Group did not carry out any material transactions.

Carrying amount

	As of December 31	
(in € millions)	**2018**	**2019**
Investments in other non-consolidated companies	105	131
Bonds and money-market funds [a]	99	111
FPS Danone Communities	13	13
Other [b]	45	213
Other financial assets	157	337
Long-term loans	16	14
Other financial assets	**278**	**482**

(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 following:

- the ineffective portion of the hedges, in particular hedges of currency risk related to operations and hedges in respect of the acquisition or disposal of companies or other 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 (recognized in Other financial expense);
- gains or losses on disposals of Investments in other non-consolidated companies and Other financial assets;
- gains or losses on the net monetary position resulting from the application of IAS 29 to Argentina.

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 Treasury and Financing team 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.

When derivatives are designated as 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.

When derivatives are designated as future cash flow hedges:

- changes in the value of the effective portion are recognized in equity under Accumulated other comprehensive income and are recycled to profit or loss, in the same heading, when the hedged item itself is recognized in profit or loss;
- time value (swap points, currency option premium and basis spread of cross-currency swaps) is recognized in equity in Other comprehensive income and taken to profit or loss on expiry of the underlying instrument, in accordance with the principles adopted by the Group. As a reminder, derivatives designated as future cash flow hedges are recognized in accordance with the transaction-related principle (hedging of transactions included in the forecasts).

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

Note 13.3. Derivatives

Group's 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, 2019, the Group's residual exposure after hedging of exchange risks on its highly probable commercial operating transactions is significantly reduced for 2020, the main currencies partially hedged being the Russian ruble, the Brazilian real, the Turkish lira and the Uruguayan Peso.

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 negotiate forward purchase contracts, mainly with suppliers, whether based on a specific index on the financial markets or on a proxy Forward purchase agreements are monitored by the corporate teams, with a review of each raw material hedged and the type of hedging (perfect index or proxy) and testing of the correlation between the hedge and the hedged item to monitor its effectiveness and the application of hedge accounting under IFRS.

Portfolio of derivatives

Notional and fair value amounts

As of December 31

	2018			2019		
(in € millions)	**Notional**	**Fair value**	**Of which, recognized in equity**	**Notional**	**Fair value**	**Of which, recognized in equity**
Used to hedge operational currency risk	**(2,281)**	**(2)**	**(2)**	**(2,506)**	**(58)**	**(58)**
Cash flow hedge – currency options [a]	(331)	–	–	(314)	(6)	(6)
Cash flow hedge – forward currency contracts [a]	(1,949)	(2)	(2)	(2,191)	(52)	(52)
No hedge accounting applied	(1)	–	–	(1)	(1)	–
Used to manage raw materials	**149**	**(22)**	**(22)**	**207**	**(1)**	**(1)**
Used to manage net debt	**6,023**	**7**	**(37)**	**6,641**	**241**	**81**
Fair value hedge	2,591	38	–	2,576	148	–
Cash flow hedge	2,934	(49)	(39)	3,435	98	93
Net investment hedge	77	2	2	183	(13)	(13)
No hedge accounting applied	420	16	–	446	8	–
Total	**3,891**	**(17)**	**(61)**	**4,342**	**181**	**22**

(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

	2018			2019		
(in € millions)	Forward currency contracts, net [a]	Currency options, net [b]	Total	Forward currency contracts, net [a]	Currency options, net [b]	Total
(Sales)/Purchases of currencies						
GBP [c]	(644)	(228)	(872)	(575)	(238)	(813)
CNY [c]	(327)	–	(327)	(384)	–	(384)
AUD [c]	(201)	(34)	(235)	(273)	(17)	(291)
MXN [c]	(187)	–	(187)	(188)	–	(188)
HKD [c]	(153)	(41)	(194)	(143)	(36)	(179)
RUB [c]	(110)	–	(110)	(118)	–	(118)
BRL [c]	(93)	–	(93)	(90)	–	(90)
USD [c]	85	(3)	81	20	(5)	14
Other [c]	(321)	(24)	(345)	(441)	(17)	(457)
Total	**(1,949)**	**(331)**	**(2,281)**	**(2,192)**	**(314)**	**(2,506)**

(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 financial instruments hedging the operating currency risk, induced by a change in foreign exchange rates, could impact the Group's equity and net income. The impacts recognized in net income relate to:

- 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

	2018		2019	
(in € millions)	**Equity [c]**	**Gain (loss)**	**Equity [c]**	**Gain (loss)**
10% increase in EUR [a]				
GBP [b]	72	–	61	–
CNY [b]	31	–	35	–
AUD [b]	20	–	26	–
MXN [b]	2	–	(12)	–
HKD [b]	24	–	36	–
RUB [b]	9	–	9	–
BRL [b]	2	–	3	–
USD [b]	19	–	12	–
10% decrease in EUR [a]				
GBP [b]	(77)	–	(65)	–
CNY [b]	(37)	–	(43)	–
AUD [b]	(23)	–	(30)	–
MXN [b]	(3)	–	(3)	–
HKD [b]	(29)	–	(41)	–
RUB [b]	(11)	–	(11)	–
BRL [b]	(2)	–	(3)	–
USD [b]	(22)	–	(14)	–

(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 2020.

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 future cash flow hedges: in 2019, as in 2018, the amounts are not material;
- 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 2019 as in 2018, 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:

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

Sensitivity to a change applied to the entire yield curve

In 2019 as in 2018, a rate change applied to the 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 future 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 2019 as in 2018, the corresponding amounts are not material.

Management of raw material price volatility risk

As of December 31, 2019, all of the raw material hedging instruments were qualified as future cash flow hedges. The portfolio of raw materials consists of diesel, plastic, milk and sugar derivatives, in accordance with the Group's management policy.

Note 13.4. Counterparty risk

Counterparty risk inherent to financial risk management

Risk identification

The Group is exposed to counterparty risk, especially on banking counterparties, as part of its financial risk management activities.

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

Risk monitoring and management

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

The Group's banking policy aims to apply deposit limits per counterparty and emphasizes the importance of their credit rating quality by concentrating its transactions among first-tier counterparties that (i) have credit ratings at least in the BBB+ category; (ii) possess international branch networks and (iii) provide it with financing. Moreover, in order to invest 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 very liquid and diversified. The other short-term investments are made in accordance with the Group's above-mentioned banking policy.

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

Exposure related to short-term investments

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

Exposure related to derivative instruments

	As of December 31	
(as a percentage of the total fair value as of December 31) [(a)]	**2018**	**2019**
Counterparty rating (Standard & Poor's)		
AAA, AA and A	89%	86%
BBB, BB and B	11%	13%
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 valuation 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, 2019 and December 31, 2018, 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	**2018**	**2019**
Risk on Company shares			
Treasury shares	14.2	1,632	2,055
Risk on other shares			
Investments in associates	5	2,104	2,055
Investments in other non-consolidated companies	12.2	105	131

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, 2019						
Financial assets						
Investments in other non-consolidated companies	22	89	–	131	131	1-3
Long-term loans and other financial assets	124	–	227	351	351	1-3
Derivatives – assets [a]	175	112	–	287	287	2
Trade receivables [b]	2,883	23	–	2,906	2,906	–
Other current assets [b]	940	–	–	940	940	–
Short-term loans	–	–	6	6	6	–
Money market funds	2,749	–	–	2,749	2,749	1
Other short-term investments	–	–	882	882	882	2
Cash and cash equivalents	644	–	–	644	644	1
Carrying amount of financial assets by category	**7,537**	**224**	**1 115**	**8,895**	**8,895**	
Financial liabilities						
Financing	4,338	–	12,533	16,871	14,024	2
Derivatives – liabilities [a]	16	12	–	28	28	2
Trade payables [b]	–	–	3,959	3,959	3,959	–
Other current liabilities [b]	–	80	2,739	2,819	2,819	–
Carrying amount of financial liabilities by category	**4,354**	**92**	**19,231**	**23,677**	**20,830**	

(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 hierarchy 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 which are 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 DANONE call options, and are measured at effective cost.

Note 14.2. Transactions and changes involving DANONE shares

2019 changes involving treasury shares in terms of transactions and use according to the Company's objective

(in number of shares)	As of December 31, 2018	Changes during the period: Buyback	Sales/Transfers	Delivery of shares	As of December 31, 2019
Acquisition transactions	**30,769,360**	–	–	–	**30,769,360**
Employee shareholding plans	**1,232,625**	–	–	(532,451)	**700,174**
Cancellation of shares	**–**	–	–	–	**–**
Shares held by the Company	**32,001,985**	**–**	**–**	**(532,451)**	**31,469,534**
Shares held by Danone Spain	**5,780,005**	–	–	–	**5,780,005**
Total shares held by the Group	**37,781,990**	**–**	**–**	**(532,451)**	**37,249,539**

Note 14.3 Outstanding DANONE shares

Year ended December 31

		2018			2019		
(in number of shares)	Notes	Share capital	Treasury	Outstanding	Share capital	Treasury	Outstanding
As of January 1		670,710,400	(38,306,997)	632,403,403	685,055,200	(37,781,990)	647,273,210
Dividend in shares		13,475,904	–	13,475,904	–	–	–
Other capital increases	8.5	868,896	–	868,896	1,065,606	–	1,065,606
Changes in treasury shares	14.2	–	525,007	525,007		532,451	532,451
As of December 31		**685,055,200**	**(37,781,990)**	**647,273,210**	**686,120,806**	**(37,249,539)**	**648,871,267**

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

(in € per share, except for number of shares)	Notes	Year ended December 31 2018	2019
Net income – Group share		2,349	1,929
Coupon relating to hybrid financing, net of tax		(14)	(14)
Adjusted net income – Group share		2,335	1,915
Number of outstanding shares			
As of January 1		632,403,403	647,273,210
Effects of changes during the year	14.3	14,869,807	1,598,057
As of December 31		647,273,210	648,871,267
Average number of outstanding shares			
• Before dilution		642,721,076	648,250,543
Dilutive impact			
Group performance shares		729,370	855,496
• After dilution		643,450,446	649,106,039
Net income – Group share, per share			
• Before dilution		3.63	2.95
• After dilution		3.63	2.95

Note 14.5. Dividend

Distributable reserves of the parent company Danone

The legally distributable reserves of subsidiaries and associated companies 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 2019 dividend

The Shareholders' Meeting of April 25, 2019 held in Paris approved the proposed dividend relating to the 2018 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 January 1 [a]	As of December 31
(in € millions)	**2019**	**2019**
Other non-current provisions	485	557
Other non-current liabilities [b]	594	621
Total [c]	**1,079**	**1,178**

(a) See Note 1.3 of the Notes to the consolidated financial statements.
(b) These relate to uncertain income tax positions.
(c) The current portion totaled €65 million as of December 31, 2019 (€47 million as of January 1, 2019).

Note 15.3. Changes in Other provisions

		Changes during the period						
(in € millions)	**As of January 1, 2019**	**Changes in consolidation scope**	**Increase**	**Reversal of provisions used**	**Reversal of provisions not used**	**Translation adjustments**	**Other**	**As of December 31, 2019**
Tax and territorial risks [a]	111	–	22	(1)	(19)	–	–	113
Employee-related and commercial disputes and other provisions	350	–	117	(44)	(36)	(5)	(1)	380
Restructuring provisions	25	–	54	(14)	(3)	–	1	64
Total	**485**	**–**	**193**	**(60)**	**(57)**	**(6)**	**1**	**557**

(a) These concern those risks not relating to income tax, which are presented in Other non-current liabilities.

Changes in Other provisions in 2019 were as follows:

- increases result 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, 2019, provisions for tax risks, territorial (not related to income taxes) and commercial, employee-related, and other disputes included several provisions for legal, financial, tax and territorial risks, as well as provisions for multi-year variable compensation granted to some employees, with these provisions established in the context of the normal course of business. Also, as of this date, Danone believes that it is not subject to known risks that could, individually, have a material impact on its financial situation or its profitability.

Note 15.4. Legal and arbitration proceedings

In general, the Company and its subsidiaries are parties to legal proceedings arising in the normal course of business, in particular by customs and competition authorities in certain countries. Provisions are recognized when an outflow of resources is probable and the amount can be reliably estimated.

To the best of 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.

NOTE 16. RELATED PARTY TRANSACTIONS

Note 16.1. Accounting principles

The main related parties are the associated companies and the members of the Executive Committee and 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 2018, the amounts pertaining to 2019 are not material.

Note 16.3. Compensation and benefits granted to members of the Executive Committee and Board of Directors

Compensation paid

(in € millions)	Year ended December 31 2018	2019
Compensation paid to corporate officers and members of the Executive Committee [a]	12.2	10.8
Compensation paid to Directors [b]	0.7	0.8
Total	**12.9**	11.6
Severance pay	–	–
Carrying amount of shares subject to performance conditions granted during the year [c]	6.5	6.8

(a) Annual and multi-year fixed and variable compensation (gross amount excluding employer contributions), of which the variable portion totaled €5.7 million in 2019 (€6.1 million in 2018).
(b) Amount paid to eligible Directors, in respect of the retirement plan for their benefit for positions they held previously in the Group.
(c) 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, 2019, in accordance with IFRS, *i.e.* a total of €26 million for corporate officers and Executive Committee members.

As regards Mr. Emmanuel FABER, through a letter dated January 25, 2019, with effect from April 24, 2019, he terminated his employment contract and waived his severance pay as well as his defined-benefit pension. The termination of his employment contract also put an end to the increase in his rights to the executives' supplementary retirement plan as from April 24, 2019. The contributions paid by Danone in respect of this plan totaled €5,673 in 2019.

Loans and guarantees

In 2019, as in 2018, no loan or guarantee was granted or established by the Company or its subsidiaries on behalf of Executive Committee members.

NOTE 17. SUBSEQUENT EVENTS

In February 2020, Danone and Harrogate Water Brands announced that they have entered into a final agreement under which Danone will acquire a majority stake in Harrogate Water Brands, the parent company of British water brand, Harrogate Spring Water, and ethical brand Thirsty Planet. With revenues of approximately £20 million, Harrogate Spring Water is one of the fastest growing players in the sector, holding strong positions in Foodservice and On Premise channels. The closing of the transaction is subject to regulatory approval.

In addition, the Covid-19 epidemic is likely to have a negative impact on the Waters and Specialized Nutrition Reporting Entities. At this stage, this event does not call into question the valuation of assets dedicated to activities in China at December 31, 2019.

To the Company's knowledge, no other material events occurred after the approval date of the 2019 consolidated financial statements (approved by the Board of Directors on February 25, 2020).

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

(in € millions, except percentage)	PricewaterhouseCoopers 2018		2019		Ernst & Young Audit 2018		2019	
Statutory audits: certification of the individual and consolidated financial statements	4.4	79%	4.6	68%	5.2	86%	5.2	77%
Services other than the certification of the financial statements	1.2	21%	2.2	32%	0.8	14%	1.6	23%
Total [a]	**5.6**	**100%**	**6.7**	**100%**	**6.1**	**100%**	**6.8**	**100%**

(a) Fees invoiced in foreign currencies have been translated into euros on the basis of the annual average exchange rates used by Danone.

In 2019, 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 (€2.5 million in 2018), of which €1.2 million for PricewaterhouseCoopers Audit (€1.1 million in 2018) and €1.4 million for Ernst & Young Audit (€1.4 million in 2018).

The fees of the Statutory auditors of the parent company and its French subsidiaries for services other than the certification of the financial statements for the year ended December 31, 2019 totaled €2.1 million (€1.2 million in 2018), of which €0.7 million for PricewaterhouseCoopers Audit (€0.5 million in 2018) and €1.5 million for Ernst & Young Audit (€0.7 million in 2018) and included in particular fees for due diligence, and tax services related notably to the review of technical documentation or the technical analysis of tax positions.

The fees of the Statutory auditors' networks for services other than the certification of the financial statements to certain foreign subsidiaries of Danone totaled €1.6 million (€0.8 million in 2018), of which €1.5 million for PricewaterhouseCoopers Audit (€0.7 million in 2018) and €0.2 million for Ernst & Young Audit (€0.1 million in 2018) and included in particular assistance for logistic transformation projects and fees for tax services related notably to the review of technical documentation or the technical analysis of tax positions adopted by certain foreign subsidiaries.

NOTE 19. EXEMPTION OPTION FROM STATUTORY REQUIREMENTS RELATED TO SOME AFFILIATES

Affiliates included in the consolidated financial statements of Danone SA exercising the exemption option in respect of the year ended 31 December 2019, which shall be mentioned in the consolidated accounts of Danone SA, pursuant to local regulations

Country and exemption	Company (company number)
Germany Exemption option from audit of individual accounts under § 264 (3) HGB	Nutricia GmbH, Milupa GmbH, Milupa Nutricia GmbH, Nutricia Grundstücksverwaltungs GmbH, Nutricia Deutschland GmbH, Danone Waters Deutschland GmbH
United Kingdom Exemption option from audit of individual accounts under section 394A / 479A of the Companies Act 2006	Nutricia (Cow & Gate, Milupa) Holdings Limited (01917542), UK Holdings CAP (Commonwealth, Asia and Pacific) Limited (05616355), Danone Financing UK Limited (08808080), Danone Finance Company Limited (10426518), Scientific Hospital Supplies Holdings Limited (02502240), Complan Foods Limited (04418784)
Ireland Exemption option from publication of individual accounts under section 357 (1) of the Companies Act 2014	Nutricia Infant Nutrition Limited (384474), Danone Europe Limited (407825), Danone Limited (217235), Nutricia Ireland Limited (106997), Nutricia Medical Ireland Limited (552466)

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the Statutory auditors' report on the consolidated financial statements issued in French and is provided solely for the convenience of English-speaking users. The Statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information presented below is the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures. This report also includes information relating to the specific verification of information given in the Group's management report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meetings, we have audited the accompanying consolidated financial statements of Danone for the year ended 31 December 2019.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2018 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 these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from 1 January 2019 to the date of our report and in particular we did not provide any non-audit services prohibited by article 5(1) of Regulation (EU) No 537/2014 or the French Code of Ethics (Code de déontologie) for Statutory Auditors.

Observation

Without qualifying the opinion expressed above, we draw your attention to Notes 1.3, 1.4 and 1.5 of the Notes to the consolidated financial statements setting out the effects of the first-time application of IFRS 16 relating to leases and IFRIC 23 concerning the uncertainty surrounding the treatment of income taxes.

Justification of assessments – Key audit matters

In accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

Recognition of revenue

RISK IDENTIFIED	OUR RESPONSE
As indicated in Note 6.1 to the consolidated financial statements, the Danone Group's sales are stated net of trade discounts and customer rebates (including costs relating to trade support and listing agreements or occasional promotional actions invoiced by retailers). Revenue measurement therefore involves making 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 materiality of trade discounts and rebates, and (iii) the complexity of estimating these amounts at the year end.	We assessed the consistency of the revenue recognition methods applied by the Danone Group with international financial reporting standards (IFRS). Given the large number of sales transactions carried out by the Group's various entities, we examined the internal control procedures relating to the estimation of trade discounts and rebates as part of the revenue recognition process and tested the controls, which we determined are key, in the main operating entities. We also performed substantive controls to assess: • whether amounts to be refunded to customers were being measured correctly 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) examining the assumptions used, where applicable, with regard to actions taken or specific situations and customary trade practices; • whether revenue was being recognized in the appropriate period by (i) testing the transactions booked after the reporting date to identify any non-accrued discounts and rebates and (ii) analysing the change in accruals and their breakdown by age.

Goodwill, brands and investments in associates

RISK IDENTIFIED	OUR RESPONSE
As at 31 December 2019, goodwill amounted to 18,125 million euros, brands amounted to 6,329 million euros and investments in associates amounted to 2,055 million euros. 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 royalties method for brands, as explained in Notes 5 and 10 to the consolidated financial statements. The impairment tests are based on estimates and on management's judgment concerning (i) the allocation of these assets to cash generating units (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 royalty rates in the case of brands. We therefore deemed as key points in our audit evaluation (i) the measurement of goodwill and brands, in particular those of Central Danone which were subject to an impairment of 662 million euros in 2018 as mentioned in Notes 7.1 and 10 of the Notes to the consolidated financial statements, and (ii) investments in associates, in particular the investment in Yashili, which has been impaired by a further €109 million in 2019 as detailed in Notes 5.6 of the Notes to the consolidated financial statements.	*Goodwill and brands* We examined the processes set up by the management to allocate the goodwill to CGUs or groups of CGUs, in order to identify any indications of loss in value and to determine the cash flow projections underlying the impairment tests. For a sample of CGUs and brands, identified on the basis of quantitative and qualitative factors, and in particular for the Centrale Danone CGU, and brands which have been impaired, we examined the methods and main assumptions used to determine recoverable value, including: • the forecast 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 royalty rates, with the support of our financial valuation experts. 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 assessed the approach adopted and the data used by the Company (market valuation, recent performance and forecast results) to identify any indications of loss in value. For Yashili, we have implemented the procedures as described hereinbefore for goodwill and brands and we have examined the main assumptions used to determine the recoverable amount, notably by comparing with external evaluations. We have also examined the disclosures provided in the notes to the consolidated financial statements.

Tax assets and liabilities

RISK IDENTIFIED	OUR RESPONSE
Danone 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 concerned. As indicated in Note 1.3 of the Notes to the consolidated financial statements, the first-time application of IFRIC 23, *Uncertainty over Income Tax Treatments,* resulted in the recognition of additional tax liabilities for an amount of €93 million, as a deduction from equity at January 1, 2019. As indicated in Note 15 of the Notes to the consolidated financial statements, liabilities for tax risks, including territorial risks, amounted to €734 million as of December 31, 2019. As of 31 December 2019, the amount of 306 million euros is recognized in the consolidated balance sheet in respect of the deferred tax assets relating to tax loss carryforwards as set out in Note 9.3 of the Notes to the consolidated financial statements. The recoverability of these deferred tax assets resulting from tax loss carryforwards is based primarily on the ability of the entities concerned to meet their targets defined in the business plans drawn up by management. 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 examined the procedures implemented within the Group to identify the main tax risks, as well as management's assessments of these risks. We also relied on the opinions of third parties, past and current experience with the tax authorities in the jurisdictions concerned, and the expertise of our tax specialists in order to assess the assumptions used by management to determine the liabilities for tax risks, in particular in connection with the first-time application of IFRIC 23. We examined the deferred tax positions for the most significant entities. Our work consisted primarily in comparing the consistency of the assumptions concerning the use of the tax loss carryforwards against future taxable profits with those derived from management's business projections, used in particular within the scope of the impairment tests on goodwill.

Specific verification

As required by laws and regulations and in accordance with professional standards applicable in France, we have also verified the information presented in the management report of the Board of Directors of the Group.

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 is included in the information presented in the management report of the Group, being specified that, in accordance with the provisions of Article L. 823-10 of the code, we have not verified the fair presentation and the consistency with the consolidated financial statements of the information contained therein and should be reported on by an independent insurance services provide.

Information required by other legal and regulatory obligations

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Danone by the Shareholders' Meetings held on 28 April 2016 for ERNST & YOUNG et Autres and on 21 May 1992 for PricewaterhouseCoopers Audit.

As at 31 December 2019, ERNST & YOUNG et Autres and PricewaterhouseCoopers Audit were in the fourth year and the twenty-eighth year of total uninterrupted engagement, respectively. ERNST & YOUNG Audit previously acted as Statutory Auditor of Danone from 2010 to 2015.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements presenting a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements free of 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 expects 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, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of management of the company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgment throughout the audit. They also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;
- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

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 programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

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 and which constitute 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 defined in particular in articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Paris La Défense and Neuilly-sur-Seine, March 2, 2020

Paris-La Défense and Neuilly-sur-Seine, March 2, 2020

The Statutory auditors

Ernst & Young Audit		**PricewaterhouseCoopers Audit**	
Jeanne BOILLET	Pierre-Henri PAGNON	Anik CHAUMARTIN	François JAUMAIN

4.2 FINANCIAL STATEMENTS OF DANONE SA, THE PARENT COMPANY

FINANCIAL STATEMENTS OF DANONE SA

Income statement

		Year ended December 31	
(in € millions)	Notes	**2018**	**2019**
Sales		666	593
Other income		45	54
Total operating income	3	**711**	**647**
Personnel costs	4	(287)	(295)
Other operating expense	5	(486)	(515)
Total operating expense		**(773)**	**(810)**
Net operating expense		**(62)**	**(163)**
Income from equity interests		901	346
Interest on loans and receivables and similar income		254	234
Interest on borrowings and similar expense		(293)	(287)
Other financial income (expense)		(1)	272
Net financial income	**6**	**861**	**565**
Net income before non-recurring items and tax		**799**	**402**
Net non-recurring income (expense)	7	**(4)**	**(10)**
Income tax	8	104	79
Net income for the year		**899**	**471**

Balance sheet

Assets

As of December 31

		2018	2019		
(in € millions)	Notes	**Net amount**	**Gross amount**	**Depreciation, amortization and provisions**	**Net amount**
Intangible assets		55	161	(96)	65
Property, plant and equipment		15	38	(24)	14
Equity interests		28,562	28,801	(111)	28,690
Other financial assets		4,982	4,943	–	4,943
Financial assets	9	33,544	33,743	(111)	33,632
Non-current assets		**33,614**	**33,942**	**(231)**	**33,711**
Short-term loans and receivables	10	242	331	(1)	330
Marketable securities	11	59	38	–	38
Cash and cash equivalents		–	–	–	–
Current assets		**301**	**369**	**(1)**	**368**
Deferrals and prepaid expense		360	261	–	261
Total assets		**34,275**	**34,572**	**(232)**	**34,340**

Equity and liabilities

As of December 31

(in € millions)	Notes	**2018**	**2019**
Share capital		171	172
Share premium		5,602	5,659
Revaluation adjustment		4	4
Other reserves		3,790	3,790
Retained earnings		3,217	2,850
Net income for the year		899	471
Regulated provisions		1	21
Equity	12	**13,684**	**12,967**
Other equity	14	1,250	1,250
Provisions for risks and charges	13	52	59
Bonds	14	15,741	14,035
Other financial debt	14	717	1,503
Other liabilities	15	2,521	4,313
Deferrals and accrued expense		310	213
Total equity and liabilities		**34,275**	**34,340**

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, 2019 were approved by Danone's Board of Directors on February 25, 2020 and will be submitted for approval to the Shareholders' Meeting on April 28, 2020. 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.

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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 accounts comply with the regulation ANC 2018-01. The main accounting methods used are detailed hereafter. 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 10 years
Other property, plant and equipment	4 to 10 years
Software	1 to 7 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. On disposal, the cost of the DANONE shares sold is calculated by allocation category in accordance with the weighted average cost method, this cost being calculated individually for each plan for the shares held to hedge Group performance share plans.

DANONE shares recognized as Other financial assets

In the case of DANONE shares recognized as 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 out-of-the money Group performance shares

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 in-the-money Group performance shares

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 and corresponds to the carrying amount of the shares allocated to said plans. The provision is booked prorata to the rights vesting period. It is 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 at the year-end rate. The differences resulting from translation at this latter 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.

The gross value of Marketable securities corresponds to the 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 using cross-currency swaps.

Since January 1, 2017, the Company has applied ANC Regulation no. 2015-05 on financial instruments to all 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

On November 1, 2019, all of the assets and liabilities of Danone Baby and Medical Holding were transferred to the Company, resulting in the recognition of income of €267 million in Net financial income and of €23 million in equity. The main assets transferred were shares in Danone Baby and Medical Nutrition BV, Blédina, Danone Nutricia Africa and Overseas, Danone Nutricia Russia Baby and Heldinvest BV (see Note 9 of the Notes to the financial statements of the parent company Danone).

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 €593 million in 2019 (€666 million in 2018).

Other income totaled €54 million in 2019 (€45 million in 2018) and comprised mainly the reversal of a provision for risks and charges relating to hedging of the Group performance share plans granted by the Company, as well as the payment of an insurance claim.

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)	**2018**	**2019**
Compensation paid to corporate officers and members of the Executive Committee [a]	9	11
Attendance fees paid to non-executive members of the Board of Directors [b]	1	1
Total	**10**	**12**

(a) Recognized in Personnel costs.
(b) Recognized in Other operating expense.

See also Note 17 of the Notes to the financial statements of the parent company Danone.

NOTE 5. OTHER OPERATING EXPENSE

Other operating expense comprised mainly fees paid to external service providers and charges for rent and services provided and totaled €515 million in 2019 (€486 million in 2018).

NOTE 6. NET FINANCIAL INCOME (EXPENSE)

Net financial income totaled €565 million in 2019 (€861 million in 2018).

Income from equity interests

Income from equity interests consisted of dividends received from the Company's equity interests. In 2019, these dividends amounted to €346 million (€901 million in 2018). In 2018, the Company received dividends totaling €606 million following the partial disposal of its indirect shareholding in Yakult.

Interest on loans and receivables and similar income

In 2019, Interest on loans and receivables and similar income comprised interest received on the loans and receivables granted to certain direct or indirect subsidiaries of €155 million (mainly in the United States), interest received from cross-currency swaps of €50 million and interest on interest rate swaps of €29 million.

Interest on borrowings and similar expense

		As of December 31
(in € millions)	**2018**	**2019**
Bonds [a]	288	280
Current account with Danone Finance International [a]	9	13
Short-term borrowings from indirect subsidiaries [a]	–	–
Commercial paper [a]	(4)	(6)
Total	**293**	**287**

(a) Interest paid and accrued in respect of the year.

Other financial income (expense)

As regards Other financial income (expense), the Company generated net income of €272 million (compared with net expense of €1 million in 2018), due mainly to the transfer of the assets and liabilities of Danone Baby and Medical Holding (see Note 2 of the Notes to the financial statements of the parent company Danone).

NOTE 7. NET NON-RECURRING INCOME (EXPENSE)

In 2019, Danone generated a net non-recurring expense of €10 million, which consisted mainly of allocations to and reversals of provisions and restructuring expenses. In 2018, Danone generated a net non-recurring expense of €4 million, which consisted mainly of allocations to and reversals of provisions and an expense in connection with the Green Friday event.

NOTE 8. INCOME TAX

Tax group

The Company forms a tax group with the French subsidiaries in which it holds, directly or indirectly, a stake of more than 95%.

Companies that were members of the tax group in 2019

	As of December 31, 2019
BLEDINA	HELDINVEST 9
COMPAGNIE GERVAIS DANONE	HELDINVEST 11
DAN INVESTMENTS	HELDINVEST 12
DANONE [a]	HOLDING INTERNATIONALE DE BOISSONS
DANONE CORPORATE FINANCE SERVICES	LES PRÉS RIENT BIO
DANONE DAIRY ASIA	NUTRICIA NUTRITION CLINIQUE SAS
DANONE FINANCE INTERNATIONAL	PRODUITS LAITIERS FRAIS ESPAGNE
DANONE MANIFESTO VENTURE EUROPE	PRODUITS LAITIERS FRAIS EST EUROPE
DANONE NUTRICIA AFRICA & OVERSEAS	PRODUITS LAITIERS FRAIS SUD EUROPE
DANONE PRODUITS FRAIS FRANCE	SOCIÉTÉ ANONYME DES EAUX MINÉRALES D'ÉVIAN
DANONE RESEARCH	SOCIÉTÉ DES EAUX DE VOLVIC
FERMINVEST	

(a) The Company.

The subsidiaries that are members of the tax group recognize and pay their tax to the Company as if they were taxed separately, in compliance with the rules set by the French tax authorities. The tax savings (or additional charges) – based on the difference between the sum of the tax charges recorded by the different subsidiaries of the tax group and the tax charge resulting from the computation of the consolidated tax results of the tax group – are recognized in the income statement under Income tax. The amount booked in this line for 2019 relates mainly to these savings.

For the 2019 fiscal year, the tax group recorded a taxable income. As of December 31, 2019, tax loss carry-forwards accumulated within the tax group in France amounted to €974 million, compared with €935 million as of December 31, 2018.

Other information

In accordance with Article 39.4 of the French Tax Code, in 2019 the Company recognized €0.4 million as taxable income in respect of passenger vehicle depreciation and rental.

The application of Article 39.5 of the French Tax Code did not result in any add-backs to taxable income in 2019.

As of December 31, 2019, items likely to result in a reduction of future tax liabilities consisted mainly of accrued charges and provisions. They totaled €47 million and would reduce future tax charges by €16 million.

NOTE 9. FINANCIAL ASSETS

Carrying amount and changes during the period

(in € millions)	As of December 31, 2018	Changes during the period			As of December 31, 2019
		Increase [a]	Decrease [b]	Reclassification, translation	
Gross amount					
Equity interests	28,644	13,772	(13,615)		28,801
Long-term loans and receivables	3,396		(87)	49	3,359
DANONE treasury shares	1,578				1,578
Other	7		(1)		6
Other financial assets	4,981	–	(88)	49	4,942
Total	**33,625**	**13,772**	**(13,703)**	**49**	**33,743**
Provisions [c]	(82)	(29)			(111)
Net total	**33,543**	**13,743**	**(13,703)**	**49**	**33,632**

(a) Impact of the transfer of the assets and liabilities of Danone Baby and Medical Holding. See Note 2 of the Notes to the financial statements of the parent company Danone.
(b) Transfer of the shares in Danone Baby and Medical Holding. See Note 2 of the Notes to the financial statements of the parent company Danone.
(c) Consists mainly of provisions for impairment of Equity interests.

Equity interests

Equity interests held in portfolio as of December 31, 2019

(in € millions, except percentage)	Share capital [a]	Other equity [a] [c]	Share of equity held	Number of shares held	Carrying amount of shares held - Gross	Carrying amount of shares held – Net	Maximum authorized amount of guarantees, security interests and endorsements given by the Company	Previous year's sales [b]	Previous year's net income (loss) [b]	Dividends received by the Company during the year
Subsidiaries (at least 50% of the share capital held by the Company)										
French investments										
BLEDINA [d]	24	70	100%	1,602,357	43	43	–	686	48	–
COMPAGNIE GERVAIS DANONE	10,125	(574)	100%	401,790,775	9,755	9,755	–	–	404	–
DAN INVESTMENTS	82	(5)	100%	4,100,000	82	76	–	–	1	–
DANONE CORPORATE FINANCE SERVICES	142	135	100%	8,875,000	179	179	–	–	(8)	–
DANONE NUTRICIA AFRICA & OVERSEAS [d]	27	1	100%	266,421,480	2	2	–	158	3	–
HOLDING INTERNATIONALE DE BOISSONS	324	817	100%	161,768,722	1,116	1,116	–	–	15	–
Foreign investments										
DANONE ASIA PTE LTD	1,454	11	88%	2,288,111,264	1,263	1,263	–	–	209	179
DANONE BABY AND MEDICAL NUTRITION BV [d]	1,305	12,401	100%	5,221,575,799	13,575	13,575	–	–	1,498	–
DANONE FINANCE NETHERLANDS	8	1	100%	800,000	94	26	–	–	–	–
DANONE SINGAPORE HOLDINGS PTE LTD	166	5	61%	173,987,816	118	118	–	–	25	14
FPS DANONE COMMUNITIES	–	11	64%	14,392	8	8	–	–	–	–
HELDINVEST B.V [d]	–	–	100%	18,000	–	–	–	–	–	–
NUTRICIA RUSSIA BABY [d]	9	25	70%	4,445,000	153	124	–	163	3	–
Investments in associates (at least 10% to 50% of the share capital held by the Company)										
NV DANONE SA	186	1,224	23%	21,988	400	400	–	283	21	115
DANONE FINANCE INTERNATIONAL	965	4,971	33%	4,034,154	2,012	2,004	2,000	–	59	16
Total					**28,801**	**28,689**				

(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.
(d) Equity interests acquired as a result of the transfer of the assets and liabilities of Danone Baby and Medical Holding.

NOTE 10. SHORT-TERM LOANS AND RECEIVABLES

As of December 31, 2019, this balance sheet item comprised mainly €227 million of receivables due to the Company within less than one year, including tax receivables totaling €72 million (€73 million as of December 31, 2018), accounts receivable totaling €50 million (€68 million as of December 31, 2018), derivative instruments totaling €103 million and other receivables totaling €105 million.

NOTE 11. MARKETABLE SECURITIES

Carrying amount and changes during the period

(in € millions)	As of December 31, 2018	Changes during the period				As of December 31, 2019
		Increase	Decrease (delivery)	Reallocation	Reclassification	
DANONE shares hedging Group performance shares [a]	46		(21)			25
Short-term investment	–					–
SICAV Danone Communities [b]	13					13
Total	**59**	**–**	**(21)**	**–**	**–**	**38**

(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 change during the period

(in € millions)	As of December 31, 2018		Changes during the period				As of December 31, 2019
	Before allocation	After allocation [b]	Net income	Capital decrease	Capital increase [c]	Other changes [d]	Before allocation
Share Capital	171	171	–		–		172
In number of shares [a]	*685 055 200*	*685 055 200*	–		*1 065 606*		*686 120 806*
Share premium	5 602	5 602	–		54	3	5 659
Legal reserve	25	25	–				25
Other reserves	3 769	3 769	–				3 769
Retained earnings	3 217	2 850	–				2 850
Net income for the year	899	–	471				471
Regulated provisions	1	1		–	–	20	21
Total	**13 684**	**12 419**	**471**	**–**	**54**	**23**	**12 967**

(a) Ordinary shares with a par value of €0.25.
(b) Following shareholder approval at the Shareholders' Meeting of April 25, 2019, €1,329 million of the amount available for allocation of net income from the year ended December 31, 2018 was allocated to the dividend, and the remainder to retained earnings.
(c) Issues carried out on May 16, July 24 and September 26, 2019 for €0.3 million (which generated share premium of €54 million) in connection with capital increases reserved for employees of the French and foreign companies ("One Person, One Voice, One Share" program).
(d) Impact of the transfer of the assets and liabilities of Danone Baby and Medical Holding.

NOTE 13. PROVISIONS FOR RISKS AND CHARGES

Carrying amount and changes during the period

(in € millions)	As of December 31, 2018	Changes during the period			As of December 31, 2019
		Allocation	Reversal, used provision	Reversal, unused provision	
Provisions in respect of Group performance share plans	39	21	(19)		41
Other provisions	13	8	(3)	(1)	18
Total	**52**	**29**	**(22)**	**(1)**	**59**

NOTE 14. BONDS, OTHER EQUITY AND OTHER FINANCIAL DEBT

Bonds and Other equity

Carrying amount of bonds

	As of December 31	
(in € millions)	**2018**	**2019**
Nominal value	15,671	13,973
Accrued interest	70	62
Total	**15,741**	**14,035**

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.

2019 transactions

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

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

		Changes during the period				
(in € millions)	**As of December 31, 2018**	**New borrowings**	**Repayment**	**Change in accrued interest**	**Revaluation**	**As of December 31, 2019**
Fixed rate portion						
Bonds	14,971		(1,749)		201	13,423
Accrued interest	70			(8)		62
Floating rate portion						
Bonds	700		(150)			550
Accrued interest	–					–
Total	**15,741**	**–**	**(1,899)**	**(8)**	**201**	**14,035**

Breakdown by currency with interest accrued as of the reporting date

As of December 31, 2019

(in € millions except Nominal value in foreign currency, in currency millions)	Nominal value in foreign currency	Historical value	Carrying amount
Bonds in euros or in currencies hedged in euros			
Euro	9,262	9,262	9,262
U.S. dollar	5,150	4,620	4,587
Yen	24,500	186	186
Bonds in currencies not hedged in euros			
None			
Total		**14,068**	**14,035**

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

As of December 31, 2019

(in € millions except Nominal value in foreign currency, in currency millions)	Nominal value in foreign currency	Historical value in euros
Euro – U.S. dollar	2,150	1,835
Euro – Yen	24,500	186
Total		**2,021**

In addition, as specified in Note 1 of the Notes to the financial statements of the parent company Danone, Danone Corporate Finance Services, a wholly-owned subsidiary, also carries out interest rate hedging transactions in respect of certain bonds issued by the Company.

Other financial debt

Fixed rate/floating rate breakdown and changes during the period

		Changes during the period				
(in € millions)	As of December 31, 2018	New borrowings	Repayment	Changes in accrued interests	Revaluation	As of December 31, 2019
Fixed rate portion						
Loan from Danone Finance International	–					–
Floating rate portion						
Commercial paper [a]	717	786				1,503
Short-term loan from subsidiaries						–
Other	–					–
Total	**717**	**786**	**–**	**–**	**–**	**1,503**

(a) Net changes.

Maturity of Bonds and Other financial debt

As of December 31

(in € millions)	2018	2019
Due date less than 1 year	2,635	3,615
Due date between 1 and 5 years	9,427	7,492
Due date more than 5 years	4,396	4,431
Total	**16,458**	**15,538**

NOTE 15. OTHER LIABILITIES

Composition of Other liabilities

	As of December 31	
(in € millions)	**2018**	**2019**
Amounts owed by the Company to certain subsidiaries and affiliates	2,133	3,958
Trade payables	27	32
Unrealized foreign exchange gains	–	–
Accrued expenses	360	323
Total	**2,521**	**4,313**

Composition of Accrued charges

	As of December 31	
(in € millions)	**2018**	**2019**
Services provided	167	158
Personnel costs	1	1
Social charges	135	154
Tax liabilities	5	2
Financial debt	53	9
Total	**360**	**323**

NOTE 16. NET DEBT

Composition of net debt

	As of December 31	
(in € millions)	**2018**	**2019**
Bonds	15,741	14,035
Other financial debt	717	1,503
Amounts owed by the Company to certain subsidiaries and affiliates [(a)]	2,133	3,958
Total debt	**18,591**	**19,496**
Marketable securities	59	38
Cash and cash equivalents	–	–
Total cash and cash equivalents	**59**	**38**
Total net debt	**18,532**	**19,458**

(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)	**2018**	**2019**
Supplementary benefits in addition to defined benefit retirement plans [a]		
Gross commitments	548	639
Commitments net of retirement plan assets	356	458

(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)	**2018**	**2019**
Gross commitments	449	518
Commitments net of retirement plan assets	291	372

The €81 million increase in commitments net of plan assets was due mainly to the decrease in discount rates.

Main actuarial assumptions

	Year ended December 31	
	Retirement plan for senior managers	
(as a percentage, except for age in years)	**2018**	**2019**
Discount rate	2.2%	1.2%
Expected return on plan assets	2.2%	1.2%
Salary growth rate	3.0%	3.0%
Retirement age	60-66	60-66

Commitments to management bodies and to the Board of Directors

As regards Mr. Emmanuel FABER, by means of a letter dated January 25, 2019 effective April 24, 2019, he terminated his employment contract and waived his severance pay as well as his defined benefit pension (supplementary benefits in addition to those under defined benefit retirement plans).

Post-employment benefit commitments for corporate officers and Executive Committee members

	As of December 31	
(in € millions)	**2018**	**2019**
Supplementary benefits in addition to defined benefit retirement plans [a]		
Gross commitments	36	26

(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)	**2018**	**2019**
Put options held by non-controlling interests over some of the Company's direct and indirect equity interests [a]	508	482
Post-employment benefits [b]	356	458
Rents	56	114
Services provided	86	64
Derivative instruments [c]	3,117	2,021
Security interests [d]	2,000	2,000
Guarantees	16	16
Total	**6,139**	**5,155**

(a) Commitments given directly or indirectly by the Company (see details hereinafter in section Put options over the Company's direct and indirect equity interests).
(b) Net commitments in respect of defined benefit retirement plans (see Note 17 of the Notes to the financial statements of the parent company Danone).
(c) Corresponds to the nominal amount of cross-currency swaps for €2,021 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, 2019.

Other commitments

The Company and certain of its subsidiaries are parties to a variety of legal and arbitration proceedings arising in the ordinary course of business. Some of these proceedings involve claims for damages, and liabilities are booked when a loss is probable and can be reliably estimated.

In the context of exemptions from the preparation, certification and/or publication of the corporate financial statements of certain of its subsidiaries, the Company has granted comfort letters and guarantees in respect of the commitments made by the latter.

NOTE 19. WORKFORCE

Average number of Company employees during the year

	Year ended December 31			
(in number, except percentage)		**2018**		**2019**
Executives and managers	730	82%	768	84%
Supervisors and technicians	116	13%	109	12%
Clerical staff	42	5%	42	5%
Total	**888**	**100%**	**919**	**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)	**2018**	**2019**
Gross amounts	28,644	28,801
Provisions for impairment	(82)	(111)
Carrying amount	**28,562**	**28,690**

DANONE treasury shares

As of December 31

	2018		**2019**	
(in € millions, except number of shares)	**Number of shares**	**Carrying amount**	**Number of shares**	**Carrying amount**
Treasury shares classified as Financial assets [a]	30,769,360	1,578	30,769,360	1,578
Treasury shares classified as Marketable securities [a]	1,232,625	46	700,174	25
Total	**32,001,985**	**1,624**	**31,469,534**	**1,603**

(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 FISCAL YEARS

	2015	2016	2017	2018	2019
Capital at year-end					
Share capital *(in €)*	163,737,800	163,973,000	167,677,600	171,263,800	171,530,202
Number of shares issued	654,951,200	655,892,000	670,710,400	685,055,200	686,120,806
Operations and results for the year *(in € millions)*					
Sales	492	648	609	666	593
Net income before tax, depreciation, amortization and provisions	2,070	1,318	105	820	431
Income tax [a]	111	59	100	104	79
Net income after tax, depreciation, amortization and provisions	2,217	1,347	176	899	471
Dividends paid [b]	995	1,115	1,274	1,329	1,441
Earnings per share *(in € per share)*					
Income after tax but before depreciation, amortization and provisions	3.33	2.10	0.32	1.35	0.74
Net income after tax, depreciation, amortization and provisions	3.38	2.05	0.26	1.31	0.69
Dividend per share	1.60	1.70	1.90	1.94	2.10
Personnel					
Average number of employees for the year	798	844	869	888	919
Payroll expense *(in € millions)*	180	160	207	193	200
Amounts paid in respect of employee benefits [c] (social security, social benefit schemes, etc.) *(in € millions)*	77	90	115	94	95

(a) Income (expense).

(b) Amount relating to the 2019 fiscal year estimated as of December 31, 2019 based on the number of treasury shares held on that date by the Company. The 2018 dividend corresponds to the amount actually paid during the 2019 fiscal year.

(c) Includes personnel expense excluding social charges (see Note 4 of the Notes to the financial statements of the parent Company Danone) as well as provisions relating to Group performance shares (see Note 13 of the Notes to the financial statements of the parent company Danone).

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 25, 2020, the date on which the Board of Directors approved the financial statements of the parent company Danone for the year ended December 31, 2019.

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

This is a free translation into English of the Statutory auditors' report on the financial statements issued in French and is provided solely for the convenience of English-speaking users. The Statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information presented below is the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures. This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to the shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Annual General Meeting of Danone

Opinion

In compliance with the engagement entrusted to us by your annual general meetings, we have audited the accompanying financial statements of Danone for the year ended 31 December 2019.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2018 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 rules applicable to us, for the period from 1 January 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French code of ethics (code de déontologie) for statutory auditors.

Justification of assessments – Key audit matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Valuation of equity interests

RISK IDENTIFIED	OUR RESPONSE

As at 31 December 2019, equity holdings are recorded for a net amount of 28,690 million euros, for a total balance sheet of 34,340 million euros.
 	
As stated in Note 1 to the financial statements, an impairment loss is recorded when the realizable value of the equity holdings is lower than their carrying amount. The realizable value is determined by management on the basis of various criteria, including market value, value in use based on discounted cash flows and revalued shareholders' equity.
 	
The estimation of the realizable value of these equity holdings requires management to exercise its judgment in choosing the items to be taken into consideration depending on the holdings 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 this line item in the company's balance sheet and the judgment required to estimate their realizable value, we considered the valuation of these holdings to be a key audit matter.
	Our work mainly consisted in the following, for a sample of equity holdings determined based on qualitative and quantitative criteria:
	
	• For valuations based on historical data:
	  • *examining the concordance between the shareholders' equity used and the accounts of the corresponding entities, as well as any adjustments performed on this shareholders' equity.*
	
	• For valuations based on forecast data:
	  • obtaining the operating cash flow forecasts for the activities of the entities concerned and reconciling them with the forecast data provided in the latest strategic plans;
	  • examining the assumptions used in the light of the economic environment at the closing date and the date on which the accounts were drawn up;
	  • comparing the forecasts used for prior periods with the corresponding actual figures in order to assess the achievement of past targets;
	
	We also examined the information provided in Note 9 to the financial statements.

Specific verification

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French regulatory and legal texts.

Information provided 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 Board of Directors' management report and in the other documents with respect to the financial position and the financial statements provided to the shareholders.

We attest that the information relating to payment terms referred to in article D. 441-4 of the French Commercial Code (*Code de commerce*) is fairly presented and consistent with the financial statements.

Report on Corporate Governance

We confirm the existence in the Report on Corporate Governance of the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code (Code de commerce).

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (Code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from controlling and controlled companies. Based on this work, we attest the accuracy and fair presentation of this information.

Regarding the information on factors that your Company considered could have a potential incidence in case of public takeover or swap bid, given in accordance with the requirements of Article L. 225-37-5 of the French Commercial Code (Code de commerce), we have verified they are in accordance with the underlying documentation provided to us. Based on this work, we have no matter to report 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

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 2018, PricewaterhouseCoopers Audit and ERNST & YOUNG Audit were in the 27th year and 3nd year of total uninterrupted engagement respectively. Previously, Ernst & Young et Autres held office as statutory auditor of DANONE from 2010 to 2015.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory auditors' responsibilities for the audit of the financial statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (Code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report 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 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 (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.

Neuilly-sur-Seine and Paris-La Défense, 2 March 2020

The Statutory Auditors

PricewaterhouseCoopers Audit		**Ernst & Young Audit**	
Anik CHAUMARTIN	François JAUMAIN	Gilles COHEN	Pierre-Henri PAGNON

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

As of December 31, 2019

	Invoices received, unpaid and overdue as of the reporting date					
(in € millions unless stated otherwise)	**Due in 0 day**	**Due between 1 and 30 days**	**Due between 31 and 60 days**	**Due between 61 and 90 days**	**Due 91 or more days**	**Total (1 or more days)**
A. Overdue payment categories						
Number of invoices concerned	33					**575**
Total amount of invoices concerned (including taxes)	1.5	0.4	0.8	0.7	6.0	**7.9**
Percentage of total purchases for the year (excluding taxes)	0.4%	0.1%	0.2%	0.2%	1.4%	**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						629
Total amount of excluded invoices						5.6
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, 2019

	Invoices issued, unpaid and overdue as of the reporting date					
(in € millions unless stated otherwise)	**Due in 0 day**	**Due between 1 and 30 days**	**Due between 31 and 60 days**	**Due between 61 and 90 days**	**Due 91 or more days**	**Total (1 or more days)**
A. Overdue payment categories						
Number of invoices concerned	378					**1,406**
Total amount of invoices concerned (including taxes)	14.6	0.0	8.6	1.0	37.6	**47.3**
Percentage of total purchases for the year (excluding taxes)						
Percentage of sales for the year (excluding taxes)	2.5%	0.0%	1.5%	0.2%	6.3%	**8.0%**
B. Invoices excluded from (A) relating to payables and receivables in dispute or not recognized						
Number of excluded invoices						0
Total amount of excluded invoices						0
C. Benchmark contractual payment terms used						
Payment terms used to calculate overdue payments	Contractual terms: 30 days from end of month of invoice					

4.4 INFORMATION ORIGINATING FROM THIRD PARTIES, EXPERT OPINIONS AND DECLARATIONS OF INTEREST

None.

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5

SOCIAL, SOCIETAL AND ENVIRONMENTAL RESPONSIBILITY

This section describes Danone's commitments and accomplishments in the area of social, societal and environmental responsibility. 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;*
  - *Act L. 225-37-4 6 of the French Commercial Code regarding "results of gender diversity in the top 10% of positions with greater responsibility";*
  - *1 of Act no. 2017-399 referred to as the law on the duty of vigilance of parent companies and ordering companies;*
  - *173 of Act 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 section 2 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 2019 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 2019 Integrated Annual Report in which quantitative results and practices are described based on the 2030 Company Goals, the Global Reporting Initiative indicators, the Global Compact guiding principles and the United Nations Sustainable Development Goals (SDG).*

5.1 DANONE'S INTEGRATED VISION OF CORPORATE RESPONSIBILITY

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SUSTAINABLE VALUE CREATION: DANONE'S INTEGRATED APPROACH

Danone's mission, as defined in 2006, reflects its commitment to "bringing health through food to as many people as possible", through its brands and a portfolio mainly composed of foods and beverages that can be enjoyed every day.

Flowing from its dual economic and social project and its "One Planet. One Health" vision, the Company has defined a set of nine long-term goals – aligned with the Sustainable Development Goals of the United Nations – to embrace the food revolution while creating sustainable value for its shareholders and ecosystem (see section 2.2 *Strategic priorities*).

Building on a unique social innovation heritage, Danone gives each employee the opportunity to co-own the roadmap to its 2030 Goals, at both the global and local level, with its "One Person, One Voice, One Share" program (see section 5.4 *Inclusive talent development*).

DANONE WAY AND B CORP™, TWO KEY INITIATIVES TO ACHIEVE DANONE'S AMBITIONS

Continuous improvement with Danone Way

Under the Danone Way program, the Company's entities conduct an annual self-assessment to measure how they are performing against its sustainability commitments and priorities. Danone Way is thus underpinned by a set of guidelines centered on the 2030 Goals (see Danone's website for more information).

The results of the 2019 self-assessment allowed Danone to identify strengths and sustainable development challenges at local level and incorporate them into the entities' process for setting strategic priorities.

From Danone Way to B Corp™ certification

In 2015, Danone began working with B Lab® to move its Danone Way program towards B Corp™ certification, later adding efforts to give multinationals better access to the B Corp™ certification process.

Under this partnership, Danone joined the Multinationals and Public Markets Advisory Council (MPMAC) to share lessons learned from its experience with Danone Way.

Focus – B Lab®, B Corp™ certification body

B Lab® is a nonprofit organization that serves a movement of people using business as a force for good™. B Lab® grants B Corp™ certification to for-profit companies that demonstrate high standards of social and environmental performance to create shared and sustainable prosperity. To obtain B Corp™ certification, a company must complete a B Impact Assessment, and earn a minimum score of 80 out of 200 points after verification by B Lab®. Thereafter, it must go through this process again every three years to be recertified. This assessment evaluates a company's environmental, social, governance, community (impact on local community and its suppliers) and customer practices.

Be certified as a B Corp™

The Company aims to be certified as a B Corp™ by 2030 and aims to obtain certification of its Waters Reporting Entity by 2022 (see Danone's website for more information).

As of December 31, 2019, 20 Danone entities are B Corp™ certified and more than a third of its consolidated sales were covered by B Corp™ certification.

CO-CREATING WITH STAKEHOLDERS

Danone partners with stakeholders at the global, regional and local level, working to create shared solutions and reach the Company's 2030 Goals. This collaboration is given considerable weight in its strategy, primarily through the specific 2030 Goal: "Serve the food revolution with partners".

In 2019, Danone spearheaded two international coalitions that promote collective action to achieve a greater impact and bring about transformational change:

- the Business for Inclusive Growth (B4IG) initiative led by Danone with the OECD to promote inclusive growth resulted in the launch of a coalition of international companies at the G7 in Biarritz in August 2019. The members of this coalition (40 at the end of 2019) signed a pledge to demonstrate their commitment to fighting inequalities and promoting inclusive growth (see Danone's website for more information);
- the One Planet Business for Biodiversity (OP2B) coalition with the World Business Council for Sustainable Development (WBCSD) was launched at the UN General Assembly in September 2019 and aims to protect and restore cultivated and natural biodiversity. Twenty companies had signed on by the end of 2019 (see section 5.3 *Preserve and renew the planet's resources*).

Marking 100 years since the creation of its first yogurt, Danone opened access to its historical collection of 1,800 strains for research purposes. This includes granting access to its current collection of 193 lactic and bifidobacteria ferment strains and 1,600 strains to researchers around the world.

Other examples of initiatives can be found in the 2019 Integrated Annual Report in the extra-financial performance section, in line with the 2030 Goal "Serve the food revolution with partners".

Innovating for responsible finance and investing for climate

Syndicated facility and social bond

Since 2018, Danone's syndicated credit facility has included a mechanism for upward or downward adjustment of payable margins, reviewed at least once a year, on the basis of:

- the scores granted to Danone by two extra-financial rating agencies, Vigeo-Eiris and Sustainalytics; and
- the percentage of its consolidated sales covered by B Corp™ certification.

Danone also issued a €300 million social bond to support its investments to create sustainable value. The proceeds of the issue are allocated to projects that have a positive social impact for its stakeholders. The 2019 allocation report has been published in the 2019 Integrated Annual Report.

Investment to accelerate the action of Danone's brands for climate

In light of the urgency for climate action and in line with its ambition to lead the way to create and share sustainable value, Danone is taking further steps, with the support of its Board of Directors, to better connect environmental, social, and governance metrics and financial performance, starting with carbon.

Danone shows for the first time a "carbon-adjusted" recurring earnings per share (EPS) evolution that takes into account an estimated financial cost for the absolute GHG emissions on its entire value chain, it is defined in section 5.3 *Preserve and renew the planet's resources*.

Moreover, Danone is stepping up the speed and increase the depth of its transformation actions to put climate further at the core of its growth model. This will translate into an accelerated investment plan of around €2 billion cumulative over the 2020-2022 period on brands, climate and agriculture, packaging (about €900 million) and digitalization.

In its transformation acceleration plan, Danone will invest by 2025:

- €200 million in its investment and incubation fund, Danone Manifesto Ventures, to support innovative companies in the food industry;
- €200 million in a fund dedicated fund to explore next generations of packaging materials and models.

IDENTIFYING MATERIAL ISSUES AND RISKS

Materiality analysis

Danone relies on its materiality analysis to set its sustainable development priorities. It can be found in full in the 2019 Integrated Annual Report. The analysis highlighted the 14 material priorities for Danone's business success and for external stakeholders, as listed in the table below.

Risks identified in connection with Danone's declaration of non-financial performance

In 2018 Danone identified its sustainability risks, thanks to a joint effort by the departments responsible for Sustainable Development and for Strategy and Risks. The top 13 sustainability risks shown below are detailed throughout section 5 *Corporate social and environmental responsibility*.

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 and the Audit Committee (see section 6.1 *Governance bodies*).

Danone sets its sustainability approach based on the complementarities between the risk analysis and materiality analysis processes, enabling it to identify, first, the challenges to its operations and value chain and, second, stakeholders' expectations with regard to its sustainability objectives.

The matrix below shows the relationship between the 14 material priorities (horizontal axis) and the 13 priority themes derived from its risk analysis (vertical axis). In addition to these 13 themes, Danone has also identified the fight against climate change as a major topic spanning all environmental themes.

Materiality and risk analysis cross-reference matrix

DANONE PRIORITY THEMES DERIVED FROM ITS RISK ANALYSIS / DANONE'S MATERIAL PRIORITIES	Integration of sustainable development within the Company	Responsible leadership and governance	Product safety and quality	Portfolio improvement towards healthier products	Food and nutrition accessibility and affordability	Transparent product labeling	Product and packaging ecodesign and circular economy	Responsible marketing and consumer awareness	Diversified product portfolio in line with local needs and diets	Responsible raw materials sourcing	Sustainable procurement and supply chain management	Fair pricing policies and relationships with farmers and suppliers	Diverse and locally relevant models of sustainable farming and land use	Local economic contribution and inclusive growth
COMPLIANCE														
Responsible practices: ethics and integrity	•	•								•	•			
HEALTH AND NUTRITION														
Sustainable product portfolio	•		•	•	•	•	•	•	•	•		•		•
Responsible communication	•					•		•						
Marketing of breast milk substitutes	•							•						
ENVIRONMENT														
Fight against climate change	•						•			•	•	•	•	
Regenerative agriculture	•									•	•	•	•	•
Circular economy	•						•							•
Water stewardship	•												•	•
SOCIAL														
Inclusive talent development	•	•												
Social dialogue	•	•												
Employee security [a]	•													
RESPONSIBLE SOURCING & HUMAN RIGHTS														
Business practices and price fixing	•									•		•		•
Responsible sourcing	•					•				•	•	•		•
Human rights	•									•	•	•		•

(a) Health at work and safety issues are linked to the security risk of Danone employees.

VIGILANCE PLAN

In compliance with the March 2017 French Duty of Vigilance Law, the table below summarizes Danone's Vigilance Plan, which governs its activities and those of its sub-contractors and suppliers. It was developed based on a dialogue with its stakeholders.

For its supply chain as a whole, the Company takes a continuous improvement approach and tailors the requirements to its specific challenges and risks. Danone practices the due diligence required of parent companies and ordering companies under France's Duty of Vigilance Law for a scope limited to direct suppliers with which it has long-standing business relationships.

Risk mapping

	HUMAN RIGHTS	ENVIRONMENT	HEALTH AND SAFETY OF PEOPLE
Danone activities	**Materiality analysis in 2017, Analysis of top non-financial risks in 2018**		
	• Risk mapping has included the situation of temporary workers since 2018	• GREEN Program: identification of top environmental risks at production sites, including water risks	• WISE² safety standards applicable to Danone's various businesses and operations
Activities of suppliers and sub-contractors	*Risk mapping in 2017 on the 20 purchasing categories with highest exposure*		
	Analysis of top non-financial risks in 2018		• *Direct suppliers: analysis of geographic and sector-based risks for suppliers listed on the Sedex platform* • *Danone's approach to milk procurement with historical social issues factored in*
	• *Direct suppliers: analysis of geographic and sector-based risks for suppliers listed on the Sedex platform* • *Danone's approach to milk procurement with historical social issues factored in*	• *Analysis of deforestation risks under Forest Footprint Policy* • *Assessment of water risks linked to the supply chain* • *Priority given to regenerative agriculture issues for milk procurement*	

The Company used the risk mapping of the 20 purchasing categories with the highest exposure conducted in 2017 to help it identify the categories of purchased goods and services it would treat as human rights priorities. The priority categories are workers employed through outside labor providers, together with four agricultural raw materials: palm oil, cocoa, cane sugar and fruit. In the agricultural categories, potential risks identified are mainly at the upstream end of its supply chain and include, in particular, the potential risks typical of agricultural chains such as working conditions, health and safety, forced labor and child labor.

For more information, see the following sections:

- *Preserve and renew the planet's resources;*
- *Focus - Respecting and promoting human rights in Danone operations;*
- *Workplace health and safety (Action plans section);*
- *Responsible sourcing-milk (Action plans and outcomes section);*
- *Responsible sourcing-supplies other than milk (Environmental and labor risk-mapping section).*

Regular risk map-based evaluation procedures

	HUMAN RIGHTS	ENVIRONMENT	HEALTH AND SAFETY OF PEOPLE
Danone activities	• Guidelines and self-assessment tool for risks relating to temporary workers at the subsidiaries • Danone Way self-assessment including a human rights component	• GREEN program: production site audits including water risk assessment criteria	• Site-level risk assessment • Tracking of workplace accidents • Site-level WISE² audits
Activities of suppliers and sub-contractors	**Direct suppliers excluding raw milk: self-assessment by joining the Sedex platform and SMETA audits for at-risk suppliers under the RESPECT program**		
	• *Direct suppliers (excluding raw milk): two-year audit plan for the most at-risk sites* • *Traceability initiative targeting five high-priority agricultural categories: palm oil, fruit, cocoa, cane sugar and soy*	• *Cool Farm tool and Animal Welfare tool to support and assess direct suppliers of raw milk*	• *Direct suppliers (excluding raw milk): assessment within the two-year audit plan for the most at-risk sites in terms of human rights*

In 2019, Danone strengthened its procedures for assessing human rights risks in its operations by developing guidelines and a self-assessment tool for risks to help its subsidiaries implement its in-house Global External Workforce Policy. With regard to its direct suppliers, the Company continued to implement the audit plan launched in 2018 for sites identified as being the most at risk following the above-referenced geographic and sector-based risk analysis. Lastly, the work done in 2018 and 2019 to identify its water risks is now giving Danone a detailed picture of the water footprint of its operations and supply chain.

For more information, see the following sections:

- *Preserve and renew the planet's resources;*
- *Focus - Respecting and promoting human rights in Danone operations;*
- *Workplace health and safety (Action plans section);*
- *Responsible sourcing-milk (Action plans and outcomes section);*
- *Responsible sourcing-supplies other than milk (Environmental and labor risk-mapping and Traceability of agricultural raw materials sections).*

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) • Internal Global External Workforce Policy and related guidelines • E-learning training on human rights and forced labor	• Actions taken under Danone's global environmental strategy • Appropriate mitigation plans in connection with the various tools and programs that have been rolled out (GREEN, ISO14001, GEMI Local Water Tool, etc.)	• Appropriate mitigation plans under the WISE² program and the related audits
Activities of suppliers and sub-contractors	*• Code of Conduct for business partners, Sustainability Principles for business partners included in suppliers contract clause* *• Certifications (UTZ, FSC, RSPO, RTRS, Proterra, etc.) and implementation of appropriate action plans following SMETA audits* *• Dialogue with suppliers and interactions with partners within platforms and coalitions (POIG, SASPO, RSPO, AIM Progress, etc.) or collaborative projects, mainly sponsored by Danone's social innovation funds*		
	• Cost Performance Model (CPM) contracts with milk suppliers	*• Appropriate mitigation plans in connection with Cool Farm Tool and the Animal Welfare tool*	*• WISE² program and related audits which are applicable to outside workers at Danone sites*

In 2019, Danone raised awareness among its employees and enhanced their training. This was the case for its buyers in particular. The Company has developed an e-learning training course on human rights and forced labor which will gradually be rolled out to the Procurement, Human Resources and General Secretary teams. Online seminars and workshops have also been held with buyers and local suppliers in countries considered to be at risk (China, India, Indonesia, Mexico and Russia) to significantly increase buyers' involvement and encourage discussions about local conditions.

For more information, see the following sections:

- *Responsible practices: Ethics and Integrity (Policies section);*
- *Preserve and renew the planet's resources;*
- *Employee relations (Policies section);*
- *Focus - Respecting and promoting human rights in Danone operations;*
- *Workplace health and safety (Action plans section);*
- *Responsible sourcing-milk (Action plans and outcomes section);*
- *Responsible sourcing-supplies other than milk.*

Whistleblowing system

	HUMAN RIGHTS	ENVIRONMENT	HEALTH AND SAFETY OF PEOPLE
Danone activities	Danone Ethics Line: whistleblowing system that includes, among others, reports of discrimination, issues affecting health and personal safety, human rights violations and environmental violations.		
			• Specific procedures for escalating serious accidents or risks
Activities of suppliers and sub-contractors	• *Danone Ethics Line is accessible to third parties including suppliers*		

In 2019, Danone received 355 alerts on various issues, including human resources, corruption and fraud. None of these cases had a significant impact on the Company's consolidated accounts. Of the alerts received worldwide, 20 were in the "human rights" category. The reports received focused on routine human resources matters. None of them qualified as a human rights violation, but all have been or are being pursued in thorough internal investigations.

For more information, see the following sections:

- *Responsible practices: Ethics and Integrity (Mechanism section);*
- *Workplace health and safety (Action plans section);*
- *Responsible sourcing-supplies other than milk (Whistleblowing system section).*

Monitoring of measures and assessment of their efficiency

	HUMAN RIGHTS	ENVIRONMENT	HEALTH AND SAFETY OF PEOPLE
Danone activities	• Tracking of Danone Way results, including for the human rights component	• Tracking of environmental performance indicators • Reporting Entity-level tracking of GREEN audit action plans and more frequent audits based on the risks	• Management of safety performance and tracking of workplace accidents • Audits to measure the effectiveness of the WISE² program
Activities of suppliers and sub-contractors	• *Tracking of RESPECT program performance indicators* • *Increase in milk volumes covered by CPM contracts* • *Improved traceability of priority ingredients*	• *Performance monitoring using the Cool Farm Tool and the Animal Welfare tool* • *Improved traceability of priority ingredients*	• *Tracking of RESPECT program performance indicators*

In 2019, Danone increased the traceability of ingredients such as palm oil, cane sugar, cocoa and soy.

For more information, see the following sections:

- *Preserve and renew the planet's resources;*
- *Focus - Respecting and promoting human rights in Danone operations;*
- *Workplace health and safety (Outcomes section);*
- *Responsible sourcing-milk (Action plans and outcomes section);*
- *Responsible sourcing-supplies other than milk (Traceability of agricultural materials and Tracking and assessing the effectiveness of supplier programs sections).*

SUSTAINABILITY GOVERNANCE

At Danone, sustainability governance is based largely on the structure and entities depicted hereinafter:

Purpose and Engagement Committee

An offshoot of the Board of Directors, its missions and work in 2019 are detailed in section 6.1 *Governance bodies*.

One Planet. One Health Integration and Investment Board

This Board works to ensure the integration and consistency of Danone's social, environmental and nutrition commitments, in relation to its 2030 Goals, in order to support its activities and, more specifically, its brands. It makes recommendations to the social innovation funds' decision-making bodies. It is made up of internal experts on environmental, social and nutrition issues, the Chief Growth Officer of each Reporting Entity, and representatives from the Marketing, Strategy and Procurement functions. It is chaired by the EVP, Essential Dairy & Plant-Based, who is a member of the Executive Committee, and by the General Secretary. It has replaced the Sustainability Integration Committee.

Sustainability Integration Department

The Sustainability Integration Department is part of the General Secretary function. It works with the environmental, social and nutrition teams and with sustainability representatives in each Reporting Entity to coordinate the Company's sustainability commitments and monitor its performance in meeting them. This department also oversees the Danone Way program and coordinates a worldwide network of local sustainability representatives at subsidiary level.

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, 2019, the Danone Communities SICAV fund had a total of €78.8 million in assets under management. Of that total, 19% was held by Danone and 30.5% was held by its employees through Danone Communities Solidaire, an employee investment fund (*fonds commun de placement d'entreprise*, or FCPE). As of December 31, 2019, Danone also held 59% of the capital in the FPS.

Danone Communities and its partners invest in businesses that have a significant social impact in line with Danone's mission, primarily in emerging countries, of bringing health through food to as many people as possible. In particular, Danone Communities backs social entrepreneurs who are working to reduce malnutrition and improve access to drinking water—two levers to reduce poverty.

FPS Danone Communities backs 12 social companies in 15 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, 2019, total investments in these businesses came to €12.8 million for the Danone Communities FPS fund (€11.9 million in 2018).

Danone Ecosystem Fund (*Fonds Danone pour l'Écosystème*)

The Company created the Danone Ecosystem Fund in 2009, with initial funding of €100 million. An endowment fund headed by a Board of Directors, it is tasked with strengthening and expanding community service activities within the Danone ecosystem. A Guidance Committee, composed of representatives of Danone and non-Company members, establishes the fund's major strategic guidelines, especially with regard to priorities and resource allocation principles. An Investment Committee is responsible for proposing investment projects for the endowment to the Board of Directors and overseeing their deployment.

Once projects are selected, they are deployed by non-profits and/or by the fund directly. Since its creation, the Fund has supported projects in five key areas: sustainable sourcing, micro-distribution, recycling, personal care, and sustainable management of land and catchment areas.

The Fund has no employees: Danone staff members are assigned to manage its day-to-day operations and administrative activities. The salaries and travel expenses of these employees, which totaled €1.4 million in 2019 (€1.5 million in 2018), are charged to the Fund in full by Danone.

As of December 31, 2019, the Danone Ecosystem Fund had 36 active projects worldwide, representing a total commitment of €77 million (€77 million in 2018).

Livelihoods Carbon Fund

The Livelihoods Carbon fund (LCF) is an investment fund, SICAV-SIF (*Société d'Investissement à Capital Variable-Fonds d'Investissement Spécialisé*), dedicated to restoring ecosystems and carbon assets. It seeks to invest in three types of projects in Africa, Asia and Latin America: (i) restoration and preservation of natural ecosystems; (ii) agroforestry and soil restoration through sustainable agricultural practices; and (iii) access to rural energy to reduce deforestation. The carbon credits generated by the fund are certified, then allocated to investors in proportion to their investments. As such, the Livelihoods Carbon Fund fights climate change while improving living conditions for local communities.

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

As of December 31, 2019, investors have pledged to invest:

- a total of €45 million in LCF compartment 1 (with Danone accounting for €13.8 million of that amount). This compartment 1 currently supports nine projects;
- a total of €55 million in LCF compartment 2 (with Danone accounting for €25 million of that amount). This compartment 2 had approved five projects as of December 31, 2019.

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 small farmers to adopt more sustainable practices and boost revenue, thanks to good connections with markets. These projects also help to preserve ecosystems through farming practices combining productivity and respect for the environment.

As of December 31, 2019, investors had pledged to invest a combined total of €36 million in the Livelihoods Fund for Family Farming, with Danone accounting for €15 million of that amount. To date the fund's Investment Committee has approved six projects focusing on coconut, vanilla, rice and watershed protection.

RESPONSIBLE PRACTICES: ETHICS AND INTEGRITY

Definition

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

Policies

Danone has established policies and procedures for responsible practices that apply to all its employees, its subsidiaries, the companies controlled by the Company and, in some cases, its business partners.

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, the environment and anti-corruption.
	• Translated into 34 languages;
	• Covers a number of responsible practices-related topics, including anti-corruption, conflicts of interest, confidentiality, fraud and money laundering.

Integrity Policy	• Defines the rules and responsibilities governing the conduct of every Danone employee with respect to corruption, including gifts and hospitality, sponsorships and donations, fraud, money laundering, conflicts of interest, third-party review and concerns; • Describes the expectations that must be met by specific functions, such as Executive Committee members, general managers, and directors of human resources, public affairs, medicine and healthcare.
Code of Conduct for Business Partners	• Ensures that Danone's business partners comply with applicable laws on bribery and corruption, money laundering, unfair competition and international trade sanctions.
Competition Policy	• Defines Danone's commitment to engaging in fair competition on the merits in all its business activities in compliance with all applicable competition laws.
International Trade Sanctions Policy	• Defines Danone's commitment to complying with trade, financial and other restrictions imposed by national governments and international bodies on certain sanctioned countries, entities and/or individuals.
Personal Data Privacy Policy	• Recognizes individuals' fundamental right to privacy and protection of personal data; • Defines Danone's commitment to processing personal data in a fair, lawful and transparent manner. It applies to all Danone entities worldwide, including all the subsidiaries and affiliates that are majority owned or effectively controlled by the Company, and all their employees; • Establishes the rules and responsibilities that employees and any third parties that process personal data on Danone's behalf must abide by when managing personal data.
HCS (Health Care Systems) Compliance Directive	• Ensures that all interactions with health care professionals are conducted in an ethical, open, transparent and responsible manner and are in compliance with applicable laws and regulations; • Applies to all Danone employees worldwide, as well as third-party contractors who interact with the health care system.

Policy on advocacy activities	• Describes the behaviors expected of Danone employees who work with various stakeholders:
	  • Danone does not pay any sums of money to individuals or organizations involved in politics to support their activities. As a result, no candidates or political parties receive funds or assets from it;
	  • Danone interacts with governmental and non-governmental players as part of its dialogue with stakeholders and in the regular course of business. For example, it is listed in the registers of interest representatives of the European Union and of the French High Authority for Transparency in Public Life (Haute Autorité Française pour la Transparence de la Vie Publique, or HATVP).
	• Sets out the expectation that all advocacy efforts must comply with the principles of business conduct and the integrity policy described above;
	• Danone updated this policy in 2019, it is available on its website.

Governance

Danone's worldwide compliance program is approved and supported by its Chairman and Chief Executive Officer as well as by its Executive Committee, under the supervision of the Compliance and Ethics Board, which is chaired by the Chief Compliance Officer. It is also reviewed at least once a year by the Audit Committee.

At the local level, Danone has a global network of local compliance officers (see section 2.7 *Internal control and risk management*).

Responsibility for internal evaluations of alleged or suspected compliance failures lies with the Danone Ethics Line Committee, made up of the Chief Compliance Officer and the integrity, internal audit, human resources compliance and safety directors.

In 2018, Danone created a Personal Ethics Commission whose responsibilities include promoting respect and dignity for all employees and preventing issues related to harassment, violence and discrimination in the workplace. In particular, this Commission reviews the findings related to human resource alerts from the Danone Ethics Line twice per year (see hereinafter). It also reports on its work to the Purpose and Engagement Committee.

Action plans

Danone assesses compliance risks, in particular those related to corruption. Accordingly, audits are conducted on these major risks (interactions with government officials, gifts and hospitality, sponsorships, subsidies and donations, public tenders and confidentiality of personal data) by both the internal audit and compliance teams, as needed.

Whistleblowing system: Danone Ethics Line

Danone has developed a confidential whistleblowing system for employees, suppliers and other third parties to report their concerns, anonymously if necessary, about any violation of the Code of Business Conduct, illegal behavior, inappropriate financial practice or activity posing an environmental or human rights risk. The tool can be accessed on the internet by anyone, in any country.

When responding to alerts, Danone enforces a clear policy of not retaliating against whistleblowers if they report a genuine concern in line with the Code of Business Conduct (see section 2.7 *Internal control and risk management*).

Employee training and information

Danone has rolled out a worldwide communication campaign to inform employees, when they are hired, of the importance of the Code of Business Conduct and their obligation to follow it.

More generally, its goal is to use in-person training conducted at the local level or e-learning to educate all employees about its responsible practices policies. Priority is given to businesses deemed at highest risk. This approach extends coverage to every Danone employee.

With respect to data confidentiality, Danone has held training sessions for all of its compliance officers around the world to raise their awareness of the importance of this issue. Similarly, communication and ongoing training on data protection were provided at the local level for employees in Europe. Danone is rolling out mandatory e-learning on the European personal data protection regulation to continuously raise European employees' awareness of the importance of protecting personal data.

Outcomes

In 2019, Danone received 355 alerts on various issues, including human resources, corruption and fraud. None of these cases had a significant impact on the Company's consolidated accounts.

Over the year 2019, 19% of Danone's total employees have been trained at least once on compliance through an in-person training or an e-learning module. The targeted population of these trainings are the 65% of Danone's employee having access to a laptop, other employees were nevertheless able to take part in these training sessions".

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. The Vice-President, Tax is supported by a core team tasked, among other missions, with performing quarterly performance reviews with the main regions. At the regional and local level, a network of tax officers is responsible for ensuring implementation of the tax policy and entities' compliance with applicable regulations.

Lastly, Danone is involved in discussions on taxation with its external stakeholders. The Company thus supports the OECD's BEPS (Base Erosion and Profit Sharing) initiative. In 2019, it entered into a partnership 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

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SUSTAINABLE PRODUCT PORTFOLIO

Food safety and nutritional value are inherent factors in consumers' choices. In addition, informed consumers are paying closer attention to the social and environmental footprint of the products. Danone has a responsibility to provide safe products to its consumers, and commits to offering healthy and sustainable products.

Offering consumers healthy products

Definition

Through its mission, Danone is committed to "bringing health through food to as many people as possible" through its brands. Its health and nutrition strategy thus consists of offering a better portfolio of products that contribute to a balanced diet. The continuous improvement in nutritional value is based primarily on reformulating and innovating on its product range. Danone also draws on its in-depth knowledge of eating habits, local cultural traditions and public health concerns.

Governance

The health and nutrition strategy is implemented by the Alimentation Science Department, which reports to the EVP, Growth & Innovation, who is a member of the Executive Committee. Health and Nutrition governance is also supported by:

- the One Planet. One Health Integration and Investment Board (see section 5.1 *Danone's integrated vision of corporate responsibility*);
- the Product Compliance Board, a multiyear decision-making body that deals mainly with health and nutrition issues;
- the Danone Nutrition Steering Committee, which is responsible for monitoring progress on these issues and making recommendations to the various management bodies at headquarters and at the Reporting Entities.

Policies, action plans and outcomes

The "Impact people's health locally" 2030 Goal related to nutrition has been incorporated into Danone's strategy. The commitments are structured in three pillars: better products and better choices encourage better consumption. This breaks down into six commitments and nutritional targets for end of 2020 that Danone has set for its product portfolio.

Commitment No. 1: continuously improve the nutritional quality of its products

2020 TARGETS	ACTION PLANS AND OUTCOMES
Danone will bring 100% of its products into compliance with its absolute nutritional target values.	In 2019, 90% of product volumes sold are in healthy categories versus 89% in 2018 (see health and nutrition scope, Methodology Note). The other categories are mainly low-sugar drinks and occasional "indulgence" products. In 2019, Danone updated its nutritional targets to incorporate criteria for its plant-based product portfolio. In 2019, 72% of entities put in place an active reformulation plan to achieve the 2020 nutritional targets, defined jointly with the Research and Innovation, Marketing and General Secretary functions (see Danone Way scope, Methodology Note). The indicator of compliance with the nutritional targets can be found in the 2019 Integrated Annual Report.

Commitment No. 2: design healthier alternatives relevant for consumers

2020 TARGETS	ACTION PLANS AND OUTCOMES
Top Danone brands will contribute to providing healthier alternatives in consumers' diet.	Since 2018, plain dairy product offers have been launched by several brands, including *Oikos* in Canada, *YoPRO* in Spain and *Le Bio* in France.

Commitment No. 3: further reinforce Danone's expertise on the understanding of local nutrition practices and public health contexts

2020 TARGETS	ACTION PLANS AND OUTCOMES
In its top businesses Danone will have implemented and published outcomes of research programs supported by local experts to understand eating and drinking habits and food cultures.	Through the Nutriplanet program, Danone gains detailed knowledge of all aspects of local food cultures. In 2019, 56 countries were covered by Nutriplanet studies, compared with 57 in 2018 (see health and nutrition scope, Methodology Note).

Commitment No. 4: contribute to address local public health challenges on which Danone, with its partners can have significant impact

2020 TARGETS	ACTION PLANS AND OUTCOMES
Danone will have contributed to a local health cause with relevant actions and programs in the top 15 countries where it operates.	In 2019, 79% of Danone's entities engaged in favor of a public health cause (see Danone Way scope, Methodology Note). In 2019, Danone had 23 active education and information programs, versus 30 in 2018. These programs promote healthy diets and lifestyles within a variety of groups, such as children, young parents, pregnant women and seniors. Since their launch, these programs reached a potential audience of over 12 million people in 2019, versus 35 million in 2018 (see health and nutrition scope, Methodology Note).

Commitment No. 5: develop even more responsible marketing practices, particularly towards children

2020 TARGETS	ACTION PLANS AND OUTCOMES
Each country in which Danone operates will have disclosed and embedded a local comprehensive policy on responsible marketing practices. This will include its commitment regarding breast milk substitutes.	See section 5.2 *Responsible Communication.*

Commitment No. 6: provide the most appropriate product labeling to encourage healthier practices

2020 TARGETS	ACTION PLANS AND OUTCOMES
100% of Danone products will display comprehensive nutritional information to guide consumers, in particular regarding portion guidance.	Danone supports Nutri-Score and is gradually rolling it out to the product portfolio of the Essential Dairy & Plant-Based Reporting Entity. In 2019, Nutri-Score was adopted in Austria, Belgium, France, Germany, Luxembourg, Slovenia, Spain and Switzerland.

Opportunities

Danone strives to anticipate consumers' expectations and emerging tastes and to encourage them in their day-to-day food and beverage choices. It continues to diversify its innovative plant-based product offer to respond to rising consumer trends such as flexitarianism. It also offers new categories of products with probiotics, nutrients and proteins.

Focus – Accessible, affordable nutrition

As reflected in its mission 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 Goals in particular, Danone has demonstrated its commitment to fostering inclusive growth for the most vulnerable partners in its value chain in collaboration with its social innovation platforms.

The Company provides healthy, affordable products to vulnerable groups based on targeted distribution models that make them more accessible, to do so, it relies mainly on its Nutriplanet program.

Danone also relies on improving its portfolio by enriching selected products with key nutrients and/or making them more affordable. For instance, its Argentinian Essential Dairy & Plant-Based subsidiary offers a *Danonino* range, fortified with vitamins A and D, calcium, zinc and iron.

Lastly, it builds its strategy on innovative investment partnerships, with support from several of its funds. These include (i) the Danone Communities Fund, which fights malnutrition and promotes access to safe drinking water, and (ii) the Livelihoods Fund for Family Farming, which helps small farmers become more resilient and develop subsistence farming strategies that improve their diets.

Ensuring food safety

Definition

Danone's priority is to prevent all health risks associated with using, handling, preparing, consuming and storing products along its entire value chain.

Policies

Food quality and safety are crucial to fulfilling Danone's mission, as reflected in the "Offer superior food experiences and innovate, always" 2030 Goal.

In 2018, Danone published its commitments on food quality and safety, based on four core principles:

- be trusted: design, manufacture and deliver products and services that comply with applicable regulations and meet the highest standards for food quality and safety;
- be preferred: continuously improve consumer satisfaction and play a key role in the food revolution;
- be efficient: develop robust and effective operating processes and target sustainable operational excellence while fostering collective intelligence and expertise;
- be proud: make Danone's employees informed ambassadors for its products and services.

Danone has also established several policies for micronutrients, genetically modified organisms and animal testing. Details of these policies can be found on Danone's website.

Governance

Responsibility for implementing the strategy lies with:

- the Food Safety Department, which reports to the EVP, Human Resources and General Secretary, who is a member of the Executive Committee, ensuring independence from the operational teams. It is tasked with defining the Company's commitments, as well as the applicable standards and methods, and it is responsible for the food safety management system and its continuous improvement;
- the Reporting Entities' Food Quality and Safety Departments, which are responsible for implementing the policies and standards applicable to their entities. The General Manager of each subsidiary is responsible for ensuring that the products on the market comply with the host country's applicable laws and regulations. The subsidiaries must apply the stricter of either local regulations or Danone's own food safety policy.

In addition, (i) the Food Quality and Safety Committee sets the strategy and oversees the global roadmap and (ii) the Product Compliance Board is responsible for monitoring the risks identified and ensuring that the Company can manage them.

Action plans

Strengthen the food quality and safety culture

iCare quality culture program

Danone developed the iCare program to strengthen its employees' quality culture with a focus on four priorities:

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

In 2019, Danone strengthened the food safety component of the program.

Danone conducts assessments to measure the maturity of the quality culture every two years. The last assessment was in 2018 and showed a significant improvement.

Employee training and awareness

Danone relies on numerous initiatives and training courses to educate and train all its employees and thereby strengthen the food quality and safety culture within the Company. In 2019, it expanded its training offer to include e-learning modules that are accessible to all.

Identifying emerging and evolving issues

Danone developed the Horizon Scanning process to identify emerging and evolving food safety issues and assess their potential impact on its products and activities. It covers risks related to the safety of raw materials, ingredients, packaging materials that come into contact with products, production processes and finished products. The process also considers issues that are not associated with any proven food safety risk but are perceived by civil society as such.

Based on the risks identified at the Company level, each Reporting Entity assesses the potential impact on its activities and product categories and works with its quality department to define the action plans needed to prevent these risks.

Internal food safety management system

Danone's objective is to earn FSSC 22000 certification (a standard recognized by Global Food Safety Initiative (GFSI)) for all production sites by the end of 2020.

The Company has decided to go beyond this certification and has also developed an audit guide that incorporates its own requirements. The Company also requires third-party stakeholders to earn certification in accordance with a set of food safety standards recognized by GFSI.

Food fraud management systems

In 2017, Danone implemented an internal directive on preventing food fraud at its production sites under the responsibility of a central team, encompassing all the Reporting Entities, and local teams.

On-site vulnerability studies were conducted to identify risks and launch prevention plans based on a tool developed by the Safe Secure Approaches Field Environments (SSAFE) consortium, of which Danone is a member.

Food defense management system

Since 2017, Danone has been implementing a food defense directive and audit checklist to stiffen requirements for the physical protection of production and logistics sites. The Food Safety and Security Departments are collaborating on this and helping all Company subsidiaries develop and deploy preventive and protective measures.

Outcomes

Danone thus reached a site certification rate of 86% (74% in 2018).

In 2019, 175 FSSC 22000 certification audits were conducted by independent certification bodies (159 in 2018). As of December 31, 2019, when these audits were complete, 167 sites were certified and 8 were in the process of certification (see Production Site Food Safety scope, Methodology Note).

Also in 2019, the Global Food Safety Audit team conducted 34 in-house food safety audits (27 in 2018, see Production Site Food Safety scope, Methodology Note).

Opportunities

Anticipating the food quality and safety risks gives Danone the opportunity to improve and reformulate its products. It also enables the Company to respond proactively to consumer questions and their need for transparency.

RESPONSIBLE COMMUNICATION

Definition

Danone's goal is responsible marketing and communications for all. In particular, it is committed to ensuring that its marketing communications have integrity, meet ethical standards, are verified, and are based on solid scientific claims.

Policies

As 90% of Danone's product volumes sold are foods and beverages that consumers can enjoy every day, Danone spends the majority of its marketing budget on healthy products.

An internal directive, applicable to all Reporting Entities, was developed to ensure that the Health and Nutrition claims in Danone's communications are consistent and have a scientific basis.

In its advertising, Danone has pledged to apply the International Chamber of Commerce Code for Responsible Food and Beverage Marketing Communication (ICC Code), aiming for compliance across all of its communications campaigns. Non-compliance can occur from time to time; when it does, the Company takes corrective action.

Danone is a member of many pledges, including the EU Pledge program, which Danone co-founded in 2007, and local pledges that it joins when they are consistent with its position on responsible communication and marketing to children (Danone Pledge). The Danone Pledge, which the Company updated in 2019, can be found on its website. In most of the countries involved, compliance with this pledge is certified by an external agency.

Danone is also a member of the International Food and Beverage Alliance (IFBA) and a signatory to its Global Policy on Marketing Communications to Children.

Governance

Under the internal directive described above, the Director of each subsidiary is responsible for communications and their approval. He or she appoints someone to ensure that a specific process for approving communications at the local level is in place and has been properly implemented.

Action plans

Responsible communication and marketing to children

Danone limits marketing aimed at children under the age of 12, ensuring that they are exposed only 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.

Danone uses its brands to promote healthy hydration habits and make water more appealing to children. It does not market Aquadrinks to children under the age of 12.

Danone has established the following principles for marketing to children:

- no misleading messages;
- no undermining of parental influence;
- no suggestion of a time/sense of urgency or a price minimization pressure;
- no exploitation of a child's imagination or inexperience;
- no encouragement of unhealthy dietary habits;
- no blurring of the boundary between marketing and branding.

This is reflected in the following rules:

Licensed characters, celebrities, influencers and premiums	• no use of celebrities or licensed characters, or of premiums that appeal primarily to children under the age of 12, except in the case of products meeting the Danone Pledge nutritional criteria. This rule applies to communications on packaging and in points of sale.
Schools and other locations	• no marketing of products close to or in primary or secondary schools; • communication for educational purposes and product sampling only where specifically requested by, or agreed with, the school administration, and only for products complying with the Danone Pledge nutritional criteria; • no product sampling or communication at daycare centers, summer camps or child and family services centers, except for products meeting the nutritional criteria and with the consent of the administration of these institutions.

The Danone Pledge, as updated in 2019, will undergo internal and external audits conducted by independent third parties qualified to certify its implementation at the global level. Danone will publish the results of this audit on an annual basis.

Outcomes

In a 2019 audit conducted in France, Germany, Hungary, Italy, Portugal and Spain, Danone's television advertising was found to be 99.8% compliant with the EU Pledge criteria across all six countries.

In the area of subsidiary websites and brand profiles on social networks, 100% of the websites audited and one influencer profile analyzed were compliant in all eight audited countries: Czech Republic, France, Germany, Greece, Italy, the Netherlands, Spain and Sweden.

Opportunities

Danone continues to strengthen its responsible communication and marketing practices by exploring digital opportunities to target consumers more accurately. The Company would like to empower consumers in this area by providing them with more information on the nutritional value of its products (see section 5.2 *Sustainable product portfolio*).

MARKETING OF BREAST MILK SUBSTITUTES

Definition

Danone offers breast milk substitutes to parents who cannot or choose not to breastfeed exclusively. Similarly, the Company is committed to complying with local law and its own policies by practicing responsible communication and marketing.

Policies

Danone supports the World Health Organization's (WHO) international public health recommendation calling for exclusive breastfeeding in the first six months of a baby's life and continued breastfeeding up to the age of two and older, in conjunction with the introduction of safe, appropriate complementary foods.

In 2016, Danone also published a position paper on Health and Nutrition during the first 1,000 days of life, from the first day of pregnancy until the age of two, based on two convictions:

- breastfeeding must be protected and promoted;
- mothers, infants and young children must receive the best possible nutrition.

As part of its Policy for the Marketing of Breast-Milk Substitutes (BMS Policy), the Company has deployed strict rules at the global level: no Danone subsidiary may advertise or promote breast milk substitutes for babies under six months, even if local law allows it. In accordance with the breast milk substitutes criteria of the FTSE4Good Index, in countries classified as higher-risk, Danone has voluntarily extended its BMS policy to infants up to 12 months of age, which may go beyond local legislation.

This policy applies to all Danone employees and partners involved in the marketing, distribution, sale, or governance of the affected products and/or related education programs. Danone is the first and only company with an international policy on marketing breast milk substitutes from birth to six months of age.

In 2019, Danone developed a local guide for the countries where each entity is committed to complying with the BMS Policy and local regulations.

Governance

Issues related to breast milk substitutes are under the responsibility of the Compliance Department within the Specialized Nutrition Reporting Entity. This department reports to the Legal and Compliance Department within the office of the General Secretary, ensuring independence from the operating teams. At the local level, each country director is responsible for implementing the BMS Policy and for monitoring its procedures in the relevant geographic region.

Action plans

Danone appoints an independent third party to conduct three market-based assessments of its breast milk substitute marketing practices every year. It publishes an annual report on BMS Policy management and compliance which includes:

- a summary of the external audits and checks for the previous year; and
- suspected and reported compliance failures.

Danone has also rolled out e-learning training on its BMS Policy which is accessible to all employees and has been translated into 13 languages.

Outcomes

In 2019, 4,786 employees were trained on Danone's Policy for the Marketing of Breast-Milk Substitutes.

The Access to Nutrition Index (ATNI) ranked Danone in the top 3 among top-performing food companies in 2018 and first for the marketing of breast milk substitutes. At the same time, in 2019 Danone remained in the FTSE4Good index calculated by FTSE Russell.

5.3 PRESERVE AND RENEW THE PLANET'S RESOURCES

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ENVIRONMENTAL STRATEGY

Danone defined its environmental strategy based on four main priorities:

- fight against climate change;
- transition toward regenerative agriculture that includes organic agriculture;
- circular economy;
- water stewardship.

Governance

Danone's environmental strategy is sponsored by the EVP, Chief Financial Officer, Technology & Data, Cycles and Procurement, a member of the Executive Committee who sits on the Board of Directors.

The review and implementation of this strategy are among the responsibilities of the following governance bodies:

- the Chairman and Chief Executive Officer and the EVP, Chief Financial Officer Technology & Data, Cycles and Procurement, who review the implementation of the environmental strategy, its priorities and key challenges on a quarterly basis;
- the Purpose & Engagement Committee of the Board of Directors (see section 5.1 *Sustainability governance*);
- the Executive Committee, which oversees the annual strategic planning process establishing the operational roadmaps and action plans to achieve the Company's commitments, working with the Strategy and Risks Department;
- the Risk Committee, which oversees the risk review at the Company level and identification of emerging risks;
- the Nature & Water Cycle Department, which reports to the Cycles and Procurement Department, implements Danone's environmental strategy, manages its performance, designs and supports environmental innovation programs using a financing mechanism in partnership with the social innovation funds. It is backed by the sustainable development departments of each Reporting Entity and each strategic cycle (plastic, water, milk). It therefore works closely with the purchasing teams responsible for the main resources (milk, sugar, fruit, packaging, etc.);
- at the subsidiaries, nearly 100 correspondents direct the environmental programs of their respective Reporting Entity.

Focus – Training and awareness programs

Danone raises awareness and trains its employees with respect to environmental issues, mainly through its "One Planet, One Health" platform, which enables employees to receive training on these topics (see section 5.4 *Inclusive talent development*).

In 2019, as part of the deployment of a new environmental performance monitoring tool, all environmental performance managers at local and Reporting Entity levels participated in a training seminar that included a session focused on Danone and its environmental challenges.

This new tool, which was launched at all subsidiaries, makes it possible to monitor environmental performance at every decision-making level of the organization.

Environmental management systems and tools

Danone developed its environmental management system based on the international standard ISO 14001.

Danone also has its major production sites certified according to ISO 14001. This certification is a prerequisite for obtaining the highest performance level (excellence level) in the GREEN audit (see following section).

At certain production sites, Danone also applies ISO 5001 related to efficient energy management.

	Year ended December 31	
	2018	**2019**
ISO 14001 certification [(a)]		
Number of certified sites	86	85
Percentage of certified sites	46%	46%
Percentage of volumes covered	68%	67%
ISO 50001 certification [(a)]		
Number of certified sites	8	8
Percentage of certified sites	4%	4%
Percentage of volumes covered	10%	6%

(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 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. Since 2018, the GREEN audit framework includes a water risk assessment based on the Water Risk Filter (WRF) developed by the WWF (see section *Water stewardship*).

Action plans are deployed at non-compliant sites in order to remediate non-conformities.

	Year ended December 31	
	2018	**2019**
Sites having undergone a GREEN audit		
Number of sites	124	126
Percentage of sites	66%	68%
Percentage of production covered by a GREEN audit	79%	79%
Compliance with GREEN standards		
Number of compliant sites	104	109
Percentage of compliant sites	84%	87%
Percentage of compliant production	94%	95%

Environmental expenditures and investments

In 2019, investments in environmental protection totaled more than €27 million, or approximately 2.9% of consolidated capital expenditures (€31 million in 2018, or approximately 3.4%). These investments focused mainly to reductions in water and energy consumption and carbon emissions as well as water quality improvements.

Environmental-related operating expenses totaled €117 million in 2019 (€123 million in 2018): €36 million for waste management and water and air; €55 million for contributions paid for the collection and recycling of packaging; €26 million for other expenditures.

In 2019, Danone defined new investment approval rules, such that all investments exceeding €5 million are subject to an environmental impact assessment (water, climate, etc.) reviewed by the Head of Nature for each Reporting Entity and must be approved by Nature & Water Cycle Vice President.

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, 2019 (unchanged from December 31, 2018).

FIGHT AGAINST CLIMATE CHANGE

Definition

Danone 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 (see section *Water stewardship*);
- price volatility for its product packaging materials and impacts on its activities;
- financing the transition toward more sustainable agricultural practices (see section *Transition toward regenerative agriculture that includes organic agriculture*).

Policies and action plans

In its 2015 Climate Policy, Danone set a target of carbon neutrality emissions across its entire value chain by 2050. This objective covers its entire value chain: scopes 1, 2 and 3, *i.e.* all its direct and indirect emissions, including those of suppliers and consumers.

In order to reach this goal, Danone has developed the following strategy:

- cutting emissions;
- transform the agricultural practices of its supply chain;
- keeping more carbon in the ground;
- eliminate deforestation from its supply chain by 2020;
- offsetting remaining emissions.

In addition to its Climate policy, Danone showed in 2019 for the first time a 'carbon-adjusted' recurring EPS evolution that takes into account an estimated financial cost for the absolute GHG emissions on its entire value chain[a].This 'carbon-adjusted' recurring EPS grew in 2019 at +12%, faster than the +8.3% recurring EPS growth reported by the company given the +9% carbon productivity delivered in 2019.

Going forward, as full scope carbon emissions peak was reached in 2019 and GHG emissions in absolute levels are set to decrease, Danone's 'carbon-adjusted' recurring EPS is set to grow faster than recurring EPS (see section 3.2 *Consolidated net income review*).

(a) Carbon-adjusted recurring EPS is equal to the recurring EPS less an estimate financial cost for carbon / number of shares after dilution (see section 3.2 *consolidated net income review*). The estimated financial cost for carbon is based on Danone's full scope (1, 2 and 3) carbon emissions of 27.2 mT for 2019 (26.3 mT for 2018) x a constant carbon cost estimate of 35€/ton, aligned with CDP disclosure.

Cutting emissions

Danone aligned its greenhouse gas reduction targets on the global target of the United Nations Framework Convention on Climate Change (UNFCCC), which seeks to limit the increase in temperature to less than 2° Celsius.

In 2017, Danone's emissions reduction targets were approved by the Science-Based Targets (SBTi) initiative:

- reduce Danone's emissions intensity by 50% on its full scope of responsibility (scopes 1, 2 and 3) between 2015 and 2030;
- reduce Danone's absolute emissions by 30% on scopes 1 and 2 between 2015 and 2030.

In 2019, Danone pledged to define targets for reducing greenhouse gas emissions in line with a 1.5° Celsius climate scenario, heeding the call of the UN Global Compact and initiatives of Science-Based Targets and We Mean Business. Danone is currently working on these new reduction targets with the SBT initiative.

Lastly, as part of the RE100 initiative, Danone has made a commitment to shift to 100% renewable electricity by 2030, with an interim target of 50% by 2020.

Transformation of agricultural practices

Danone has placed agriculture at the center of its low-carbon strategy, notably through the implementation of regenerative agriculture (see section *Transition toward regenerative agriculture that includes organic agriculture*).

keeping more carbon in the ground

Danone promotes regenerative agriculture that contributes to reducing carbon levels in the atmosphere by sequestering it in the ground. By adopting regenerative agricultural practices, partner producers reduce their greenhouse gas emissions, thereby improving soil quality and soil carbon sequestration (see section *Transition toward regenerative agriculture that includes organic agriculture*).

In 2019, Danone, joined Gold Standard's "Value change interventions" program aimed at establishing a methodology for measuring soil carbon sequestration.

Eliminating of deforestation from the supply chain by end of 2020

Forest footprint policy

Through its Forest Footprint Policy, Danone has made a commitment to eliminate deforestation from its supply chain by end of 2020. The policy prioritizes six major commodities: palm oil, soy, paper and cardboard packaging, wood biomass, cane sugar and bio-based plastics for packaging.

The specific policies for palm oil, soy and paper and cardboard packaging, summarized hereinafter, were assessed by the Global Canopy Program. These policies can be seen in their entirety on Danone website.

Palm oil policy

Since 2015, Danone has committed to the traceability and provenance of palm oil used. It must come from plantations whose expansion does not threaten forests rated as High Conservation Value (HCV) and High Carbon Stock (HCS), nor tropical peatland, and the plantations must respect the rights of indigenous peoples and local communities as well as the rights of all workers.

In 2019, Danone used approximately 68,000tons (71,443 tons in 2018).

Since 2014, 100% of the palm oil purchased for its Early Life Nutrition activities was certified "RSPO segregated" (traceable back to the plantations, with the backing of EarthWorm). In 2019, 48% of the palm oil purchased by Danone was certified RSPO segregated, and 51% was certified RSPO Mass Balance (meaning that the palm oil used originates mainly from sustainably managed plantations but without strict separation along the supply chain).

In addition, since 2018, the Company has been publishing on its website a list of its palm oil direct suppliers and mills.

Soy policy

Danone pledged to contribute to the development of a more responsible soy value chain. Its soy policy consists of improving transparency across the entire supply chain and promoting local protein-rich crops, alternatives to soy imports that help local farmers to become more autonomous in animal feed production. It is also designed to ensure the traceability of soy used in animal feed for dairy cows from regions with low deforestation risk or soy that is produced in accordance with certification standards such as ProTerra or RTRS.

Danone's soy consumption is described in section 5.5 *Responsible sourcing – supplies other than milk*.

Packaging policy and paper and cardboard packaging policy

Through its Packaging Policy, Danone seeks to guarantee the circularity of its packaging and accelerate the transition toward a circular economy on a global scale (see section *Circular Economy*).

Danone also developed a special paper and cardboard packaging policy with several leading NGOs (notably Rainforest Alliance), with three objectives:

- switch to lighter-weight packaging across its products range;
- use recycled fiber wherever possible;
- where that is not possible, use FSC certified virgin fiber.

Information about the quantitative results is available in the 2019 Integrated Annual Report.

Offsetting emissions

Danone pledges to offset remaining greenhouse gas emissions while implementing solutions that seek to improve the quality of life of the most vulnerable communities. Thus, the Company participates in reforestation and natural ecosystem restoration projects, notably through the Carbon Livelihoods fund (for more information, see 2019 Integrated Annual Report).

Carbon neutrality of its brands

Danone also seeks to have its leading brands participate in its goal of carbon neutrality.

Starting in 2013, Danone decided to offset emissions from the *evian* brand along with its other emissions reduction measures, such that all *evian* products worldwide would be carbon neutral in 2020. In 2019, the emissions of products sold in 2018 in North America, Germany and Switzerland were offset.

In 2019, three other Waters Reporting Entity brands pledged to achieve carbon neutrality: *Volvic* by 2020, *Lanjarón* by 2025 and *Font Vella* by 2030.

Outcomes

Global recognition

Danone obtained "triple A" score by the non-profit organization CDP, for CDP Climate Change, CDP Forests and CDP Water questionnaires, for its transparency and environmental performance in the fight against climate change and deforestation and water resource preservation.

Since 2018, Danone has included an environmental performance criterion in its Group Performance Shares plans for 1,600 senior executives. This criterion is based on the CDP Climate Change score attributed to Danone (see section 6.4 *Detailed information on long-term compensation plans*).

In 2019, the Company was also recognized by CDP as a global leader for its strategy and commitments with suppliers across its entire supply chain regarding the fight against climate change. Danone thus joins the list of companies making up the CDP Supplier Engagement Board.

Meanwhile, Danone's commitments to eliminating deforestation from its supply chain were recognized by CDP in its "CDP No Wood for Trees" report. The Company received the highest position worldwide in this ranking, which analyzes the actions of 22 companies to fight against deforestation.

Greenhouse gas emissions

Danone measures the greenhouse gas emissions of its value chain (scopes 1, 2 and 3) based on the international GHG Protocol developed by the World Resources Institute (see Methodology note).

In 2019, Danone introduced a new tool globally to measure and monitor its environmental performance. At that time, the Company completely updated its carbon accounting referential, whose compliance with the GHG Protocol was confirmed through a third-party (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 set its emissions reduction targets for scopes 1 and 2 based on the GHG Protocol market-based methodology in order to reflect the share of renewables in its energy mix (see Methodology note).

Total emissions in metric tons of CO_2 equivalent for scopes 1 and 2 fell by 8.5% between 2018 and 2019, mainly due to purchases of electricity from renewable energy sources and energy efficiency improvements. On a like-for-like basis, these emissions decreased by 10.4% relative to 2018 and by 29.1% relative to 2015.

Scopes 1 and 2 emissions market-based (in $ktCO_2$)	**2018**	**2019**
Scope 1	753	722
Scope 2	679	588
Total Scopes 1 & 2	1,432	**1,310**
Absolute emissions reduction, scopes 1 and 2, market-based since 2015	**20.3%**	**29.1%**

(a) Greenhouse Gas scope (Methodology note).

Greenhouse gas emissions on scope 3:

Danone measures indirect emissions from the scope 3 categories described hereinafter (see Methodology note).

(in ktCO$_2$ eq)	**2018**	**2019**
Purchased goods and services	19,055	20,628
Upstream transportation and distribution of goods	629	382
Downstream transportation and distribution of goods	1,886	2,199
Use of sold products	1,577	1,922
End-of-life treatment of sold products	1,004	245
Fuel and energy related activities	330	320
Waste generated by operations	405	173
Total Scope 3	**24,886**	**25,869**

Greenhouse gas emissions on scopes 1, 2 and 3

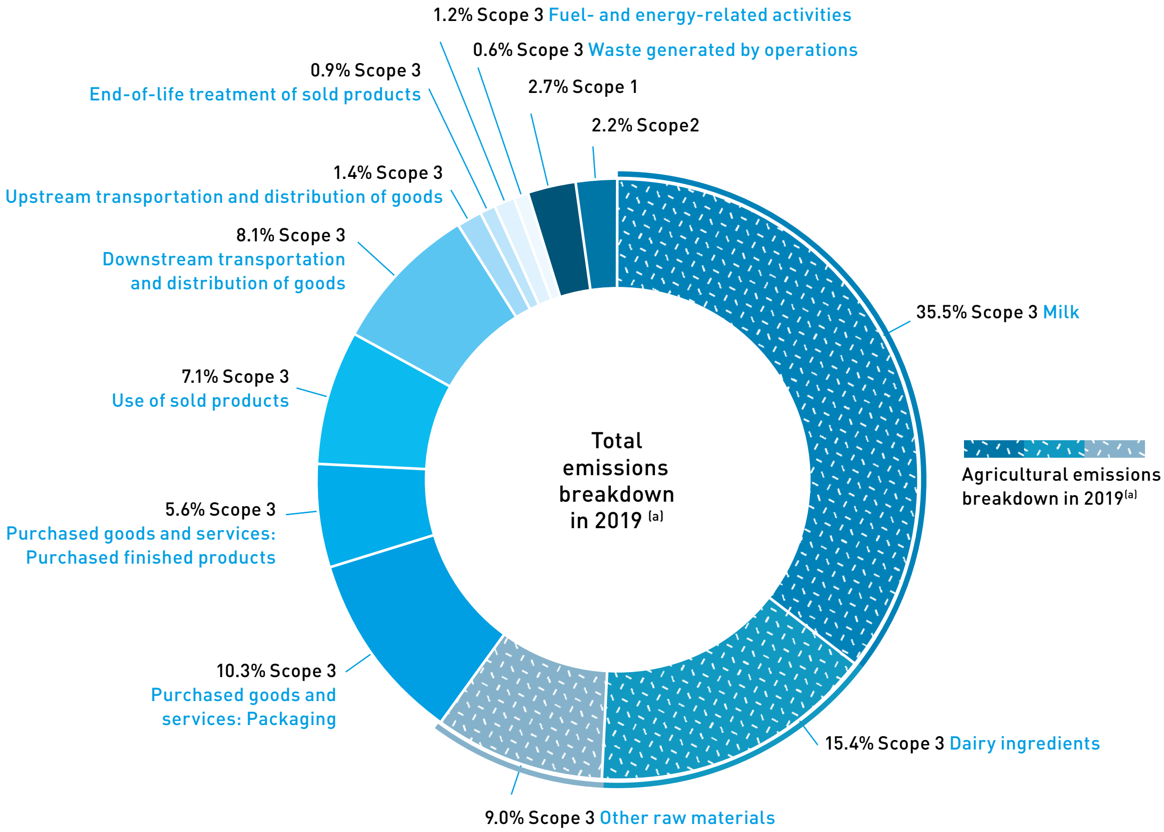
(in ktCO$_2$ eq) [a]	**2018**	**2019**
Scope 1	753	722
Scope 2 [b]	679	588
Scope 3	24,886	25,869
Total Scopes 1, 2 and 3	**26,318**	**27,179**
Ratio of total emissions scopes 1,2,3 *(in grams of CO$_2$ eq/kg of product sold)*	**711.0**	**740.1**
Reduction in emissions intensity ratio, scopes 1, 2 and 3 since 2015	**15.6%**	**24.8%**

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

Danone's total emissions across its value chain scopes 1, 2 and 3 totaled 27.2 million metric tons of CO$_2$ equivalent, compared with 26.3 metric tons in 2018, mainly due to the extension of the measurement scope of emissions for the Reporting Entity Specialized Nutrition activity and changes in the measurement methodology (see Methodology note).

The ratio of its total emissions across its value chain scopes 1, 2 and 3 increased by 4.1% between 2018 and 2019. On a like-for-like basis, this ratio fell by 9.4% relative to 2018 and by 24.8% relative to 2015, mainly as a result of productivity gains among producers from whom Danone purchases its milk directly and the milk supply chain at the global level, as well as increased electricity purchases from renewable sources.

With 95.2% of Danone's total emissions across its value chain, scope 3 represents the largest contributor, more than emissions from scope 1 (2.7%) and scope 2 (2.2%).



(a) Greenhouse Gases scope, (see Methodology Note).

Danone estimates that the peak of its carbon emissions on Its full scope was reached by the end of 2019, five years ahead of its original plans and commitments (2025) and one year prior the 1.5°C Science-Based Targets commitment.

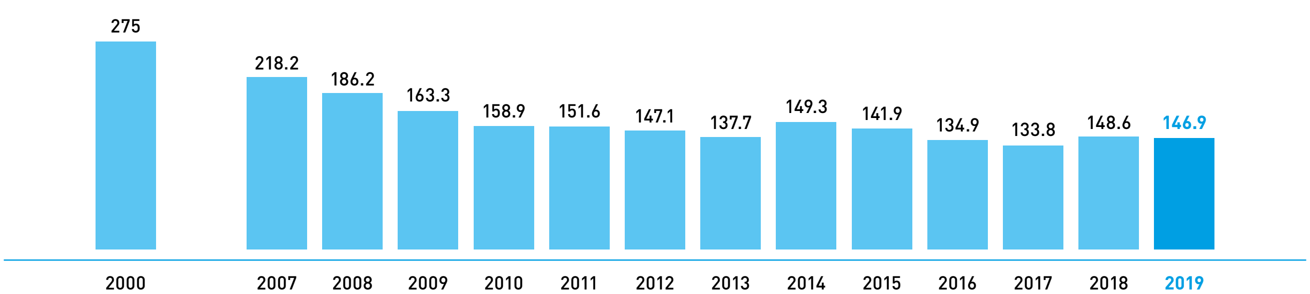
Energy efficiency and renewable energies

	Year ended December 31	
(MWh)	**2018**	**2019**
Thermal energy [a]	3,395,125	3,298,502
Electricity [a]	2,181,458	2,122,809
Total	**5,576,583**	**5,421,311**
Energy consumption intensity *(kWh per metric ton of product)*	148.6	146.9
Total reduction in energy intensity since 2000 *(kWh per metric ton of product)*	**46%**	**47%**

(a) Production Site Environment scope (see Methodology note).

Energy consumption intensity fell by 1.1% in 2019. On a like-for-like basis, this ratio fell by 0.7% between 2018 and 2019.

Intensity of total energy consumption at production sites
(in KWh/ton of product)



At end-2019, total energy consumption intensity at production sites declined by 47% relative to 2000, compared with 46% in 2018.

Energy efficiency initiatives

Danone relies on two main mechanisms to improve its energy efficiency: optimization of energy production at its sites and energy use.

This trend is also enhanced by systematic sharing of best practices among production sites.

Renewable energy use

	Year ended December 31	
	2018	**2019**
Production sites purchasing 100% renewable electricity [a]	40	50
Percentage of renewable electricity [a]	34.2%	42.4%
Percentage of renewable energy [a]	16.2%	19.7%

(a) Production Site Environment scope (see Methodology note).

As part of the RE100 initiative, in 2019, 50 production sites purchased electricity from 100% renewable sources (wind, hydro, etc.), which represents a total of 42.4% of Danone's electricity purchases in 2019, compared with 34.2% in 2018.

In 2019, total energy consumption from renewable sources (electricity and thermal) represented 19.7% of total energy consumed by Danone, compared with 16.2% in 2018.

Opportunities

Working closely with all parties making up the value chain, Danone strives to strengthen the traceability of its supplies in order to bolster the resiliency of the producers and secure its purchases.

Furthermore, Danone's 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 makes it possible to respond to new consumer trends, thus the Company diversified its plant-based product portfolio, thereby helping to reduce its carbon footprint.

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 put forth by 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's 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-related 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	2.7
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 opportunities and Company's performance against these targets	5.3, 6.4

TRANSITION TOWARD REGENERATIVE AGRICULTURE THAT INCLUDES ORGANIC AGRICULTURE

Definition

Agriculture constitutes Danone's leading source of greenhouse gases emissions for its full scope, accounting for 60% of emissions in 2019. It is also the leading source of water consumption. Agriculture represents part of the solution for the Company with respect to climate-related challenges, and the goal is to transform agricultural models to protect nature's regenerative ability, notably by promoting practices that contribute to the transition of agricultural models.

Policies

The transition toward regenerative agriculture is based on the following principles and commitments:

- Danone White Paper on sustainable agriculture, which lists the key principles for the increased sustainability of agricultural supplies;
- three pillars of regenerative agriculture:
  - protecting soils, water and biodiversity;
  - empowering a new generation of farmers;
  - respecting animal welfare.

These principles are also reflected in Danone's commitment to enhancing its product lines comprising organic and plant-based products.

In addition to the regenerative agriculture principles, Danone's Reporting Entities have undertaken a series of commitments disclosed in the Animal Welfare Position Paper, among them:

- cover 80% of fresh milk collected in 14 countries through the dedicated animal welfare assessment tool (for dairy cows) or through Validus certification by 2020;
- use 100% cage-free eggs and egg ingredients by the end of 2019 for its entire product portfolio.

Each year, Danone also publishes its animal welfare progress report, which summarizes the progress with respect to each of its commitments, with annual scopes and targets defined.

Action plans and outcomes

In 2019, 76% of the entities developed concrete projects in line with at least one of the three pillars of the regenerative agriculture framework regarding the main raw materials it uses (see *Danone Way scope*, Methodology note).

Protecting soils, water and biodiversity

Danone integrated soil health into its regenerative agriculture approach and has committed to promote practices with upstream partners that make it possible to:

- preserve and improve the physical and biological structure of soil (enhancing its organic matter content through reduced soil tillage, crop rotation and planting of permanent cover crops;
- maintain soil's natural capacity to regulate water resources;
- preserve animal and plant biodiversity by limiting the use of inputs (mineral fertilizers, pesticides and other chemical products) and by increasing protected wildlife habitats for animals (increase in buffer strips and hedges between parcels whenever possible).

These measures reduce greenhouse gas emissions from farms and increase the rate of soil carbon sequestration, thus contributing to Danone's carbon neutrality objective. In that regard, Danone works directly with farmers to develop action plans and help them implement these new practices.

Danone works with numerous partners to promote a better understanding of agricultural practices that help protect soil health. For example, since 2018 Danone North America has worked with researchers from Cornell University's carbon sequestration center in order to identify ways to regenerate soils and enhance their carbon content.

In 2019, Danone stepped up its contribution to biodiversity protection, notably by initiating the One Planet Business for Biodiversity (OP2B) coalition with the World Business Council for Sustainable Development (WBCSD). As of December 31, 2019, this coalition comprises 19 companies, mainly in the food and beverage sector, seeking to protect and restore biodiversity in their supply chains and product portfolios. The Company also endeavors to raise biodiversity protection awareness among employees at its production sites.

Examples of other initiatives are available on Danone's website.

Empowering a new generation of farmers

Since farmers are the main players in the transition toward regenerative agriculture, Danone seeks to build long-term relationships to support them in this process. To that end, Danone established long-term Cost Performance Model (CPM) contracts, which make it possible to guarantee stable income for farmers and long-term collaboration on sustainability issues (see section 5.5 *Responsible sourcing–milk*).

Another way Danone is working to empower farmers is by facilitating access to training, equipment and financing, notably through its brands and social innovation funds created by Danone. For example, in France, the *Blédina* brand has invested since 2018, 40 million euros which allowed to convert nearly 60% of its raw materials to regenerative agriculture practices. Moreover, Dan Trade, the Danone Ecosystem Fund and other public- and private-sector organizations created the "Madre Tierra" project, which enables Mexican strawberry producers to receive financial, technical and technological support as well as training in soil sustainability, water resource management and fertilization. These measures make it possible to promote long-term and local sourcing. The "Madre Tierra" project helped 78 producers in 2019, and the goal is to increase that number to nearly 150 producers by 2023.

Respecting animal welfare

Danone developed its animal welfare approach in collaboration with the NGO Compassion In World Farming (CIWF). It is based on the internationally recognized five freedoms for farm animals developed by the Farm Animal Welfare Council and is formalized in Danone's Animal Welfare Position Paper. In 2018 and 2019, Danone reached the level of Tier 2 of the Business Benchmark on Farm Animal Welfare (BBFAW). This report provides an annual rating of the leading companies' performance with respect to their animal welfare strategy.

Danone has also committed to strengthening its practices by signing the Broiler Chicken Act aimed at improving conditions for raising broiler chickens by 2026. The Company thus works with its suppliers on improving the living conditions of animals (natural light, perches, etc.) and stocking density.

With respect to the Essential Dairy & Plant-Based Reporting Entity's milk sourcing, some 81% of fresh milk volume collected in 2019 was covered by the dedicated animal welfare assessment tool or Validus certification, which represents more than 2,000 audits performed on farms. This tool also makes it possible to assign a score to audited farms. Audited partner farms received an average score of 65 points on a scale of 100, illustrating their best practices. The country with the highest score was Belgium, with an average of 75 points.

With respect to Specialized Nutrition, 100% of sheep and beef cattle had access to pasture in 2019. As for eggs and egg ingredients, more than 80% come from cage-free farms. Danone is still working on transitioning the remaining volumes in light of changes to its product portfolio in some countries.

Opportunities

Regenerative agriculture therefore makes it possible to have healthier and more sustainable ecosystems and to satisfy consumer demands.

In Canada, for example, Danone is working together with more than 30 member farms of the Nutrinor Coopérative network to ensure a transition toward regenerative agriculture that makes it possible to guarantee milk traceability all the way down to the consumer. Danone Canada and Nutrinor Coopérative are already committed to sustainable agriculture and want to share and explore opportunities for improving soil health, conditions for farmers and animal welfare.

CIRCULAR ECONOMY

Packaging

Definition

Recognizing the challenges related to pollution from packaging, Danone works with numerous value chain stakeholders to accelerate the transition to a circular economy.

Policies, action plans and outcomes

Packaging policy

In order to accelerate the elimination of single-use plastics, Danone pursues its investments to innovate other packaging alternative to plastics (such as glass, cans, and paper) and rethink business models for hydration. Those initiatives will be supported by the launch of a dedicated fund to explore next generations of packaging materials and models.

Danone has defined a series of commitments in its packaging policy in 2018, completed in 2020, detailed below. Each Reporting Entity iterates these commitments by establishing local roadmaps.

PILLARS	ACTIONS PLANS AND OUTCOMES
Packaging designed for circularity *By 2025:* • *design all packaging so that it is 100% recyclable, reusable or compostable;* • *develop alternatives to plastic packaging or single use packaging in all principal markets of the Waters Reporting Entity;* • *act to eliminate problematic or unnecessary plastic packaging.*	In 2019, Danone used 800,000 metric tons of plastic (794,000 in 2018) Danone strives to make its packaging more easily recycled through: • innovation: for example, the new *Actimel* black bottle uses special pigments that can be detected using infrared, thus facilitating sorting and recycling; • optimization of materials used. In Indonesia, the *Aqua* brand launched a new line of label-free water bottles. In addition, the Company is developing reusable packaging as well as innovative distribution and consumption models. By participating in the global purchasing system Loop™ in partnership with Terracycle, Danone provides consumers with access to a variety of products in personalized, sustainable packaging that are collected, cleaned, filled and reused. In 2019, 81% of Danone's packaging are recyclable, reusable or compostable (87% in 2018). This decrease was due to a strict application of the new definition of recyclability promoted by the Ellen MacArthur Foundation (EMF) for the circular economy and its change in approach with the adoption of a new tool to monitor environmental performance. On a like-for-like basis, the rate increased from 80.3% to 81.3% between 2018 and 2019 (see Packaging scope, Methodology note). For plastic packaging, 67% are recyclable, reusable or compostable (65% in 2018 on a like-for-like basis).

PILLARS	ACTIONS 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 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 sales.*	Danone supports the development of efficient and inclusive value chains that increase collection and recycling (e.g. systems that promote greater responsibility of producers and packaging deposit systems, taking into account the local context). At the local level, inclusive recycling projects supported by Danone and the Danone Ecosystem Fund since 2014 have enabled to support and develop the competencies of nearly 6,500 people and made it possible to recycle more than 48,000 metric tons of waste in 2019 (for more information, see 2019 Integrated Annual Report). On a larger scale, Danone invests in private initiatives that support circular infrastructures, notably in countries where formal networks are lacking or still being established, or where the risk of dumping in natural ecosystems is high. In 2019, Danone committed to investing USD 15 million over five years in the Circulate Capital fund for the large-scale development of recycling and circular economy infrastructure in Southern and South-East Asia. In 2019, 90% of the entities set up an assessment of recycling systems (collection, sorting and recycling) and identified the main stakeholders to improve the recycling and/or regulations (see Danone Way scope, Methodology note).
Preserve natural resources *Starting from April 2020:* • *evian and Volvic brands will act to offer 100% rPET bottles*[a] *By 2021:* • *market 100% recycled PET bottles in all major Danone markets;* *By 2025:* • *use 25% recycled materials in its plastic packaging;* • *use 50% recycled materials in its water and other beverage bottles;* • *reach 100% rPET in Europe for Waters Reporting Entity;* • *zero polystyrene worldwide by 2025, and zero polystyrene in Europe by 2024, starting with Alpro brand by 2021*	Danone works to reintegrate recycled materials in its own packaging and to develop the use of renewable materials. In 2019, Danone achieved the following results: • 10.6% recycled materials on average in its plastic packaging (6.4% in 2018); • 16% recycled PET used on average by the Waters Reporting Entity (12% in 2018) and 20.5% in countries where local standards and regulations allow (17% in 2018). In 2019, all *evian* bottles contain an average of 31% rPET across the entire range (up from 28% in 2018). In 2019, Danone also launched several bottles made from 100% recycled PET: Volvic 8L (France), *Zwyiec Zdròj* (Poland), *Aqua d'Or* (Denmark). (a) *evian* and *Volvic* brands will act to offer, starting from April 2020, 100% rPET bottles: *Volvic* full range in Germany, all *evian* and *Volvic* small and XXL formats in France, and all *evian* on the go formats in the UK.

Along with its commitments, Danone continues to work actively with the EMF to promote the circular economy.

Opportunities

Danone brands strive to get consumers involved and support research and innovation. Danone relies notably on alliances to find innovative solutions to manage plastic waste.

For example, *evian* participates in a research mission in partnership with The Ocean Cleanup, a non-profit Dutch start-up that develops innovative and high-impact solutions to eliminate plastic in the oceans. In 2019, the *Aqua* subsidiary joined the pilot project launched in Indonesia. In effect, *Aqua* pledged to recover more plastic waste litter in Indonesia than plastic used, in equivalent volume, by 2025.

Waste management

Danone also monitors waste production and recovery through recycling, reuse, composting and waste-to-energy. The 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.

	2018	2019
Industrial waste		
Total quantity of industrial waste *(in ktons)*	452	511
Total quantity ratio of industrial waste per tons of products *(in kg/tons)*	12.1	13.8
Proportion of industrial waste recovered	88.3%	90.1%
Packaging industrial waste		
Total quantity of packaging industrial waste *(in ktons)*	119	122
Total quantity ratio of packaging industrial waste per tons of products *(in kg/tons)*	3.2	3.3
Proportion of packaging industrial waste recovered	96.8%	95.3%
Proportion of plastic packaging waste recovered	95.4%	95.8%

The ratio of waste produced per ton of product increased by 14.8% between 2018 and 2019, mainly due to the impact of new product range launches in the United States and the boycott in Morocco of the EDP Reporting Entity's activities. In 2019, the recovery rate for industrial waste increased from 88% to 90% (see Production Sites Environment scope, Methodology note).

The recovery rate for packaging waste at the production sites totaled 95.3% in 2019 (96.8% in 2018). In 2019, 5% of post-industrial packaging waste was sent in landfill. The goal is to achieve 0% by 2025.

Reducing food waste

Definition

Danone seeks to reduce waste at its operations and supply chain levels, notably by recovering food waste. Danone measures food waste at all its production sites, with the exception of the 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).

Policies and outcomes

In line with the Food Waste Resolution adopted by the Consumer Goods Forum in 2015, Danone has pledged to reduce its unrecovered food waste (*i.e.* waste sent in landfill, incinerated without energy recovery or discharged in wastewater) by 50% by 2025, compared with a 2016 baseline.

Outcomes

Year ended December 31

	2018	2019
Food waste management at production sites [a][b]		
Total quantity of food waste generated *(in ktons)*	331	386
Ratio of total quantity of food waste per ton of products *(in kg/tons)*	37.7	45.0
Ratio of total quantity of food waste recovered per ton of products *(in kg/tons)*	32.3	39.9
Proportion of waste recovered	85.5%	88.6%

(a) Production Site Environment scope (see Methodology note)
(b) Excludes Waters Reporting Entity sites.

The ratio of food waste generated per ton of product increased by 19% between 2018 and 2019, mainly due to the launch of new product ranges in the United States and the boycott in Morocco of EDP activities. The recovery rate increased from 85.5% to 88.6%.

In 2019, 74% of the entities or supply points implemented at least one concrete measure to improve the food waste recovery rate. This measure had a significant impact (see Danone Way scope, Methodology note).

Action plans

Danone strives to reduce food waste in its operations and across the entire value chain.

At its production sites and distribution centers, Danone reduces food waste, donates its unsold consumables and recovers products unfit for human consumption, preferably to be used in animal feed. For example, the Essential Dairy & Plant-Based Reporting Entity implements its Zero Waste program aimed at reducing food waste by:

- eliminating waste through optimized production and distribution processes;

- increasing the volume of donations to food banks and alternative food distribution channels with a social purpose.

Danone also works with its partners, consumers and charitable organizations. For example, the Company works closely with distributors to optimize transportation, in-store packaging systems and restocking of products and to anticipate demand, including for promotions and inventory management.

To support vulnerable communities, Danone also developed structured food product donation programs, notably agreements with specialized charitable organizations such as food banks. For example, the French supply chain of the Essential Dairy & Plant-Based Reporting Entity joined with the French Federation of Food Banks in order to optimize the security and traceability of distribution for consumers in need.

WATER STEWARDSHIP

Definition

Since stewardship of the water resource is an essential issue for Danone's activities and supply chain, the Company is committed to protecting this resource and therefore works to identify at-risk areas and support solutions adapted to the local context.

Policies

Danone has developed a special Groundwater Protection Policy, with the goal of ensuring resource sustainability and protecting and optimizing aquatic and marine ecosystems in areas where it operates.

Action plans

Danone established an overall and systematic assessment process for water risks that takes into account physical, regulatory and reputational risks. It is based on a two-step process: (i) identification of at-risk geographic regions and anticipation of changes over the medium term using the Aqueduct Water Risk Atlas of the World Resources Institute; then (ii) identification of water risks at the level of the operating sites with the Water Risk Filter (WRF) developed by the WWF. This second stage is integrated into the GREEN environmental audit process in order to assess water risks systematically for all Company production sites.

In 2019, 44% of the production sites were located in high or extreme risk areas, according to the Aqueduct Water Risk Atlas. Moreover, 76% of Danone's sites were audited for water risk in 2019 using the Water Risk Filter. This audit revealed that 19% present a significant risk to the Company (see Environment Production Site scope, Methodology note).

This process makes it possible to obtain a water risk map and identify sites that present potentially major risks. Danone further enhanced the process by using a third tool, the GEMI Local Water Tool for a detailed assessment of sites identified as at-risk and to develop appropriate action plans.

Since 2018, Danone extended the identification of water risks to its value chain using the Aqueduct Water Risk Atlas. Danone began its assessment with the supply chain for fresh liquid milk. This analysis covered more than 20 countries, involved more than 8,000 collection centers and farmers and is based on projected changes to water stress through 2030. It enabled Danone to establish a detailed map of milk suppliers and farmers dealing with challenges of resource availability.

In 2019, the identification of water risks was also implemented for other Danone agricultural commodities.

Today, these efforts provide Danone with a detailed view of the water footprint of its activities and those of its supply chain.

Based on the findings of these efforts, in 2019 Danone redefined its water strategy, which will be implemented as part of its 2030 Goals. Water Cycle, a dedicated team, is responsible for its implementation based on three key objectives covering Danone's entire value chain:

- preserve and restore water resources in agriculture and watersheds;
- ensure that not a drop is wasted in operations;
- enable access to water.

Action plans and outcomes

Preserve and restore water resources in agriculture and watersheds

Stewardship of the water resource in watersheds

For several years, the subsidiaries of the Waters Reporting Entity have deployed the internal tool for water resources management known as SPRING (Sustainable Protection and Resources managING), developed with the Ramsar Convention and International Union for Conservation of Nature. This tool makes it possible to assess the physical, regulatory and community-based management of the sites' aquifers and watersheds, assign a level of excellence to each site and establish appropriate improvement plans. Since 2017, 100% of the Waters Reporting Entity sites are covered.

Meanwhile, the analysis of water risks makes it possible to fine-tune the diagnostic and implement action plans that address regional challenges.

Risk management related to water in agriculture

Based on the risk map for the value chain (see above), Danone has defined priority regions and mobilized its teams to develop specific action plans.

The Company also deploys various initiatives for other commodities. In Spain, the *Alpro* subsidiary works with the NGO WWF and almond producers to develop a methodology for managing water allocation in watersheds and ensure a more fair and sustainable allocation among all constituent groups.

Ensure that not a drop is wasted in operations

Danone systematically controls the use and quality of water in its activities to achieve the following two main objectives by end-2020:

- reduce water consumption in the production processes of the production sites by 60% relative to 2000. To achieve this goal, Danone deploys its so-called 4R strategy: Reduce, Reuse, Recycle, Recover, with a greater emphasis on its sites with high water risk;
- achieve 100% compliance with Danone Clean Water Standards, (Danone wastewater treatment standards, which are based on International Finance Corporation standards) at all sites that discharge wastewater directly into natural environments.

Means and programs for reducing water consumption in the production activities

The production sites use several specialized tools and programs depending on their activity.

For example, the Essential Dairy & Plant-based Reporting Entity developed the Aquathon program to map water use at its sites and define action plans for water reuse or recycling. In addition, the audit program conducted with Veolia makes it possible to establish action plans related to the technical and managerial aspects of water management. Finally, the Triple Zero program seeks to launch innovations to reduce water and energy consumption.

The Waters and Specialized Nutrition Reporting Entities also deploy programs related to water consumption at their production sites.

In 2019, Danone established a global tool designed to share, water management, best practices for operations and launched a content platform to raise awareness among all employees on the preservation of this resource.

Outcomes

Water use in operations

	Year ended December 31	
(thousands of m³)	**2018**	**2019**
Water drawn from the surrounding area [a]		
River water	2,937	3,038
Municipal water	23,395	22,751
Well water	48,161	47,276
Total water drawn volume	**74,493**	**73,064**

(a) Production Site Environment scope (see Methodology note).

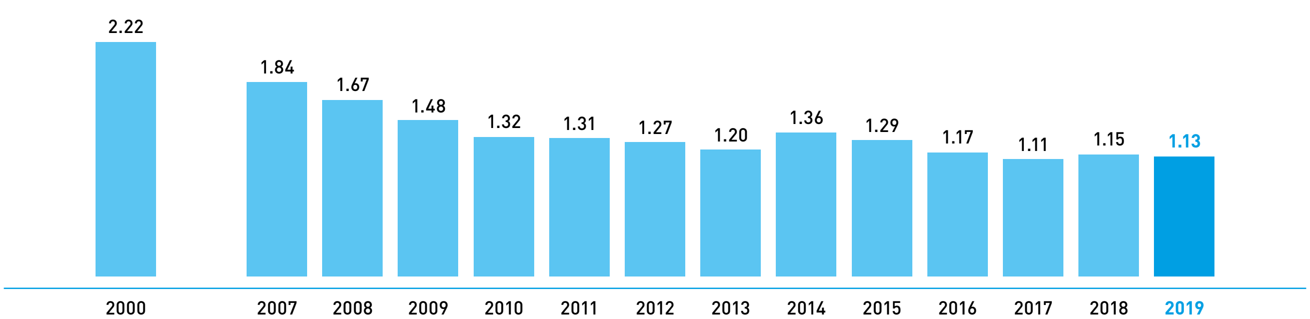
	Year ended December 31	
	2018	**2019**
Water related to the production processes [a]		
Consumption *(thousands of m³)*	43,311	41,773
Intensity of consumption *(m³/ton of product)*	1.15	1.13
Reduction in water consumption intensity since 2000	**48%**	**49%**

(a) Production Site Environment scope (see Methodology note).

In 2019, the quantity of water extracted fell by 1.9% relative to 2018.

- approximately 43% of the volume of water drawn (31,292,000 m³) went into finished products, mainly at bottling plants, or was used for by-products (0.4% of volumes) (31,182,000 m³ in 2018). This quantity remained stable (0.4%) relative to 2018;
- the remaining 57% of extracted water volume (41,773,000 m³) was used in production processes (43,311,000 m³ in 2018). The intensity per ton of product fell by 1.9% relative to 2018. On a like-for-like basis, this intensity decreased by 1.5% (see Methodology note).

Water consumption intensity related to industrial processes at the production sites
(in m³/ton of product)



Water consumption intensity related to the industrial process at the production sites fell by 49% at end-2019 compared with 2000 (48% in 2018).

Discharged wastewater quality and chemical oxygen demand (COD)

At its production sites, Danone applies strict concentration limits to all wastewater discharges into the environment. These limits are based on clean water standards and measured using applicable methods.

Net chemical oxygen demand (COD), *i.e.* the amount of oxygen required to oxidize organic and mineral compounds in water, characterizes the quality of wastewater discharges from production sites after any on- or off-site treatment. Danone's assessment of off-site treatment effectiveness is based on certain assumptions (see Methodology note).

Year ended December 31	2018	2019
Final discharge of chemical oxygen demand (COD) [a] *(in thousands of tons)*	6.63	6.38
Net COD ratio [a] *(kg/ton of product)*	0.18	0.17

(a) Production Site Environment scope (see Methodology note).

Enable access to water

Access to drinking water, sanitation and hygiene
Danone's goal is for all employees to have access to 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.

Water kiosk model
Danone works with local communities and NGOs to jointly create as many drinking water access projects as possible. Starting in 2016, for example, the *Volvic* brand made a commitment with UNICEF to improve access to drinking water in Niger and Ethiopia.

The Danone Communities fund supports the water kiosk model to help local entrepreneurs sell drinking water to their communities at affordable prices.

In 2019, all of Danone Communities' investments in social businesses enabled more than 5 million people around the world to have access to drinking water. Notably, in 2019, Danone Communities contributed to bringing drinking water to more than 19,000 schools through its investment in Impact Water Nigeria.

Opportunities

Danone contributes to the collective effort at the local level and acts as a catalyst for projects, encouraging multi-party initiatives that seek to rebalance the use of water resources in local communities. The Company also makes its hydrogeology expertise available to third parties to develop the most appropriate solutions.

Its actions help not only to ensure sustainable supply of water for its activities but also help to mitigate the impacts of climate change, preserve biodiversity, develop local subsistence means and supply chain resiliency.

5.4 BUILDING THE FUTURE WITH DANONE EMPLOYEES

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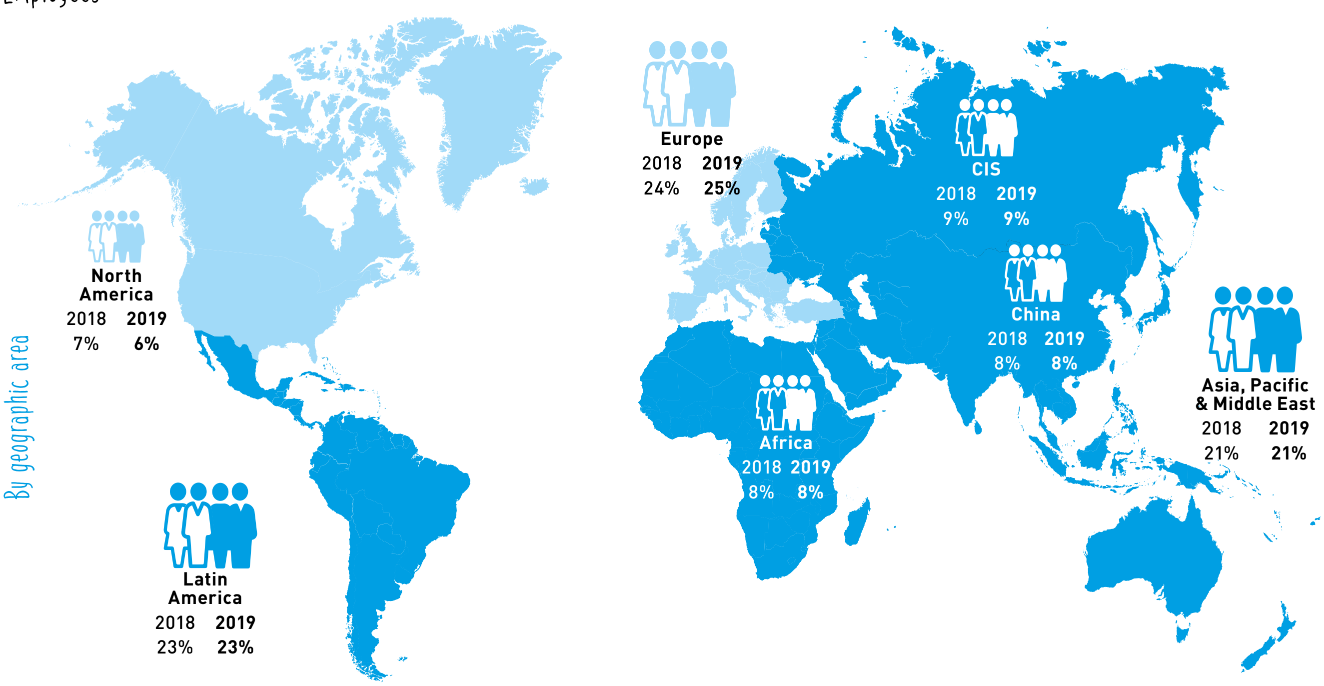
DANONE'S EMPLOYMENT APPROACH

Employees

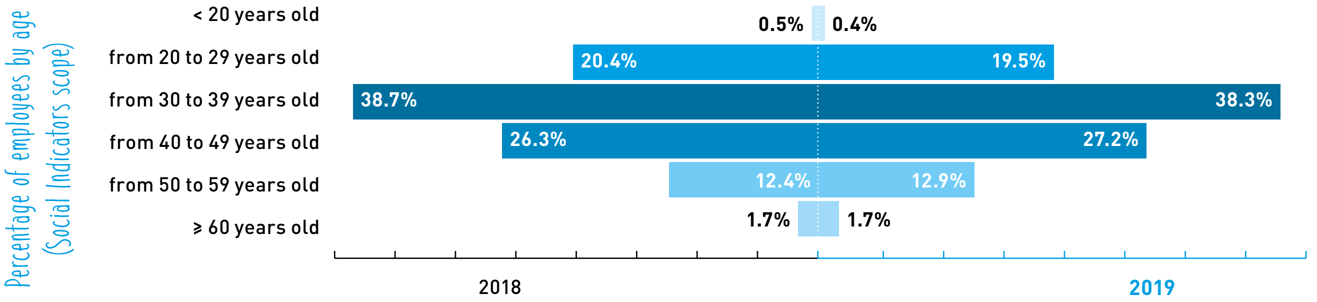
By geographic area



Total number of employees		Europe & North America		Rest of World	
2018	2019	2018	2019	2018	2019
105,783	102,398	31%	31%	69%	69%

By Reporting Entity

	2018	2019
Essential Dairy & Plant-Based	42%	41%
Specialized Nutrition	20%	21%
Waters	35%	35%
Other Headquarters sites, Evian Resort, Danone Research	3%	3%



Percentage of women in the organization

	2018		2019	
	Total	% women	Total	% women
Board of Directors	16	43%	16	43%
Executive Committee	6	33%	7	43%
Managers, directors and executives	22,297	50%	22,699	51%
Senior managers: executives (excluding Executive Committee) and directors	1,789	39%	1,753	40%
Other managers	20,508	51%	20,946	52%
Non-managers employees	83,476	25%	79,692	25%
Total employees	**100%**	**31%**	**100%**	**31%**

Conditions and organization of Danone's working time

	2018	2019
New hires [a] [b]	15,208	13,202
Dismissals [a] [b]	4,635	6,146
Absenteeism rate [a]	2.4%	2.4%
Employee turnover rate [a]	16%	17%
Part-time employees [a]	3%	3%

(a) Social Indicators scope, (see Methodology note).
(b) The decrease in new hires and the increase in dismissals is mainly due to internal reorganization projects in Danone's Reporting Entities

Danone enables employees to arrange their work schedules in accordance with their local environments, for example by allowing part-time work or remote work, thus contributing to their well-being at work.

INCLUSIVE TALENT DEVELOPMENT

Career development

Danone strives to promote inclusive development of talent and career development for every employee by ensuring job mobility opportunities.

Performance review and development conversation
Danone has structured its managerial process such that employees define their goals and are able to achieve them for the long term, that they are assessed fairly and that they have a customized career development plan. Several meetings or discussions are held over the course of the year in order to define and assess these goals and identify the necessary training and development actions.

As part of its Danone Way program, the Company monitors the establishment of career development processes at the level of its entities for its management and non-management personnel.

- In 2019, 95% of entities planned an annual development meeting for each executive, member of the entity's committee of directors, director or manager, making it possible to assess their functional skills and define a development plan (see Danone Way scope, Methodology note).
- In 2019, 84% of the entities planned a development conversation with each employee at least once every two years in order to provide feedback, come up with an individual development plan and

provide visibility on potential future development opportunities (see Danone Way scope, Methodology note).

Danone also strives to pass on competencies for its key functions. In 2019, 83% of the entities anticipated the need to pass on rare competencies specific to their activities. That was reflected in the formalization of a succession plan for key functions (see Danone Way scope, Methodology note).

Mobility
The Company offers its employees the opportunity to build a career track consistent with their own aspirations and abilities as well as the Company's needs, either in their home country or abroad.

Danone also offers its employee comprehensive, competitive and fair compensation based on its own system of evaluating and classifying jobs, taking into account human resources development as well as regulations, requirements and the local situations of the subsidiaries.

Compensation and benefits

Compensation
Variable annual compensation rewards the collective and individual performances based on two sets of targets:

- business targets, measuring how well Danone performed financially and how targets were met; and
- targets measuring social progress, skill-building and efficiency as defined with each employee's immediate manager.

For the past 10 years, Danone has gradually incorporated environmental and social performance criteria (e.g. reducing the Company's carbon footprint, health and safety, and diversity) in the variable compensation components for approximately 1,600 senior executives (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.

At the local level, employees of Danone's French subsidiaries are eligible for a profit-sharing plan indexed primarily on Danone's results. Some French subsidiaries and certain foreign subsidiaries have established employee incentive and/or profit-sharing agreements indexed on their own results.

Employees of Danone's French companies can also subscribe 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 United Kingdom – to subscribe new Danone shares (see section 7.8 *Share ownership structure of the Company as of December 31, 2019*).

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, 2019 and the expenses for the year are presented in Note 8.3 of the *Notes to the consolidated financial statements*.

Employee training and development

Definition
Danone is committed to supporting all employees develop their professional skills. The Company thus offers a series of in-house training programs open to all employees, regardless of their position within the organization, as well as personalized managerial support.

Policies
Danone strives to have employees develop and enhance their competencies throughout their careers, not just during training sessions, notably by promoting learning with its program "One Learning a Day" program at the corporate offices and production sites.

Meanwhile, Danone offers managerial and functional training to enable employees to train according to their needs, notably using digital tools.

In addition, Danone looks to develop a company culture whereby each employee can develop leadership skills through its leadership model CODES (Committed, Open, Doer, Empowered, Self-awareness).

In 2019, the Company deployed the new version of this model, CODES Focus, which defines expectations for employees regarding individual and collective expected leadership competencies, in order to support its goals over the long term with five key attitudes (i) focus on the person (consumers, patients, employees), (ii) be inclusive and a team player, (iii) be courageous and have empathy, (iv) be agile and (v) be responsible and decisive.

Governance
The issues surrounding talent management and employee training are managed by the Head of Global Human Resources, who reports to Danone's Human Resources Director and General Secretary, member of the Executive Committee.

Action plans
Danone looks to offer its employees the opportunity to develop their skills through various approaches:

- Campus X, its new digital learning platform launched in 2019, which provides customized access to a lot of in-house and external content, thereby complementing the available classroom training sessions;
- the "One Planet. One Health" platform, which enables employees to access content developed with partners such as the United Nations Institute for Training and Research (UNITAR) or the Ellen MacArthur Foundation;
- Learning Weeks were held in all regions in 2019, with a goal of mobilizing participants to participate in their development. These events involve training sessions along with conferences, meetings to share information and networking.

Outcomes

	2018	2019
Number of permanent employees who took at least one training course [a]	94,125	81,628
Total number of training hours [a]	2,479,826	2,246,183
Percentage of employees trained [a]	94%	83%
Average number of hours per person trained [a]	25	23

(a) See Social Indicators scope, Methodology Note.

Inclusive Diversity

Definition

Danone's goal is for each employee to feel included and be able to contribute in his or her own way to its 2030 Goals.

Policy and outcome

Inclusive Diversity policy

When Danone signed the Global Agreement on Equal Opportunities with the International Union of Food Workers (IUF), it committed to promoting greater diversity within its corporate structure. More specifically, Danone's Chief Executive Officer and its Executive Committee pledged that by 2020, 30% of the Company's executives would be women and 30% of its executives would include under-represented nationalities (*i.e.* people from the following regions: Africa, Asia, Americas, Oceania and Eastern Europe).

In 2019, Danone published a position paper on inclusive diversity, which focuses on three overall priorities: promoting inclusive behaviors, gender equality and culture and nationalities. The Company defined commitments for each priority:

Priority	Goal by 2020	Situation in 2019
Promotion of inclusive behaviors	Score of 90% on the Inclusion index	Score of 86.5% on the Inclusion index [a]
Gender equality	42% female directors 30% female executives	42% female directors 27% female executives
Culture and nationalities	50% directors from under represented nationalities 30% of executives from under represented nationalities	48% directors from under represented nationalities 30% executives from under represented nationalities

(a) This information is based on the results of the Danone People Survey (DPS), which is sent to each Company employee every two years.

Also, of the 10.4% positions with greater responsibility at Danone (10.5% in 2018), which include executives, directors and a portion of other senior-level managers, 49% of these employees were women (48% in 2018).

Disability

Moreover, Danone encourages the sharing of best practices among its subsidiaries for people with disabilities.

In Brazil, the Essential Dairy & Plant-Based subsidiary, together with SER ESPECIAL, trains more than 500 disabled people to help them enter the labor force. It has also developed an online recruiting platform to put them in contact with Danone as well as with other companies in Brazil.

Parental policy

Danone is committed to creating the conditions every employee needs to make the most of parenthood, and to developing a family-friendly culture.

Danone's global parental policy is based on three key elements:

- pre-natal support, including modified working conditions and nutrition counseling during pregnancy;
- extended parental leave for both men and women, including 18 weeks for a birth parent, 14 weeks for the 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.

Danone's goal is to deploy this parental benefits policy in every country where it does business by 2020. In 2019, Danone implemented its Parental policy in 18 countries (9 in 2018).

Governance

In 2019, two Executive Committee members were named sponsors of Inclusive Diversity: the EVP, Chief Financial Officer, Technology & Data, Cycles and Procurement and the EVP, Waters and Africa. Danone also initiated a movement to encourage employees to act within their sphere of influence to help achieve inclusive diversity targets.

More than 200 diversity champions around the world are thereby driving change at the local level and in the various functions, working with the Human Resources departments and management teams.

In order to implement inclusive diversity at Danone globally, an Inclusive Diversity steering committee is working on a transformational approach based on three pillars: people, brands and partners/communities.

Action plans

In 2019, Danone also held several events:

- for the International Women's Rights Day, the Company encouraged the sharing of best practices of various countries regarding gender equality;
- in North America (including Mexico) and Italy, some brands have joined in pride celebrations;

- the first week dedicated to Inclusive Diversity to raise awareness and the commitment of Danone employees, with in particular: workshop on unconscious biases; sharing of a local roadmap for Inclusive Diversity and motivational sessions led by outside speakers. This week will be celebrated every year.

Meanwhile, Danone is still an active member of the HeForShe movement and LEAD network.

Commitment to the HeForShe campaign
HeForShe is a global campaign by UN Women that encourages men to take an active role in empowering women.

In Brazil, Indonesia, Italy, Mexico, the Netherlands and Spain, Danone has deployed HeForShe through its Leadership Mentoring program for women, enabling newly appointed women leaders to seek advice from experienced managers.

The launch of the Company's parental policy marked a new milestone in gender equality for Danone. Recognizing the expected impact of the Company's parental policy, the HeForShe movement of UN Women named Emmanuel Faber, Chairman and Chief Executive Officer of Danone, as a Thematic Champion.

External recognition
Danone maintained its position in the Bloomberg Gender-Equality 2020 index. The Company is ranked 39th in the Top 100 World for gender equality by Equileap.

In France, the subsidiaries Danone Produits Frais France, Blédina and Société Anonyme des Eaux Minérales d'Evian, received scores of 97/100, 98/100 and 89/100, respectively, in the gender equality index established by the French government.

Danone received the GEEIS-SDG (Gender Equality European and International Standard-Sustainable Development Goals) trophy of the Arborus Foundation at the United Nations headquarters for the "Social School for Women Empowerment" project launched with the support of the Danone Ecosystem Fund and that is continuing with Danone Spain and Fundación Ana Bella. The project helps women escape domestic violence and rejoin the labor force by supporting a sales and nutrition training program. Meanwhile, Danone's headquarters offices in Paris and Singapore along with all the subsidiaries (including the production sites) based in Italy and Poland received GEEIS certification.

Opportunities

Danone is committed to fostering an inclusive working environment that represents all forms of diversity, both visible and invisible. The Company's aim is to create a workplace environment that promotes both personal fulfilment for employees and efficient teamwork, with a view to developing solutions that are culturally relevant to consumers.

With its Inclusive Diversity strategy, Danone seeks to leverage its brands in order to make its consumers agents for change. In Mexico, Danone's bottled water brand *Bonafont* made gender equality a centerpiece of its brand commitment and took an active stance to help advance this cause. Over the past two years, *Bonafont* joined with UN Women to launch a support program for women entrepreneurs. This partnership includes the creation of limited edition HeForShe bottles and the donation of all proceeds from this program to charity.

Focus – "One Person, One Voice, One Share"

As part of its innovative governance model and commitment "One Person, One Voice, One Share" Danone established a new annual strategic routine. It is based on a global consultation that enables employees to share their views of the Company's priorities and on the definition of local and global roadmaps. The second edition of this consultation was thus held in 2019.

Also in connection with this new governance model, 26 employee volunteers are picked each year from around the world to represent all Danone employees and share ideas with 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 Goals.

In 2019, Danone also granted one Company share to every eligible employee, which gives them the right to vote at the Shareholders' Meeting.

SOCIAL RELATIONS

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

Social dialogue

Definition

Danone aims to build successful relationships with its employees through continuous engagement and dialogue, the establishment of systems for reporting problems and filing complaints, and the use of responsible practices, especially during company reorganizations. Listening to union representatives regarding employee expectations and maintaining an open dialogue with them helps to limit the threat of strikes and business interruptions.

Policies

Since 1989, 10 agreements have been signed between Danone and International Union of Food Workers (IUF), and a joint vision was established.

Subjects of Danone-IUF agreements	**1.** Agreement on economic and social information for Danone companies (1989) **2.** Agreement on gender equality in the workplace (1989) **3.** Agreement on skills training (1993) **4.** Agreement on the trade union rights (1994) **5.** Agreement on the event of changes in the business activities affecting employment or working conditions (1997) **6.** Agreement on the Fundamental Social Principles (2001) **7.** Agreement on setting up of Group social indicators (2005) **8.** Agreement on diversity (2007) **9.** Agreement on health, safety, working conditions and stress (2011) **10.** Agreement on sustainable employment and access to rights (2016)
UN Global Compact and the ILO's fundamental conventions	• 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 (see 5.5 *Responsible sourcing –supplies other than milk*). • These principles constitute the basis of the RESPECT program, one of whose goals is to extend these principles to Danone suppliers (see 5.5 *Responsible sourcing – supplies other than milk*). • Danone communicates its commitments to all employees through its Code of Business Conduct (see 5.1 *Responsible practices: ethics and integrity*).

Governance

Social relations issues are managed by Human Resources Department, which reports to the EVP Human Resources and General Secretary of Danone, a member of the Executive Committee.

Social relations at Danone are also based on:

- the Information and Consultation Committee, supported by its own Steering Committee, whose members include representatives from Danone management and union representatives;
- two Directors representing employees who sit on the Board of Directors are appointed by the Company's Social and Economic Committee. A member of the Social and Economic Committee also participates in Board of Directors' meetings in an advisory capacity (see section 6.1 *Governance bodies*);

In addition, ongoing dialogue between Danone's Head of Social Relations and the Human Resources department heads in the subsidiaries make it possible to report employee expectations up the line, especially with union representatives and employee representatives, and, if necessary, establish global or local action plans.

Action plans

Both Danone and the IUF are committed to reducing precarious employment through precise definitions, methodology, and processes.

Danone also encourages its subsidiaries to apply best practices conducive to dialogue with employees. This includes recommending that they monitor: (i) the number of business and employment-related information sessions for all employees; (ii) the proportion of employees covered by employee representatives; and (iii) the annual number of meetings between site managers and employee representatives.

Danone also offers social relations training programs within its entities to give their teams the resources they need to address challenges and stay ahead of critical issues.

Outcomes

In 2019, 78% of employees were covered by collective bargaining agreements (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 2019, a total of 60 site visits were made.

Opportunities

Danone views dialogue with employees as an integral part of its corporate culture and its dual economic and social project. It is also a powerful way to support employees' continuing efforts to improve the Company's performance.

Focus – Respecting and promoting human rights in Danone operations

In November 2017, as part of a Consumer Goods Forum (CGF) group initiative on forced labor, Danone pledged to adopt policies to embed the CGF's principles throughout its own operations through concrete actions. The focus is on two groups: workers at Danone sites provided by staffing agencies, and employees of subcontractors working on Danone sites.

In 2018, Danone deployed its Global External Workforce Policy, a set of internal guidelines that require staffing agencies to respect the fundamental rights and freedoms of workers, focusing especially on such practices as forcing workers to pay recruitment fees. To support the subsidiaries with the implementation of this policy, the Company developed the principal guidelines as well as a risk self-assessment tool in 2019.

In 2019, as part of the B4IG coalition and its engagement manifesto, Danone pledged to advance the cause of human rights across its entire value chain.

Meanwhile, the Company also developed an e-learning training program on human rights and the fight against forced labor, which is intended to be deployed globally to the Procurement, Human Resources and General Secretary functions. Lastly, the Company continues to monitor the performance of its subsidiaries with its Danone Way program, for which the section on human rights was strengthened in 2019.

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.

Policies

Workplace Health and Safety Program – WISE²	
Objectives	By 2020: zero fatal accidents and 50% reduction relative to 2014 in workplace accidents requiring medical absence.
Application scope	Monitoring of types of accidents (fatal accident, 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: (i) promote the culture of workplace health and safety at all Company sites (ii) ensure compliance with standards for the most critical risk situations. The Company strives to enhance compliance by continuously defining new standards, and more recently those related to risks specific to the sales and office activities (ergonomics, remote work, hotels and travel, etc.) or those related to machine safety in the plants in 2019.

Governance

Managed by Human Resources Department, the WISE² program is deployed for each Reporting Entity at the production sites, logistics warehouses and in 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 EVP Human Resources and General Secretary, a member of the Executive Committee. He is supported by the Chief operating officers of the Reporting Entities and the Head of health, safety and working conditions.

Action plans

The sites are responsible for conducting their own risk assessments. In Europe, in particular, the Single Risk Assessment Document (Document Unique d'Évaluation des Risques – DUER) requires companies to assess their risks and implement the necessary action plans to ensure employee safety.

Danone encourages its employees to identify and report risks and accidents through a participatory system open to (i) all Danone employees; (ii) some sites, open to workers employed through agencies and trade workers and subcontractors. In cases of major risks or accidents, special procedures and a system for reporting the information up the line have been established according to the management levels.

- Meanwhile, each year approximately 50% of Danone sites, production sites and the sales force are subjected to WISE² audits covering both the safety culture and compliance with standards. Since 2018, Danone also deployed the WISE² "compliance standards" in countries where convenience store distribution is significant (Egypt, Indonesia, Mexico and Morocco).
- WISE² audits are also performed for certain administrative headquarters.

Lastly, for several years Danone has included the management of working conditions in the WISE² action plans, with initiatives on the evaluation of ergonomic risks, training on repetitive motions and posture and work station configurations. The Reporting Entity design units increasingly share their design rules pertaining to safety and ergonomics and train their project engineers.

Lastly, Danone implements initiatives 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)	2018 Fatal accidents [a]	2018 Accidents with at least 1 day lost time [a]	2018 Frequency rate 1 (FR1) [a]	2019 Fatal accidents [a]	2019 Accidents with at least 1 day lost time [a]	2019 Frequency rate 1 (FR1) [a]
By Reporting Entity						
Essential Dairy & Plant-Based	–	211	2.3	–	157	1.6
Waters	1	102	1.2	1	103	1.2
Specialized Nutrition	–	46	0.9	–	50	1.0
Corporate functions	1	35	2.4	–	46	2.9
Total	**2**	**394**	**1.6**	**1**	**356**	**1.4**

(a) Safety scope, see Methodology note.

Year ended December 31

	2018	2019
Frequency rate 2 (FR2) [a]	1.7	1.24
Severity rate [a]	0.06	0.06

(a) Safety scope, see Methodology note.

Health in the workplace

Definition

Access to health coverage and education regarding health challenges for all employees is a priority for Danone, which notably continues to deploy its Dan'Cares program in countries where the Company operates.

Policies

In 2009, Danone launched the Dan'Cares program, with a goal of ultimately guaranteeing quality health coverage for all employees to cover major risks while taking into account practices in the respective markets. The three main risks taken into account are hospitalization and surgery, ambulatory care and maternity care. Dan'Cares is intended to be deployed in all Danone subsidiaries, including in countries where such coverages are not offered by the healthcare systems.

Action plans

In addition to the Dan'Cares program, Danone has implemented several initiatives, including Health@Work, which seeks to inform and raise awareness among employees on improving their health through dietary practices and physical activity. In 2019, 84% of Danone's employees had access to at least one free offer of this program in 2019 (see health & nutrition scope, Methodological Note).

Outcomes

As of December 31, 2019, some 99,627 employees (74,420 employees in 2018) in 53 countries (49 in 2018) received healthcare coverage meeting the criteria defined by Dan'Cares.

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

Opportunities

Implementing a robust strategy for health and safety in the workplace helps strengthen employee commitment. It also represents an opportunity for the Company to address the changing needs of its employees, such as taking workplace ergonomics into account for an ageing population at its production sites.

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

Since 2014, Danone has included promoting health and well-being in the workplace to its WISE² program. Danone defined a systematic approach built around five pillars: (1) ensure a good work rhythm, (2) make daily work meaningful, (3) promote healthy ways of working, (4) manage staff with kindness and authenticity, and (5) promote a healthy lifestyle and environment. Practical guides encourage the subsidiaries and sites to implement them. Some subsidiaries have implemented initiatives that call for:

- the right to disconnect;
- visits by psychologists and social workers and committees to detect situations of workplace isolation;
- training of management to detect and prevent employee stress.

In 2019, Danone initiated a new training program in Europe for the human resources function that addresses quality of life in the workplace. This program is designed to enhance the skills and ability to take action in this area by employees of this function.

EMPLOYEE SECURITY

Definition

With a presence in more than 120 countries, Danone may face numerous security challenges and it has the responsibility to protect all employees from malicious acts. To that end, Danone analyzes security risks by country, develops preventive measures adapted to each situation to implement in order to secure the workplace and, when necessary, respond effectively.

Policies

In 2018, Danone's Chairman and Chief Executive Officer signed a formal Security Policy that defines the Company's vision, missions and objectives for this area. A set of Global Security Management Directives articulate the principles of the policy, with a special focus on protecting employees, and Danone's Security and Health Policy for Travelers rounds out the Company's corporate travel policy with a set of security guidelines.

In 2019, Danone also formalized security operating procedures for the production sites which are currently in the process of being rolled out for all Danone entities.

Governance

The Chief Security & Competitive Intelligence Officer (CSO), who reports to Danone's General Secretary, is responsible for managing security risks. The CSO is supported by a network of regional Security Directors, tasked with deploying Danone security directives in the various regions where the Company operates. This team is also responsible for managing risks related to business travel and providing employees with the information they need to travel safely.

In the countries where Danone is present, security experts support local Human Resource managers who are responsible for managing local staff, including security aspects.

Danone's Security Department interacts with the Danone Reporting Entities, notably through training sessions of the Reporting Entity Management Committees.

Action plans and outcomes

Security risk management is based on the following three pillars:

- anticipation and information: risk monitoring and analysis to understand the security threats facing Danone and its employees, and define action plans. Protecting employees means mapping risks on a country-by-country basis and working with local teams to refine the Company's analysis of the environment. Danone ensures that information relating to security risks is properly communicated to the employees and that security rules related to business travel are shared through regular communication and awareness actions. In 2019, the security team held 110 general awareness sessions on travel risk management for Company employees. An e-learning module on this subject is also being developed and will be deployed in 2020;
- 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. As of December 31, 2019, 91% of Danone production sites had conducted a security self-assessment of the sites (scope 175 production sites), compared with 83% in 2018 (scope: 190 production sites).
- response and incident management capabilities: positioning resources that enable the Company to respond in the event of an incident and using past experience to strengthen existing prevention and protection systems. Working with the Human Resources department, the Security Department continuously applies an outsourced monitoring system as well as a medical and security assistance program.

This security system is then adapted to security risks for each region where Danone operates.

In 2019, Danone's Security Operational Center (SOC) noted 59 important or urgent events. Of that total, 23 were reported to the Company's security team, since employees were identified as being in the area of the event. On 6 occasions, the security team decided to contact all employees potentially affected by the event.

Opportunities

The establishment of information, communications and awareness measures contributes to employee well-being by securing their work environment.

5.5 PROMOTING SUSTAINABLE, INCLUSIVE GROWTH WITH SUPPLIERS

Danone has identified three risks linked to sourcing, namely trading and pricing practices, responsible sourcing, and human rights. These risks are addressed hereinafter, first for milk and then for all other ingredients. This section is designed to cover the steps involved in complying with French law on Duty of Vigilance: risk mapping, regular risk-map based evaluation procedures, appropriate measures for risk mitigation and prevention of serious breaches, whistleblowing system and monitoring of measures and assessment of their efficiency (see section 5.1 *Danone's integrated vision of corporate responsibility*).

RESPONSIBLE SOURCING-MILK

Definition

Both consumers and civil society are increasingly sensitive to fairness towards suppliers and producers, in areas ranging from business practices to value-sharing and pricing. This is especially true for milk sourcing.

Governance

Danone has a dedicated milk cycle team, which reports to the Cycles and Procurement Department. This team oversees milk supplier relations and the rollout of the Company's roadmap. The milk departments in each country where Danone operates implement this roadmap with their local milk suppliers.

Policies

Danone sources local, raw milk from 58,000 farms in around twenty countries, both directly and indirectly. Milk collection methods reflect the broad diversity of the world's production systems.

About 80% of producers Danone is working with, own small farms with fewer than ten cows, and these suppliers are located primarily in emerging countries in Africa and Latin America. These small farms supply about 30% of Danone's total milk volume.

Danone also works with family farm producers with herds ranging from a few dozen to thousands of cows. These producers represent about 20% of the Company's suppliers and nearly 70% of milk volumes, and the Company generally collects milk directly from them.

In regions without a strong tradition of milk production, such as North America and certain Middle Eastern countries, Danone works with larger farms to ensure reliable access to sufficient volumes of quality milk.

Action plans and outcomes

Danone's partnerships with milk producers cover a number of themes, ranging from technical factors, such as milk quality and business performance, to environmental and societal concerns. Because farmers play a key role in the sustainability of the agricultural sector, Danone uses its programs and social innovation funds to support a number of projects that help farmers develop their skills over the long term. Danone thus supports initiatives that seek to advance sector practices.

For example, the Company was involved in the creation of the "Farming for Generations" alliance which aims to identify best practices and innovations across different farming models, farm sizes and geographies. In 2019, Danone also helped define and design the Sustainable Dairy Partnership, which aims to develop a more sustainable dairy industry by requiring participating processors to address the prevention of deforestation and the protection of animal welfare and human rights, as well as to ensure compliance with local legislation.

MilQSat

The Essential Dairy & Plant-Based Reporting Entity and its partner farmers have launched MilQSat, a farming and milk collection initiative that assesses the performance of farmers that sell milk directly to Danone for quality, food safety and traceability.

Danone has simultaneously implemented several specific tools dedicated to areas such as animal welfare, greenhouse gas emissions (Cool Farm Tool and Cap2Er) and water consumption. The Company is also developing a methodology for working conditions.

These tools are all complementary and Danone's milk cycle ensures global coordination to enable optimum access to the data they collect (see Integrated Annual Report 2019 for more information).

Animal welfare

Danone launched its animal welfare tool in 2016. It was designed and piloted in Spain for two years before its worldwide rollout in 2018. It has now been implemented in 14 countries. In 2019, the volume of fresh milk from farms that are assessed using this animal welfare tool or covered by the Validus certification was 81% for the 14 countries.

Cool Farm Tool and Cap2Er

Danone has rolled out Cool Farm Tool, which calculates greenhouse gas emissions from livestock. In 2019, the tool was implemented at 14 entities, covering the majority of Danone's sourcing.

To align with dairy sector practices in France, Danone's entities measure emissions with Cap2Er, a tool developed by the French Livestock Institute (Idele) and used throughout the sector.

Assessment of water risk in relation with milk sourcing

In 2018, Danone used WRI's Aqueduct Water Risk Atlas to begin assessing water risk all along its value chain. The first assessment focused on the Company's fresh liquid milk supply chain, whose water footprint was calculated as part of the process. Regions with high supply and fodder risks, including physical risks such as water shortages, were identified. Action plans are currently being developed for at-risk regions (see section 5.3 *Water Stewardship*).

Cost Performance Model (CPM)

Danone works with producers in Europe, the United States, and Russia to develop innovative contracts that reduce milk price volatility, offering farmers greater financial stability and enabling them to plan ahead.

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 2019, 41% of milk collected in Europe and 53% of milk collected in the United States came from producers with CPM contracts. Altogether, 28% of the milk Danone collects is covered by CPM contracts.

Opportunities

By developing viable financial models with its dairy partners, the Company also helps encourage and maintain the transmission of agricultural expertise across generations. These actions are an opportunity for the Company to secure its supply chain while ensuring that practices evolve to address the mounting social and environmental challenges. It is also strengthening its brand positioning to meet consumers' responsible sourcing expectations. Thus, since March 2019, all of French subsidiary Les Prés Rient Bio's products manufactured at the Molay-Littry production site in Normandy have borne the Fair for Life fair trade label.

RESPONSIBLE SOURCING-SUPPLIES OTHER THAN MILK

Definition

The global supply chains that power the food and beverage sector carry the risk of human rights and environmental violations, both upstream of the farm sector and at direct suppliers. To limit these violations, Danone has established a set of fundamental principles and has made specific public commitments. It fulfils these commitments by working with suppliers towards more responsible practices.

Policies

Sustainability principles

Danone responsible sourcing approach is based on the Company's Sustainability Principles that covers operations and supply chain and labor rights, environmental protection and business ethics topics and include:

- seven labor principles based on the criteria set by the International Labour Organization (ILO): elimination of child labor, elimination of forced labor, non-discrimination, freedom of association and the right to collective bargaining, workplace health and safety, working hours, and compensation;
- five environmental principles: preservation of resources, use of chemicals, climate change and greenhouse gas emissions, environmental management, and animal welfare;
- principles of business ethics for fair, lawful transactions, expanded in 2017 to reflect the provisions of Danone's Code of Conduct for Business Partners.

These principles are incorporated into a clause in its contracts with direct suppliers. Under 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 of its suppliers in particular.

The Company has pledged to eliminate deforestation from its supply chain by the end of 2020. To meet this pledge, the Company has focused on six priorities: paper and cardboard packaging, palm oil, soy, wood biomass, sugar cane and bio-based raw materials for packaging. Three of these categories – palm oil, soy and paper and cardboard packaging – are covered by specific policies that grew out of Danone's Forest Footprint Policy (see section 5.3 *Preserve and renew the planet's resources*).

Human rights

As part of Danone's commitment to human rights, in 2016 the Company joined the Consumer Goods Forum's collective effort to eradicate forced labor from global supply chains. To meet this goal, in 2017 Danone incorporated the three priorities identified by the Consumer Goods Forum into its fundamental social principles: every worker should have freedom of movement; no worker should pay for a job; and no worker should be indebted or coerced to work. In 2018, Danone formalized this commitment in the Danone statement on forced labor.

In 2019, Danone participated in the launch of the Business for Inclusive Growth coalition coordinated by the OECD and led by Danone, which aims to scale up industry's actions on inclusive growth and in particular on human rights throughout the value chain.

Governance

Compliance with the responsible purchasing and human rights programs is monitored by the Nature & Water Cycle Department, under the responsibility of the Chief Procurement & Cycles Officer.

The Executive Committee reviews implementation of the human rights pillar of the vigilance plan on an annual basis. The 2019 accomplishments will be presented in first-half 2020.

Due diligence in responsible procurement

Danone implements responsible purchasing due diligence towards its direct suppliers through its RESPECT program and also for the highest-risk agricultural raw materials in its supply chain.

Scope of RESPECT program

The RESPECT program applies to Danone's direct suppliers in purchasing categories other than raw milk, *i.e.* processed raw materials such as fruit preparations and powdered milk, packaging, production machinery, and transport and other services.

Since 2017, Danone has moved its RESPECT policy towards a more comprehensive due diligence approach and stepped up its human rights requirements. This approach is inspired by the United Nations Guiding Principles on Business and Human Rights (UNGP).

Labor and environmental risk-mapping

In 2017, Danone updated its global materiality and risks analysis, which highlighted the importance of responsible purchasing and respect for human rights.

More specifically, the Company mapped major potential risks for the 20 purchasing categories with the highest exposure in terms of social and environmental impact. Danone analyzed these risks with a checklist derived from the ISO 26000, GRI G4 and SA 8000 standards, integrating the potential impacts of purchased products on labor and human rights, local communities, consumers, fair trade practices and the environment.

This work helped identify the categories of purchased goods and services to be treated as human rights priorities, namely workers employed through outside labor providers, together with four agricultural raw materials: palm oil, cocoa, cane sugar and fruit.

In the agricultural categories, potential risks identified are mainly in farms and plantations at 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, and paper and cardboard packaging).

After acquiring the WhiteWave group companies, Danone updated its risk-mapping process to include changes to its ingredient portfolio.

In 2018, the Company, with the assistance of an outside third party, stepped up its approach with its direct suppliers, conducting a risk analysis using geographic and sector-based data for the 4,000 Danone supplier sites registered on the Sedex platform (see hereinafter). An expert, multi-criteria filter (including the Global Slavery Index and Transparency International) made a first cut, and then the purchasing teams in each category made a second cut based on their knowledge of local risks.

Traceability of agricultural raw materials

With input from independent experts, Danone has launched traceability initiatives in these five priority categories:

- **palm oil:** Danone works with Earthworm Foundation (former The Forest Trust) to ensure traceability of palm oil. In 2019, 48% of the palm oil that Danone sourced was RSPO Segregated and 51% was RSPO Mass Balance (see section 5.3 *Preserve and renew the planet's resources*). Since 2018, the Company has also published a list of its palm oil suppliers (direct and mill-level) on its website;
- **fruit:** in 2019, 100% of Danone's fruit supplies are traceable to the Company's Tier 2 suppliers;
- **cocoa:** in 2018, Danone reached 70% country-level traceability, a figure it maintained in 2019;
- **cane sugar:** Danone works with the NGO ProForest to ensure traceability of this ingredient. In 2019, Danone reached 86% traceability, of which 36% mill-level traceability and 50% plantation-level traceability;
- **soy:** Danone estimates that soy accounts for less than 5% of feed consumed by the dairy cows in its supply chain. In North America and Brazil, its dairy farmers buy soy locally, in regions with no risk of deforestation. In Europe, Danone has worked with Transparency for Sustainable Economies (Trase) to ensure the traceability of soy imported from Brazil, which could come from regions at risk of deforestation. To mitigate this risk, Danone has adopted action plans consistent with its soy policy and aims to promote use of soy or local alternatives. The soy used in Danone North America products made with vegetable protein (from the WhiteWave portfolio) is grown exclusively in the United States, and the soy used by the subsidiary Alpro comes mainly from Austria, Belgium, France, Italy, the Netherlands and Canada, all viewed as regions with very low deforestation risk.

Regular risk map-based evaluation procedures for direct suppliers

Danone asks its suppliers to join the Sedex (Supplier Ethical Data Exchange) collaborative platform and complete a self-assessment questionnaire evaluating their sustainability performance. At the end of 2019, 4,062 supplier sites had joined the platform, versus 4,043 in 2018.

On human rights, Danone has worked to refine its assessment procedure by adopting a selective approach with two aims: (i) concentrate on high-risk regions and categories and (ii) become more effective in helping suppliers improve their performance. Care was also taken to include small suppliers to better understand their risks. Based on its 2018 risk analysis, the Company identified some 200 sites that may be at risk and are covered by a two-year audit plan (2018-2019). The audits were conducted by third-party organizations in accordance with the SMETA (Sedex Members Ethical Trade Audit) protocol. Danone continued to implement this audit plan in 2019.

Through the Sedex platform, Danone also has access to audits of shared suppliers by peer companies, and it participates, too, in mutual audit recognition through the AIM-Progress forum. In 2019, a total of 573 SMETA audits were carried out on Danone suppliers, either by the Company itself or by its peers.

Danone's goals are to establish regular dialogue with its direct suppliers on their responsible purchasing processes and to implement corrective action plans for audited suppliers, including when the audits of shared suppliers are conducted by peer companies.

Mitigating risk and preventing serious violations

Training and engagement

Danone trains its buyers on the RESPECT program and ensures they are aware of forced labor-related risks and the CGF's three priorities. In 2019, the central team in charge of the RESPECT program stepped up this training by increasing the number of online seminars (more than 70 buyers trained) and leading workshops with more than 130 buyers and local suppliers in high-risk countries (China, India, Indonesia, Mexico, and Russia). These workshops and seminars significantly strengthened buyers' engagement and fostered discussions about local constraints.

In 2019, Danone also developed an e-learning training course on human rights and forced labor (see section *Focus – Respecting and promoting human rights in Danone operations*).

Certification

The Company uses certification for the following categories: RSPO for palm oil; UTZ for cocoa and for Danone North America's coffee; FSC or equivalent for paper; and RTRS or Proterra for soy.

Projects

The Company works directly with selected producers further up its supply chain and has developed many collaborative projects that help producers address environmental and labor issues (see section 5.3 *Transition towards regenerative including organic agriculture*). For example:

- to counter forced labor and informal employment abuses in the recycled plastic sector, the Company has worked with the Danone Ecosystem Fund and local partners to develop cooperatives for waste-pickers. These organizations enable their members to move from the informal economy to paid jobs that are recognized by public authorities and include benefits. To enhance its due diligence process, in 2019 the Company developed a human rights evaluation and grid for the waste-pickers who supply the sorting centers. The information gathered via self-assessment for projects supported by the Fund has helped identify risks, and remediation plans have now been implemented (for more information, see 2019 Integrated Annual Report);
- the Livelihoods Fund for Family Farming is supporting a vanilla plantation project in Madagascar involving 3,000 family farms. Its aim is to develop solutions that improve the quality and traceability of vanilla production, boost food security for farmers and preserve biodiversity (for more information see 2019 Integrated Annual Report).

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.

Whistleblowing system

Since 2017, the Danone Ethics Line has also enabled whistleblowers to report suspected environmental and human rights violations (see section 5.1 *Responsible practices: ethics and integrity*).

In 2019, 20 reports were made at the global level in the "human rights" category. This category includes violations in the areas of child labor, forced labor, right to collective bargaining, working time and wages. The category is selected by the whistleblower, and the reports received in 2019 focused on routine human resources matters. None of them qualified as a human rights violation, but all have been or are being pursued in thorough internal investigations.

The reporting process was developed in consultation with employee representatives and ensures that whistleblowers are protected.

All reports received in the "human rights" category are initially reviewed by the Human Resources function. If serious violations are identified based on a report, the Sustainability, Human Resources and General Secretary departments come together to review them and determine appropriate action plans.

In 2019, Danone also published on its website the grievance mechanism it developed, with Earthworm Foundation's support, to handle allegations of non-compliance with the Company's palm oil policy.

Tracking and assessing the effectiveness of supplier programs

Since 2019, Danone has tracked indicators that show (i) supplier registration on the Sedex platform; (ii) completion of its audit plans; and (iii) on-time closure by the auditors of audits that identified critical non-conformities. Danone introduced this third indicator in 2019 to improve its tracking of supplier audits.

Following the launch of the audit plan, 82% of audits were completed in 2018 and 2019 and the remaining audits are scheduled for the first quarter of the next year.

Based on the audits conducted under this audit plan and those conducted of Danone suppliers by its peers, the percentage of on-time closures by the auditors of audits that identified critical non-conformities was 64% for 2018 and 2019. Audits that have not been closed continue to be monitored. In most cases, critical non-conformities were related to safety, working hours and compensation.

Breakdown of critical non-conformities identified

Analysis focused solely on critical non-conformities from SMETA audits (or those conducted using a similar methodology) of Danone suppliers in 2019.

	2019
Total number of critical non-conformities identified	277
Percentage of critical non-conformities related to:	
• forced labor	*1%*
• child labor	*1%*
• health and safety	*51%*
• discrimination	*0%*
• freedom of association and the right to collective bargaining	*2%*
• working hours and compensation	*27%*
• the environment	*8%*
• business ethics	*5%*
• other	*5%*

The critical non-conformities identified and reported above have been resolved or are being remedied with the suppliers. The child labor non-conformities correspond to incomplete documentation on age in the employee files. The non-conformities resolved to date have not revealed any confirmed cases of child labor. The non-conformities related to forced labor correspond to fees charged to workers by the recruitment agency in excess of the legal threshold and to a lack of on-site procedures to ensure that overtime is actually voluntary.

5.6 METHODOLOGY NOTE

CONSOLIDATION SCOPE AND COVERAGE

The consolidation scope consists of all Danone subsidiaries that are fully consolidated for the preparation of the consolidated financial statements, in other words, the subsidiaries in which Danone holds, directly or indirectly, exclusive control.

Nevertheless, some subsidiaries do not report all social, safety, environmental, and Health and Nutrition indicators. These entities were consolidated for financial reporting purposes as of December 31, 2019 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:

INDICATORS	SCOPE
Production Site Food Safety	In 2019, 195 production sites were included in the scope considered for FSSC22000 certification. These sites correspond to the production sites for all of Danone's Businesses and do not include the production sites of co-manufacturers and suppliers.
Total Company Headcount Social Indicators	In 2019, 168 entities representing 99.9% of Danone's total headcount reported social indicators.
Safety	In 2019, 210 entities representing approximately 99.8% of Danone's total headcount reported safety-related indicators. In addition, the safety data of subsidiaries removed from the consolidation scope as of December 31, 2018 is reported up to the date of their deconsolidation but is not included in the headcount as of December 31, 2018.
Production Site Environment	Danone monitors the environmental performance of its production sites using an operational control approach. In 2019, 185 (of Danone's 190) production sites representing approximately 99% of its total production of its industrial sites 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 scopes 1 and 2 emissions, the environmental impact is considered as non-significant.
Greenhouse Gases	The presentation of greenhouse gas emissions has changed to ensure consistent monitoring of the reduction target set by Danone in 2015 and approved by the international Science-Based Targets initiative in 2017. The Company's total emissions consist of: • scope 1 greenhouse gas emissions, comprising 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 greenhouse gas emissions, including 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 greenhouse gas emissions, comprising 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. These emissions are calculated using the finished product life cycle analysis approach set out in the GHG Protocol established by the World Resources Institute (WRI), which takes into account emissions at every stage. Scope 1 and 2 emissions are calculated in accordance with the methodology set out in the GHG Protocol Corporate Standard. Danone has elected to consolidate scope 1 and 2 emissions in accordance with the operational control approach and to include all sources of emissions from its industrial sites (see section *Production Site Environment scope*), warehouses, distribution centers and corporate vehicle fleet. Emissions from offices and research centers are excluded as they represent less than 5% of Danone's total emissions. Scope 3 emissions are calculated in accordance with the Corporate Value Chain (Scope 3) Accounting and Reporting Standard of the GHG Protocol. This approach takes into account emissions at each stage of the Company's value chain. Emissions from the purchase of finished products were calculated for all Danone entities included in Greenhouse Gases reporting scope including production sites, except Damavand (Waters, Iran), Danone Iran (EDP, Iran), IBIC (Waters, Brunei), Danone Proviva AB (EDP, Sweden) et Sirma (Waters, Turkey) entities in 2019, for which only scope 1 and scope 2 emissions are calculated. Within the Specialized Nutrition Reporting Entity, scope 3 emissions for all plants and for the 20 sales entities, located mainly in Oceania, South America, the Middle East and Europe, were included in scope 3 reporting in 2019. Scope 3 emissions for the Milupa Austria Baby and Milupa Switzerland Baby entities, which were included in 2018 and represented less than 1% of Danone's sales volumes, were excluded. The Fan Milk Ghana and Nigeria entities were also included in scope 3 in 2019, as were the scope 1 and 2 emissions from the Fan Milk Nigeria plant. For the EDP Reporting Entity, the scope 3 emissions from operations related to the sales entity in Iran (included in 2018), Earthbound Farm (sold in April 2019), the Vega brand, and the WhiteWave production site in Mexico were excluded. These emissions represented less than 1% of Danone's sales volumes. Upstream scope 3 emissions (physical flows entering the plants) cover a scope representing approximately 96% of Danone's production volumes in 2019. In 2019, downstream scope 3 emissions (physical flows exiting the plants) covered a scope representing approximately 94% of Danone's sales volumes (compared with 93% in 2018).

INDICATORS	SCOPE
Packaging	In 2019, data on packaging is collected from all Danone production entities, representing 99% of Danone's production volumes.
Health and nutrition	In 2011, Danone created a series of performance indicators (One Health Scorecard) to measure improvements and progress made regarding health and nutrition, particularly product composition and responsible communication. These indicators are consolidated for a scope of 21 countries covering all of Danone's Businesses and geographic regions. In 2019, 66 entities representing about 74% of consolidated sales reported health and nutrition indicators (65.2% in 2018). The health and nutrition indicators scope excludes entities from the WhiteWave portfolio.
Danone Way	In 2019, 155 entities conducted a Danone Way self-assessment, representing 99% of Danone's consolidated sales (compared with 66.7% in 2018). This program also covers 98% 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 2019 data has been restated using the same consolidation scope and constant methodology as that of 2018.

DEFINITION OF THE BUSINESSES

Essential Dairy & Plant-Based	Production and distribution of fresh fermented dairy products and other dairy specialties, plant-based products and drinks, and coffee creamers and organic products.
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, nutrition and Danone Way data are available on request from the Sustainability Integration Department.

The social, safety, environmental, and Health and Nutrition indicators are transmitted by subsidiaries and/or production sites and consolidated at global level by relevant departments. The 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, 2019. Lastly, the Health and Nutrition data are checked at the subsidiary level and then at the Reporting Entity level when reported.

Social and safety indicators

The Human Resources Department is responsible for social and safety indicators. The subsidiaries' social data are generally derived from their payroll systems and reported via Danone's financial information consolidation software (SAP/Business Objects Financial Consolidation).

Safety indicators are reported monthly by each entity in AIRSWEB, Danone's safety data consolidation system.

Environmental indicators

The Nature & Water Cycle Department is responsible for environmental indicators.

Production Sites Environment indicators are reported by each production site's Environment manager using the new PURE Platform tool implemented in 2018 with UL EHS Sustainability.

Scope 3 greenhouse gas emissions data, including packaging data, were reported for the first year 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 Essential Dairy & Plant-Based Products Reporting Entity, NutreBase for the early life nutrition activities of the Specialized Nutrition Reporting Entity, and Aquamap for the Waters Reporting Entity). Data on volumes are generated by Danone's financial information consolidation software. Lastly, training data are taken from the Human Resources reporting systems. This information and information about consumer programs are reported by Scorecard coordinators at each subsidiary using the UL PURE application.

Danone Way indicators

The Sustainability Integration Department is responsible for the Danone Way indicators. These indicators correspond to the percentage of subsidiaries for which it has been determined that one or more practices are applicable and applied. They are reported by the Danone Way coordinators at each subsidiary using the UL Pure data management application. For certain entities (large entities or combinations of entities), a threshold for approving a practice (indicator) has been set at 80% of the entity's sales or headcount.

INFORMATION REGARDING METHODOLOGIES

The methodologies used for certain social, environmental and nutrition indicators may have limits due to:

- the absence of common national and/or international definitions;
- necessary estimates, the representative nature of measurements taken or the limited availability of external data required for calculations.

For these reasons, the definitions and methodologies used for the following indicators are specified.

Headcount

A negligible portion of the managerial headcount data is not collected during the data reporting period (a few cases of internationally mobile employees on assignment at other Danone entities). Furthermore, some disparities may exist in the headcount accounting methods for expatriate employees (this is the case for expatriate employees who have three-party contracts between the employee, the home subsidiary and the host subsidiary).

Employees on long-term leave (more than 9 months) are not counted in the total headcount at the end of the reporting period.

In China, employees paid by Danone but whose contracts are with a third-party company (equivalent to a temporary work agency) are not included in the headcount.

Fixed-term contracts and movements within Danone are not included in the entries/exits.

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, 2019.

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, 2019.

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.

In 2019, certain subsidiaries were not included in the calculation of the number of training hours and number of permanent employees trained, as the local information collection processes could not ensure the traceability and complete reliability of the data as defined in the social data reporting guidelines. These included the Aqua activities (Waters, Indonesia), Nutricia Indonesia Sejahtera Baby, Sari Husada Indonesia Baby, and Sugizindo Indonesia Baby (Specialized Nutrition, Indonesia). The scope covered nevertheless represents more than 85% of Danone's total headcount. The efforts to strengthen the collection of this information at these entities should help establish a coverage scope equivalent to that of the other social indicators.

Absenteeism

The absenteeism rate is expressed, in percentage, as the total number of hours of absence divided by the total number of theoretical hours worked. The reasons for absence taken into account by this indicator include sick leave (with or without hospitalization), absences due to work-related illness and injury, absences due to strikes and unauthorized absences. Absences due to maternity/paternity leave, other authorized leave and long-term absences (more than 9 months) are not taken into account.

The assumptions used to calculate the theoretical hours worked are left to the discretion of the subsidiaries on the basis of local specificities, which can lead to minor discrepancies.

Some subsidiaries monitor absenteeism only for employees who are paid on an hourly basis, while other employees are included in a program under which they receive a number of days that can be used for various reasons (vacation, sickness, special leave, etc.). In particular, this is the case for the activities of The Dannon Company Inc. (EDP, United States) and Danone Inc. (EDP, Canada), Danone's subsidiaries in Brazil and in Argentina, and SALUS (Waters, Uruguay). The Danone Japan (EDP, Japan), Danone Waters of America (Waters, United States), Happy Family (Specialized Nutrition, United States), Sequels Natural ULC (EDP, Canada), Vega US LLC DE (EDP, United States), Advanced Medical Nutrition (Specialized Nutrition, Argentina) and Nutricia Bago Argentina Baby (Specialized Nutrition, Argentina) subsidiaries are not included in the scope.

The scope covered nevertheless represents about 95% of Danone's total headcount.

General collective agreement

Collective agreements results from collective bargaining between an employer, a group of employers or employers organizations on one hand, and trade unions or work councils on the other hand.

It refers to a written agreement regarding working conditions and terms of employment. It includes all measures forming a minimum basis, generally more advantageous than the legal requirement, and covering diverse topics, in particular wages, social protection and working conditions.

Collective agreements can be negotiated at Company level (Danone), Region level, Country (or countries cluster) level or entity level.

Frequency rates of work accidents

The frequency rate of workplace accidents with medical leave (FR1) represents the number of workplace accidents with lost time of one day or more that occur over a 12-month period per one million hours worked.

The frequency rate of workplace accidents without medical leave (FR2) represents the number of workplace accidents without medical leave for every one million hours worked.

The severity rate (SR) represents the number of calendar days of absence due to workplace accidents with medical leave for every 1,000 hours worked. Regarding the number of lost days taken into account in the calculation of the severity rate and given the limited availability of data in certain countries, Danone provided estimates for this indicator as of December 31, 2019.

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.

Reclassifications have occurred for accidents with medical leave, which has a negligible impact on the values published in 2018 in this document:

- in 2018, four accidents with medical leave were recorded in addition to the reported values; including them increases Danone's frequency rate (FR1) from 1.59 to 1.61. Similarly, adjustments to lost days after including these accidents with medical leave increase the severity rate (SR) from 0.058 to 0.059.

Within the safety indicators scope, the Merchandisers (workers employed through staffing agencies) in the Mexican subsidiary of the Essential Dairy & Plant-Based Products Reporting Entity (EDP, Mexico) were included in 2019.

Production

The production of Danone's industrial sites is the total production of finished and semi-finished products at each of the sites. As some semi-finished products are used as ingredients at other Company plants, total production of the industrial sites is greater than Danone's total production.

Production of by-products such as cream and condensed milk is not included in production volumes.

Scope 1 and 2 greenhouse gas emissions

Scope 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 (2018 publication of energy mixes in 2016);
- 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

In 2019, Danone shifted its method for measuring its scope 3 emissions from a product approach to an entity-based organization approach. In this context, emissions for the 2018 financial year have been recalculated according to this new approach in order to distinguish variations due to the methodological change from variations due to performance.

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 Cool Farm tool.

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.

Packaging

The data on packaging concern primary, secondary and tertiary packaging (excluding pallets) purchased for Danone's operations and are given in tons of material. Packaging purchased for subcontractors who manufacture finished products for Danone is excluded.

Calculations relating to the recyclability rates of Danone packaging are based on the new definition of recyclability as a proportion of the type of packaging recommended by the Ellen MacArthur Foundation (EMF) for circular economy. According to this methodology, a packaging is recyclable if post-consumer collection, sorting, and recycling is proven to work in practice and at scale, which means it achieves a 30% post-consumer recycling rate in multiple regions, collectively representing at least 400 million inhabitants.

The calculation of recycled components for cardboard and plastic materials is based on actual volumes used.

Assumptions for the calculation of recycled components for glass and metal materials are based on the best available data as well as supplier data:

- Recycled components for glass: 50% worldwide
- Recycled components for metal and aluminium: 40% worldwide

Waste

Following the application of a new standard, the Food Loss and Waste Protocol (version 1.0 of June 2016), since 2016 Danone has consolidated the quantities of waste generated according to the following categories: treatment facilities' sludge, whey waste, food waste collected on site and food waste discharged with wastewater, packaging waste, hazardous waste and, lastly, other non-hazardous waste. In 2019, Danone focused on the most substantial categories (food waste and packaging waste) and excluded hazardous waste and other non-hazardous waste, representing 9% of total quantities of waste in 2018, 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 at all Danone plants 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 collected on site and not used for human consumption is reported as dry matter content;
- waste collected on site is reported in real weight, *i.e.* weight as shown in on-site waste removal orders;
- waste discharged with wastewater and recovered in the sludge at treatment facilities is reported as a percentage of dry-matter content in sludge;
- waste discharged with wastewater and not recovered in the sludge at treatment facilities is calculated in tons of chemical oxygen demand (COD) discharged.

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.

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 is 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.

Number of employees trained on the WHO Code and Danone's BMS Policy in the last two years

This indicator tracks the number of unique employees working in the Specialized Nutrition Reporting Entity's early life nutrition activities who were trained on Danone's policy on the marketing of breast milk substitutes over a two-year period.

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 marketed by the Early Life Nutrition Reporting Entity), including products marketed by the Africa strategic business unit, and all waters and beverages (aquadrinks) with 0% sugar. This indicator is calculated in the One Health Scorecard scope.

Number of countries covered by Nutriplanet studies

Every year, the Alimentation Science department compiles an updated list of countries covered by Nutriplanet studies, including:

- summaries of the local nutrition/health context (*Nutritional Situations*);
- more detailed surveys on food and/or fluid intake (Food Habits);
- socio-anthropological studies (Food Cultures).

Number of active education and information programs during the year/Number of people potentially impacted

A program is any initiative that addresses a local public health cause and that has (i) defined a clear objective relating to this cause or its determinants, (ii) been developed in collaboration with the academic world and/or the government, (iii) targeted a population group and (iv) defined certain measurable impact indicators (whose initial status has been documented with a baseline and whose impact is measured). A program can be counted as such only if these criteria are met.

The impact does not have to be measured every year.

The people considered to be potentially affected are consumers for the Essential Dairy & Plant-Based Products and Waters Reporting Entities, and parents, patients and caregivers for the Specialized Nutrition Reporting Entity.

The subsidiaries counted the people affected by the program in 2019. But if a subsidiary can prove that people are not double-counted, it can aggregate the number of people affected since the start of a program.

People who are affected by several programs can be counted several times.

A person is considered to be potentially impacted if he or she has received the program's messages. Subsidiaries are thus far not required to prove that these people have actually been affected, *i.e.* that they have changed their eating and drinking consumption habits.

5

5.7 REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS AN INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT INCLUDED IN THE MANAGEMENT REPORT.

This is a free translation into English of the Statutory Auditor's report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the year ended December 31, 2019

To the Shareholders,

In our capacity as Statutory Auditor of Danone (hereinafter the "entity"), appointed as an independent third party and accredited by COFRAC under number 3-1060 rév.2 (whose scope is available at www.cofrac.fr), we hereby report to you on the consolidated non-financial information statement for the year ended December 31st, 2019 (hereinafter the "Statement"), included in the management report pursuant to the legal and regulatory provisions of articles L. 225 102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (Code de commerce).

THE ENTITY'S RESPONSIBILITY

Pursuant to legal and regulatory requirements, the Board of Directors is responsible for preparing the Statement, including a presentation of the business model, a description of the principal non financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are available on request from the company's head office.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by the provisions of article L. 822-11-3 of the French Commercial Code and the French Code of Ethics (*Code de déontologie*) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional guidance and applicable legal and regulatory requirements.

RESPONSIBILITY OF THE STATUTORY AUDITOR, APPOINTED AS AN INDEPENDENT THIRD PARTY

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the provisions of the article R. 225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with the article R. 225 105 I, 3 and II of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

However, it is not our responsibility to comment on:

- The entity's compliance with other applicable legal and regulatory provisions, in particular the French duty of care law, anti-corruption and tax evasion legislation;
- The compliance of products and services with the applicable regulations.

NATURE AND SCOPE OF OUR WORK

The work described below was performed in accordance with the provisions of articles A. 225-1 et seq. of the French Commercial Code determining the conditions in which the independent third party performs its engagement and with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements, as well as with ISAE 3000 – *Assurance engagements other than audits or reviews of historical financial information*.

Our procedures allowed us to assess the compliance of the Statement with regulatory provisions and the fairness of the Information:

- we obtained an understanding of all the consolidated entities' activities, the description of the social and environmental risks associated with their activities and, where applicable, the impact of these activities on compliance with human rights and anti corruption and tax evasion legislation, as well as the resulting policies and their outcomes;
- we assessed the suitability of the Guidelines with respect to their relevance, completeness, reliability, objectivity and understandability, with due consideration of industry best practices, where appropriate;
- we verified that the Statement includes each category of social and environmental information set out in article L. 225 102 1 III, as well as information regarding compliance with human rights and anti corruption and tax evasion legislation;
- we verified that the Statement presents the business model and the principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships and products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators;

- we verified, where relevant with respect to the principal risks or the policies presented, that the Statement provides the information required under article R. 225-105 II;
- we assessed the process used to identify and confirm the principal risks;
- we asked what internal control and risk management procedures the entity has put in place;
- we assessed the consistency of the outcomes and the key performance indicators used with respect to the principal risks and the policies presented;
- we verified that the Statement covers the scope of consolidation, i.e., all the companies included in the scope of consolidation in accordance with article L. 233-16 within the limitations set out in the Statement;
- we assessed the data collection process implemented by the entity to ensure the completeness and fairness of the Information;
- for the key performance indicators and other quantitative outcomes that we considered to be the most important, we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
  - substantive tests, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities: Alpro Comm VA Belgium (Belgium), Aqua (Indonesia), Bonafont (Mexico), Danone Tikvesli (Turkey), Danone Hayat (Turkey), Danone North America (United States of America), Danone Poland (Poland), Danone South Africa (South Africa), Nutricia Bago Argentina Baby (Argentina), Sari Husada Indonesia Baby and Nutricia Indonesia Sejahtera Baby (Indonesia), Fan Milk Ghana (Ghana), SA Des Eaux Minérales d'Evian (France), Salus (Uruguay), Sirma (Turkey), SHS International Great Britain Medical (United Kingdom), Volvic (France). This selection covers between 20% and 38% of the consolidated data relating to the key performance indicators and outcomes selected for these tests;
- we referred to documentary sources and conducted interviews to corroborate the qualitative information (measures and outcomes) that we considered to be the most important;
- we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

We believe that the work carried out, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

MEANS AND RESOURCES

Our work was carried out by a team of 10 people between September 2019 and February 2020 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 about 20 people responsible for preparing the Statement, representing the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures.

CONCLUSION

Based on our work, nothing has come to our attention that causes us to believe that the non-financial information statement is not in accordance with the applicable regulatory provisions and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Neuilly-sur-Seine/March 2, 2020

One of the Statutory Auditors

PricewaterhouseCoopers Audit

François JAUMAIN
Partner

Sylvain LAMBERT
Sustainable Development Partner

APPENDIX: LIST OF THE INFORMATION WE CONSIDERED TO BE THE MOST IMPORTANT

Selection of qualitative and quantitative information, associated to the policies, actions and results relating to the main thirteen risks identified for Danone's activities, presented in the following sections of the management report:

Main risks or opportunities identified (Danone's material issues)	Sections of the management report presenting the associated policies, actions and results reviewed in the context of our work
Responsible practices: ethics and integrity	**Section 5.1 Danone's integrated vision of corporate responsibility** Including the KPIs: • % of Danone's total employees have been trained at least once on compliance
Sustainable product portfolio	**Section 5.2 Offering safe, healthy products** Including the KPIs: • % of volumes sold corresponding to healthy categories • % of entities put in place an active reformulation plan to achieve the 2020 nutritional targets • % of Danone's entities engaged in favor of a public health cause • Number of active education and information programs • Potential audience reached by these active education and information programs • Site 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 • Compliance rate from the brand profiles to the EU Pledge criteria
Marketing of breast milk substitutes	**Section 5.2 Offering safe, healthy products** Including the KPIs: • Number of employees trained on Danone's policy on breast milk substitutes
Fight against climate change	**Section 5.3 Preserve and renew the planet's resources** Including the KPIs: • Total Scope 1 & 2 emissions • Percentage of renewable energy
Transition toward regenerative agriculture that includes organic agriculture	**Section 5.3 Preserve and renew the planet's resources** Including the KPIs: • % of the entities developed concrete projects involving at least one of the three pillars of the regenerative agriculture framework and on the main commodities used • % of volume of fresh milk from farms that are assessed using the animal welfare tool developed by Danone or covered by the Validus certification

Main risks or opportunities identified (Danone's material issues)	Sections of the management report presenting the associated policies, actions and results reviewed in the context of our work
Circular economy	**Section 5.3 Preserve and renew the planet's resources** Including the KPIs: • Tons of plastic used" • % of Danone's packaging that is recyclable, reusable or compostable • % of plastic packaging that is recyclable, reusable or compostable • % of entities which set up an assessment of recycling systems (collection, sorting and recycling) and identified the main participants to improve the recycling and/or regulations • % recycled materials on average in its plastic packaging • % recycled PET used on average by the Waters reporting entity • Proportion of industrial waste recovered • Proportion of packaging waste recovered • Proportion of food waste recovered • % of the entities or supply points implemented at least one concrete measure to improve the food waste recovery rate
Water management	**Section 5.3 Preserve and renew the planet's resources** Including the KPIs: • Water drawn from the surrounding area • Water related to the production processes • Final discharge of chemical oxygen demand (COD) in tons
Inclusive talent development	**Section 5.4 Building the future with Danone employees** Including the KPIs: • Total headcount and breakdown by gender, by age and by geographic regions" • Hiring and dismissals • Absenteeism rate • % of part-time employees • % of entities planned an annual development conference for each manager, member of the entity's management committee, senior manager or manager, making it possible to assess their functional skills and define a development plan • % of the entities planned a development conversation with each employee at least once every two years in order to provide feedback, come up with an individual development plan and provide visibility on potential future development opportunities • % of the entities anticipated the need to pass on rare competencies specific to their activities • Training hours
Social dialogue	**Section 5.4 Building the future with Danone employees** Including the KPIs: • % of employees covered by collective bargaining agreements

Main risks or opportunities identified (Danone's material issues)	Sections of the management report presenting the associated policies, actions and results reviewed in the context of our work
Employee security	**Section 5.4 Building the future with Danone employees** Including the KPIs: • 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 • Frequency and severity rate
Business practices and price fixing	**Section 5.5 Promoting sustainable, inclusive growth with suppliers** Including the KPIs: • "% of milk collected by Danone which comes from producers with CPM contracts"
Responsible sourcing and Human Rights	**Section 5.5 Promoting sustainable, inclusive growth with suppliers** Including the KPIs: • % of country-level traceability for cocoa • % of the palm oil sourced by Danone certified RSPO Segregated • % of the palm oil sourced by Danone certified RSPO Mass Balance • Number of supplier sites which joined the Sedex platform • Number and Breakdown of non-conformities identified during SMETA audits
Other indicators [a]	**Section 5.3 Preserve and renew the planet's resources** Including the KPIs: • Total number of ISO 14001 certified sites

(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
  - Sustainable product portfolio
  - Responsible communication
  - Marketing of breast milk substitutes
- Environment
  - Fight against climate change
  - Transition toward regenerative agriculture that includes organic agriculture
  - Circular economy
  - Water management
- Social
  - Inclusive talent development
  - Social dialogue
  - Employee security
- Responsible sourcing & human rights
  - Business practices and price fixing
  - Human rights

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CORPORATE GOVERNANCE

In accordance with Articles L. 225-37 and L. 225-37-4 of the French Commercial Code, this Corporate Governance section includes the Report of the Board of Directors on corporate governance, the composition of the Board of Directors and the conditions for preparation and organization of the Board's work (section 6.1 Governance Bodies*).*

In accordance with Article L. 225-37-4 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 in the context of the Shareholders' Meeting, was prepared following various efforts made by the Legal Department working closely with the Human Resources, Finance and Internal Control departments. It was initially presented to the Governance Committee on February 4, 2020 and then approved by the Board of Directors on February 25, 2020.

6.1 GOVERNANCE BODIES

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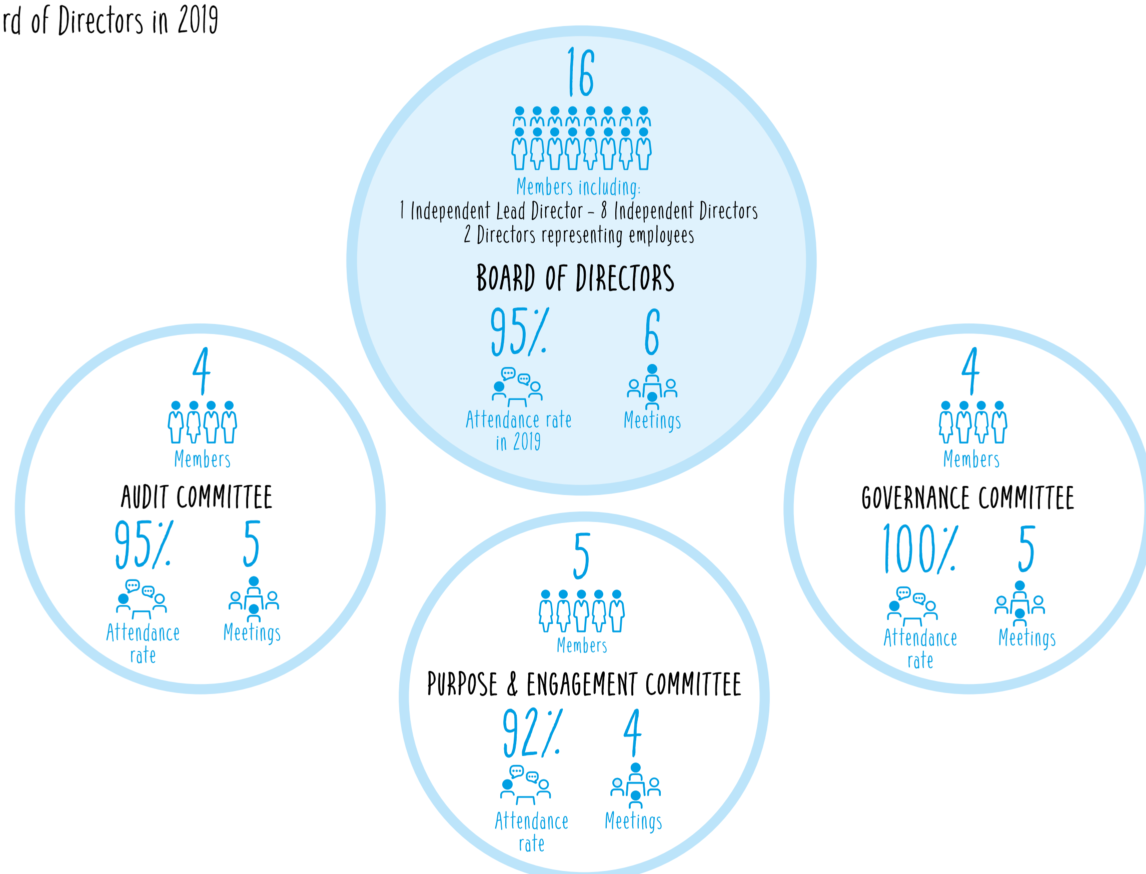
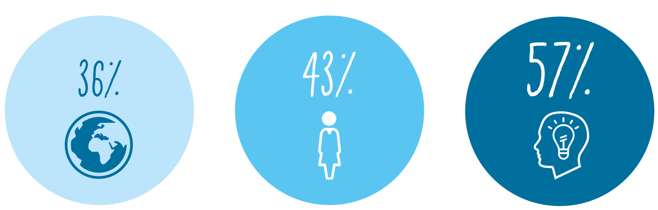
BOARD OF DIRECTORS

The Board of Directors in 2019

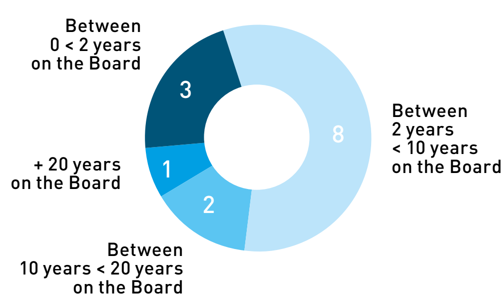




Diversity / Percentage of Directors with a non-French nationality

Percentage of women

Independence rate



Years on the Board

Independence rate

2019	57%
2018	57%
2017	57%
2009	43%

Average age of Directors

2019	58 ½ years
2018	57 ½ years
2017	57 ½ years
2009	60 ½ years

Average length of the terms of office

2019	7 ½ years
2018	6 ½ years
2017	7 years
2009	12 years

The information above were calculated on the basis of the data subsequent to the Shareholders' Meeting approving the accounts of the considered fiscal year.

Composition and organization of the Board of Directors

Composition as of December 31, 2019: 16 Directors

Personal information					Position on the Board			
Name	Gender	Age	Nationality	Primary function	Number of shares	Starting date of Director's term	Expiration date of Director's term [a]	Years on the Board
Corporate Officer								
Emmanuel FABER		55	French	Chairman – Chief Executive Officer of Danone	104,571	2002	2022	17
Directors								
Franck RIBOUD		64	French	Honorary Chairman of Danone / Director	124,309	1992	2022	27
Guido BARILLA [b]		61	Italian	Chairman of the Board of Barilla	4,000	2018	2021	1
Cécile CABANIS		48	French	Executive Vice President, Chief Financial Officer, Technology & Data, Cycles & Procurement of Danone	17,482	2018	2021	1
Gregg L. ENGLES		62	American	Founder and Executive Managing Partner of Capitol Peak Partners	4,093	2017	2023 [c]	2
Clara GAYMARD [b]		59	French	Co-founder of Raise	4,256	2016	2022	3
Michel LANDEL [b]		68	French	Lead Independent Director of Danone	4,000	2018	2021	1
Gaëlle OLIVIER [b]		48	French	Chief Executive Officer for Société Générale Asia Pacific [d]	4,340	2014	2023 [c]	5
Benoît POTIER		62	French	Chairman and Chief Executive Officer of L'Air Liquide SA	8,846	2003	2021	16
Isabelle SEILLIER		59	French	Global Chairman of Investment Banking at J.P. Morgan	4,073	2011	2023 [c]	8
Jean-Michel SEVERINO [b]		62	French	Head of I&P SARL	4,505	2011	2023 [c]	8
Virginia A. STALLINGS [b]		69	American	Professor of Pediatrics at the Children's Hospital of Philadelphia	4,000	2012	2021	7
Serpil TIMURAY [b]		50	Turkish	Member of the Executive Committee of Vodafone	7,271	2015	2021	4
Lionel ZINSOU-DERLIN [b]		65	French and Beninese	Chairman of SouthBridge SAS	4,369	2014	2023 [c]	5
Directors representing employees								
Frédéric BOUTEBBA		52	French	Director representing employees	1 [e]	2016	2020 [f]	3
Bettina THEISSIG		57	German	Director representing employees	1 [e]	2014	2020 [f]	5

(a) Date of Shareholders' Meeting.
(b) Independent Director (see section *Independence of Directors* hereinafter).
(c) Subject to renewal by Shareholders' Meeting of April 28, 2020.
(d) As of January 2, 2020.
(e) Share granted under the "One Person, One Voice, One Share" program.
(f) The terms of the two Directors representing employees are currently in the process of being renewed by the employee representative bodies, in accordance with the statutory provisions and the by-laws.

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, one appointed by the Danone Social and Economic Committee and the other by the European Works Council. In addition, a member of the Social and Economic Committee participates in Board of Directors' meetings in an advisory capacity.

In 2017, Mr. Franck RIBOUD was appointed Honorary Chairman in recognition of his invaluable contribution to the Board's work. In this capacity, he may, at the request of the Chairman and Chief Executive Officer, share his experience, speak to Danone's teams, represent Danone, particularly among its longtime partners, and take part in major corporate events.

The Board of Directors also includes an honorary Vice-Chairman of the Board of Directors, Mr. Michel DAVID-WEILL, who was appointed to this function following the Shareholders' Meeting in 2011 and serves in an advisory capacity.

Governance structure

Combination of Chairman of the Board and Chief Executive Officer functions

In 2017, the Board of Directors, acting on the recommendation of the Governance Committee, unanimously decided to approve the principle of combining the offices of the Chairman of the Board of Directors with those of Chief Executive Officer by appointing Mr. Emmanuel FABER as Chairman and Chief Executive Officer as of December 1, 2017.

The Board decided that this governance structure was the most appropriate for several reasons:

- in the past, the decision to combine the functions of Chairman and Chief Executive Officer proved to be consistent with the Company's organization, operation and activity and is in line with Danone's governance tradition;
- this simplified governance structure ensures the Company's unified and effective management. This tighter and therefore more responsive form of governance facilitates decision-making and accountability as well as the Company's strategic leadership;
- this governance structure also promotes a close relationship between the Board and executive management, allowing Danone to continue implementing its strategy while speaking with one voice and making decisions in an agile and transparent manner.

The Board has agreed to discuss the relevance of the chosen governance method annually and each time the Chairman and Chief Executive Officer's term of office is renewed. In February 2020, the Board reviewed this point and concluded that its governance method remains the most appropriate for Danone.

Chairmanship of the Board

In his capacity as Chairman of the Board of Directors, the Chairman and Chief Executive Officer organizes and directs the work of the Board and reports on it to the Shareholders' Meeting. He ensures the proper functioning of the Company's bodies and ensures in particular that directors are able to fulfill their duties by providing them with all necessary information.

Balanced distribution of powers

The Board determined that balanced governance is ensured through the presence of a Lead Independent Director, the independence and powers of the Board and its Committees and the limits imposed on the Chief Executive Officer as described below. This governance structure, subject to the Board's rules of procedure, thereby provides the necessary safeguards to ensure compliance with best governance practices as part of unified governance.

Enhancement of the powers of the Lead Independent Director

In 2017, in order to strengthen the balanced distribution of powers, the Board amended the provisions of the rules of procedure by expanding the duties, resources and responsibilities of the Lead Independent Director, particularly as regards setting the agenda for Board meetings and facilitating the dialogue with shareholders (see the section *Lead Independent Director* below).

Independence and powers of the Board and Committees

The composition of the Board of Directors and the membership diversity policy contribute to the balance of powers, particularly thanks to the high proportion of Independent Directors, which allows the Board to exercise full oversight of the Chief Executive Officer. All Committees are chaired by Independent Directors (as defined by the AFEP-MEDEF Code), with the exception of the Purpose & Engagement Committee. The balance of powers is also ensured by:

- the full involvement by Directors in the work of the Board and Committees, their diverse profiles and the regular meetings of outside Directors;
- the Directors' ability to convene the Board directly in case of emergency. This convening, which may be verbal, results from a decision made by the majority of the current Directors, or by one-third of them if the Board of Directors has not met in more than two months;
- the free and independent review of Board agenda items and the work in the Committees enables Directors to review certain matters in greater detail and work in direct contact with Danone's teams.

Limitations on the powers of the Chief Executive Officer

The Chief Executive Officer has full power to act in all circumstances in the name of the Company, within the scope of its corporate purpose and subject to the powers that the law expressly attributes to shareholders' meetings and to the Board of Directors.

The Board of Directors' rules of procedure set limits on powers that are stricter than the statutory requirements with respect to decisions that must receive prior approval from the Board of Directors (see details in the table below). Thus, the Board of Directors must approve strategic investment projects and all transactions, namely acquisitions or disposals, that may significantly impact Danone's results, balance sheet structure or risk profile.

Transactions requiring prior approval of the Board of Directors

Type of transaction	Authorization thresholds for Danone's share
Acquisitions or disposals of securities and/or assets, partnerships or joint ventures (in cash or by asset contributions, carried out in one or more transactions)	€250 million per transaction: • for acquisitions, partnerships and joint ventures; • for disposals: proceeds received.
Any off-balance sheet commitment made by Danone	€100 million
Other investments	€200 million
Internal reorganizations	Any reorganization representing an overall cost of more than €50 million.

Meetings by outside Directors

The Lead Independent Director holds regular meetings for outside Directors, thereby promoting free, spontaneous and independent discussions on all matters deemed relevant by the meeting participants. The subjects discussed at these meetings make it possible to promote regular dialogue between the Lead Independent Director and the Chairman and Chief Executive Officer.

Lead Independent Director

Presentation of the Lead Independent Director

Following the Board's decision in 2013, the appointment of a Lead Independent Director is mandatory when the functions of Chairman of the Board and Chief Executive Officer are combined.

In 2017, the Board enhanced the powers of the Lead Independent Director. Specifically, the Lead Independent Director was given a greater role in shareholder relations, enabling him/her to now be informed directly of their requests, meet with them, when necessary without the Chairman and Chief Executive Officer, and convey their governance questions 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 Board meetings, to require that Board meetings be convened for a specific agenda and to maintain an open and regular dialogue with each of the Directors.

Appointment by the Board of Directors

The Lead Independent Director is appointed by the Board of Directors from among the Independent Directors, upon the proposal of the Governance Committee. He/she remains in office throughout the duration of his/her term of office as Director.

Appointment of Mr. Michel LANDEL in 2018

On December 14, 2017, the Board of Directors decided to appoint Mr. Michel LANDEL as Lead Independent Director, thereby replacing Mr. Jean LAURENT, who previously held the position since 2013. This decision took effect following his appointment as Director by the Shareholders' Meeting of April 26, 2018.

Duties and powers of the Lead Independent Director

Organization of the Board's work and relations with Directors

The Lead Independent Director:

- is consulted on the agenda and schedule of Board meetings and may propose additional agenda items to the Chairman. He/she may require that the Chairman convene a Board meeting for a specific agenda;
- chairs Board meetings in the Chairman's absence;
- participates in the process to recruit members of the Board;
- 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 of Directors' meetings;
- acts as a link between the Independent Directors and the other Board members and General Management. He/she maintains a regular and open dialogue with each of the Directors, particularly the Independent Directors, 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 Board members that he/she has identified to the attention of the Board of Directors;
- ensures compliance with the Board of Directors' rules of procedure;
- participates in the Board of Directors' assessment process.

Lead Independent Director's relations with shareholders

The Lead Independent Director:

- receives questions from shareholders regarding governance and ensures that they are answered;
- assists the Chairman and the Chief Executive Officer to answer questions from shareholders, makes himself/herself available to meet with some of them, even without the Chairman and Chief Executive Officer, and conveys shareholders' 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 work of the Governance Committee concerning 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 the Governance 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. During 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 as well as a review of its powers in order to adapt them, if necessary. Meanwhile, each year the Lead Independent Director presents to the Board a summary of the work he/she has performed during the past year.

Work in 2019

In 2019, the Lead Independent Director performed the following duties in particular:

- maintained an ongoing dialogue with the Chairman and Chief Executive Officer and with General Management staff, mainly through regular one-on-one interactions with the members of the Executive Committee;
- participated in the preparation of the agenda for meetings of the Board of Directors and of the Governance Committee;
- organized and chaired two meetings of outside Directors;
- participated in changes to the Board's membership, notably in connection with Board term renewals, working with the Board Secretary and with the assistance of an independent recruiting firm;

- participated in the selection and recruitment process of Board candidates as part of the renewal of the Board of Directors' terms of office;
- met with candidates for the Board of Directors;
- participated in the dialogue with the Company's main shareholders: individual meeting with around 10 key Danone investors in order to discuss mainly governance and corporate social responsibility matters of the Company;
- reviewed the conflict of interest surveys filled out by each Director;
- participated in an annual three-day strategic seminar for Danone's senior managers and participated in the orientation day for recently promoted and hired managers;
- participated in the deliberation and discussions regarding Danone's management succession plan;
- visited several Danone sites.

Dialogue with shareholders

Responsibility for investor relations lies with the Chairman and Chief Executive Officer, who is assisted by the Finance Department, in the framework of a regular dialogue during dedicated events, such as the Investors' Seminar. The various presentations made at these dedicated meetings with investors are available on the Danone website at www.danone.com (section Investors/Publications and Events/Investor Seminars and/or Investor Conferences).

In addition, the dialogue with shareholders concerning governance matters is also carried out by the Lead Independent Director, whose powers have been enhanced.

In the fall of 2019, the Lead Independent Director met with around 10 investors representing more than 20% of Danone's share capital. The discussions focused on governance issues as well as the Board's involvement in the Company's environmental and social issues: Company's climate strategy, efforts to combat global warming, the energy transition, initiatives to create a circular economy for packaging, information and involvement of the Board on employee issues (e.g. talent retention).

These discussions also made it possible to deepen with shareholders the issues around the "One Person, One Voice, One Share" program and its tangible impact on Company governance with respect to its strategy and organization.

At these meetings, investors also expressed support for maintaining an extra-financial criterion for long-term compensation.

The Board was kept informed of these discussions. This enhanced dialogue regarding the Company's ESG issues made it possible to better take into account investor concerns. Thus in the wake of the discussions held in the fall of 2019, the Company took under advisement the points made by the Lead Independent Director: in particular, the rules related to the impact of a change in control on the granting of performance shares to corporate officers were amended and the required fulfillment level of the environmental condition for long term instrument compensation was raised.

Guiding principles for the composition of the Board of Directors and its Committees

Diversity policy of the Board of Directors and Committees

The Board of Directors pays close attention to its composition, notably in order to promote its diversity and that of its Committees, believing that this diversity is essential since it acts as a source of vitality, creativity and performance and ensures the quality of the Board's discussions and decisions. This approach, which has been implemented for several years, led to a noticeable change in the composition of the Board to reach balanced representation, notably in terms of the independence, gender, expertise, age and seniority of its members.

The Board's policy with respect to diversity, its composition and that of its committees aims to ensure the promotion of a variety of cultures, skills, experiences and nationalities, and to ensure that the Board's tasks are performed in a thoroughly independent and objective manner, but also in a collegial and open-minded spirit:

- the Board seeks to combine the necessary skills for the development and implementation of Danone's long-term strategy and ensures that they are varied and also cover the consumer goods industry, the food and beverage industry, nutrition, governance, operational management of companies, international experience, finance, mergers and acquisition and corporate social and environmental responsibility;
- it pays close attention to ensuring that its members' profiles are complementary and in line with Danone's strategy, and that a balance exists between the most senior directors and those recently appointed, thereby promoting the Board's combination of vitality and experience;
- the terms of office are limited to three years, with staggered expiration dates;
- 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.

In connection with the implementation of the Board's diversity policy and the deliberations on the Board's membership over the short, medium and long terms, a well-known international and independent recruiting firm participates in the selection process when new candidates are sought for Board positions. A list of candidates is established and reviewed by the Governance Committee, which verifies that the profiles are compatible with the Board's composition policy and with the required expertise and skills of its members. Selected candidates meet in particular with the Lead Independent Director, the Chairman and Chief Executive Officer, members of the Governance Committee and the Secretary of the Board of Directors.

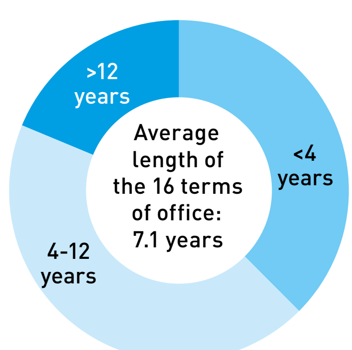
Diversity and expertise of the Board members as of December 31, 2019 and compatibility of their membership on the Committee to which they were appointed

General Information		Directors' expertise							Participation to Board Committees		
		Core skills				Sector-specific skills					
Name	Number of terms in listed companies [a]	Operational management of large companies/governance of listed companies	Experience in emerging markets	International experience	Finance/Audit/M&A	FMCG/food and beverage industry	Social and environmental responsibility	Nutrition/Health	Audit Committee	Governance Committee	Purpose & Engagement Committee
Emmanuel FABER	1	✓	✓	✓	✓	✓	✓	✓			
Franck RIBOUD	1	✓	✓	✓	✓	✓	✓	✓			
Guido BARILLA	1	✓	✓	✓		✓	✓	✓			•
Frédéric BOUTEBBA	1					✓	✓		•		
Cécile CABANIS	3	✓	✓	✓	✓	✓	✓	✓			
Gregg L. ENGLES	2	✓	✓	✓	✓	✓	✓	✓			
Clara GAYMARD	4	✓		✓	✓		✓			•	
Michel LANDEL	2	✓	✓	✓	✓	✓	✓			C	
Gaëlle OLIVIER	1	✓	✓	✓	✓		✓		•		
Benoît POTIER	3	✓	✓	✓	✓		✓	✓		•	C
Isabelle SEILLIER	1	✓	✓	✓	✓						
Jean-Michel SEVERINO	2	✓	✓	✓	✓		✓	✓	C		
Virginia A. STALLINGS	1			✓			✓	✓			•
Bettina THEISSIG	1					✓	✓	✓			•
Serpil TIMURAY	1	✓	✓	✓	✓	✓	✓	✓			•
Lionel ZINSOU-DERLIN	3	✓	✓	✓	✓	✓	✓	✓	•	•	
Total		13	12	14	12	10	15	11	4	4	5

(a) Includes DANONE SA Director's term. Committee member: • Committee Chairman: C

The main areas of expertise and experience are described in more detail in the biographical information for each Director in section 6.2 *Positions and responsibilities of the Directors*.

Breakdown of the length of the Board members' terms of office and average length of terms of office as of December 31, 2019



Independence of Directors

Criteria applied by Danone

Danone strictly applies all AFEP-MEDEF Code recommendations.

When reviewing business relationships between a Director and Danone to determine whether significant business relations exist that could affect a Director's independence, the Board uses quantitative and qualitative criteria, notably the amount of sales generated between Danone and the company or Group to which the Director is associated, both in absolute and relative value, and the analysis of the nature of existing relationships.

Directors representing employees are not subject to an assessment, in accordance with the recommendations of the AFEP-MEDEF Code.

Review on February 25, 2020

Acting on the recommendation of the Governance Committee, the Board of Directors' meeting of February 25, 2020 reviewed, as it does each year, the independence of each Director based on the following independence criteria.

	Independents	Non-independents	Directors not subject to an assessment
Number	8	6	2
Independence ratio	57%	43%	–
Directors	Guido BARILLA	Cécile CABANIS	Frédéric BOUTEBBA
	Clara GAYMARD	Gregg L. ENGLES	Bettina THEISSIG
	Michel LANDEL	Emmanuel FABER	
	Gaëlle OLIVIER	Benoît POTIER	
	Jean-Michel SEVERINO	Franck RIBOUD	
	Virginia A. STALLINGS	Isabelle SEILLIER	
	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 between them and Danone, and thereby confirmed their status as Independent Directors.	The Board decided to consider them non-independent for the reasons listed below.	

<table>
<tr>
<td>Regarding Mrs. Gaëlle OLIVIER</td>
<td>Appointed in January 2020 as Chief Executive Officer for Société Générale Asia Pacific
In this context, the Governance Committee and Board reviewed the business relationships between Danone and Société Générale, which is among the banks used on a regular basis by Danone, notably for treasury management and financing in Europe.
Upon the recommendation of the Governance Committee, the Board determined that Mrs. Gaëlle OLIVIER did not bring about any significant business relationship, either directly or indirectly, with the Company. The analysis of the significant nature of the business relationship focused on several criteria:
• the absence of business relationships in the geographic region that she managed for Société Générale;
• the pre-existing and historical nature of contractual relationships between Danone and Société Générale;
• the current nature of transactions undertaken in recent years between the two companies, including the management of bank accounts, participation in bank and bond financing by Danone alongside other banks, the provision of derivative products, the management of monetary funds (excluding in particular M&A advisory);
• the application of arm's length market conditions to these transactions;
• the absence of economic dependency or exclusivity between these two companies;
• the insignificant proportion of sales resulting from the business relationship between Société Générale and Danone.
The Board therefore deemed that Mrs. Gaëlle OLIVIER continued to satisfy all of the independence criteria of the AFEP-MEDEF Code.</td>
</tr>
</table>

Non-independent Directors

Directors	Non-independence criterion retained under the AFEP-MEDEF Code
Emmanuel FABER	**Danone corporate officer**
Franck RIBOUD	**Former Danone corporate officer**
Cécile CABANIS	**Danone employee: Executive Vice President, Chief Financial Officer, Technology & Data, Cycles & Procurement of Danone**
Isabelle SEILLIER	**Existence of significant business relationships** Because Isabelle SEILLIER is an executive manager at J.P. Morgan Group, the Governance Committee and the Board reviewed Danone's business relationships with J.P. Morgan, which is among the banks used by Danone on a regular basis, notably for financing and occasionally for M&A matters. Although Mrs. Isabelle SEILLIER does not have any decision-making power on agreements entered into by the two companies and does not receive any compensation linked to these agreements, the Board felt that these business relationships could potentially create a conflict of interest, given the very nature of the business relationship. The Board therefore decided to consider Mrs. Isabelle SEILLIER as a non-independent Director.
Gregg L. ENGLES	**Former corporate officer of a company that became part of Danone's consolidated scope** Mr. Gregg L. ENGLES is the former Chairman and Chief Executive Officer of The WhiteWave Foods Company, which Danone acquired in April 2017. Following a review, the Board decided to consider Mr. Gregg L. ENGLES as a non-independent Director in light of his status as a former corporate officer of this company now controlled by Danone.
Benoît POTIER	**Board term of office exceeding 12 years** Following a review, the Board determined that Mr. Benoît POTIER was a non-independent Director even if it considers that a Director who has sat on the Board of Directors for more than 12 years remains capable of reaching a free, informed and critical judgment, and that in the particular case of Mr. Benoît POTIER, his capacity to think and speak freely attest to his considerably independent spirit.

Measures implemented with respect to potential conflicts of interest

The Board's rules of procedure include various means to prevent conflicts of interest involving Directors, notably:

- the obligation to notify the Board Secretary in advance of any conflict of interest, including potential or future conflicts of interest, that involves or could potentially involve that Director, in order to get the Secretary's approval;
- the obligation to submit a sworn statement indicating any conflicts of interest (i) at the time he/she takes office, (ii) annually as part of preparations for the Company's Universal Registration Document or (iii) at any time upon request from the Chairman of the Board of Directors or, where applicable, the Lead Independent Director, and (iv) within 10 working days following the occurrence of any event rendering part or all of the previous sworn statement invalid;
- the obligation 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;
- the obligation 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 shall 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 following Shareholders' Meeting.

In addition, when an actual or even potential conflict of interest involves a Director considered non-independent under AFEP-MEDEF Code criteria, 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 the Company's corporate officers. Moreover, during the last five years, no corporate officer has been convicted of fraud, declared bankruptcy, been placed in receivership or liquidation, been officially and publicly accused and/or penalized by any statutory or regulatory authority, or been prohibited by a court from being a member of a company's administrative, management or supervisory body or from participating in the management or administration of a company's business;
- there are no potential conflicts of interest between any Director's duties to the Company and their private interests and/or other duties, with the exception of Mrs. Isabelle SEILLIER, Mr. Gregg L. ENGLES and Mrs. Gaëlle OLIVIER (see section *Independence of Directors* above).

On the date of this Universal Registration Document, no corporate officer is connected to the Company or one of its subsidiaries via a service contract granting any benefits whatsoever.

Situation as of February 25, 2020 of each Director regarding the independence criteria identified by the AFEP-MEDEF Code Annex 3 of the AFEP-MEDEF Code on corporate governance of listed companies

Name	Employee/corporate officer during the past 5 years	Cross directorships	Significant business relationship	Family relationship	Statutory Auditors	Term of office exceeding 12 years	Non-executive corporate officer with variable compensation	Status of major shareholder
Emmanuel FABER	✘	•	•	•	•	✘	•	•
Franck RIBOUD	✘	•	•	•	•	✘	•	•
Guido BARILLA	•	•	•	•	•	•	•	•
Frédéric BOUTEBBA	✘	•	•	•	•	•	•	•
Cécile CABANIS	✘	•	•	•	•	•	•	•
Gregg L. ENGLES	✘	•	•	•	•	•	•	•
Clara GAYMARD	•	•	•	•	•	•	•	•
Michel LANDEL	•	•	•	•	•	•	•	•
Gaëlle OLIVIER	•	•	•	•	•	•	•	•
Benoît POTIER	•	•	•	•	•	✘	•	•
Isabelle SEILLIER	•	•	✘	•	•	•	•	•
Jean-Michel SEVERINO	•	•	•	•	•	•	•	•
Virginia A. STALLINGS	•	•	•	•	•	•	•	•
Bettina THEISSIG	✘	•	•	•	•	•	•	•
Serpil TIMURAY	•	•	•	•	•	•	•	•
Lionel ZINSOU-DERLIN	•	•	•	•	•	•	•	•

• when the independence criterion is met, ✘ when it is not met.

Change in the composition of the Board of Directors and Committees

Changes in the composition of the Board of Directors and Committees occurring in 2019

Situation as of December 31, 2019

	Departures	Appointments	Renewals
Board of Directors			Emmanuel FABER
			Clara GAYMARD
			Franck RIBOUD
Purpose & Engagement Committee		Guido BARILLA	
		Benoît POTIER	
		Virginia A. STALLINGS	
		Bettina THEISSIG	
		Serpil TIMURAY	

All of these changes took effect on April 25, 2019.

On April 25, 2019, the Social Responsibility Committee and Strategy Committee were replaced (see section below *Committees disbanded in 2019*) by a new committee, the Purpose & Engagement Committee.

Proposals for the Shareholders' Meeting on April 28, 2020

Danone's teams maintain an ongoing dialogue with investors, notably with respect to preparations for the Shareholders' Meeting and tracking voting intentions on resolutions. Discussions are also held with the principal shareholders in order to get their opinions on resolutions presented to the Shareholders' Meeting.

	Departures	Appointments	Renewals
Board of Directors			Gregg L. ENGLES
			Gaëlle OLIVIER
			Isabelle SEILLIER
			Jean-Michel SEVERINO
			Lionel ZINSOU-DERLIN

Renewals of Directors' terms subject to the approval of the Shareholders' Meeting of April 28, 2020

Gregg L. ENGLES	Mr. Gregg L. ENGLES, an American citizen, founded and managed WhiteWave, the worldwide leader in organic foods, milks and fresh plant-based products, which was acquired by Danone in 2017. His presence on the Board over almost three years has enabled it to benefit from his entrepreneurial vision and in-depth understanding of markets and consumer trends in the United States and the world, and also strengthens the Board's international profile.
Gaëlle OLIVIER	Mrs. Gaëlle OLIVIER, a former executive manager of Axa Group, has recognized expertise in the areas of finance, risk management and internal audit as well as special expertise in governance matters. She offers the Board and Audit Committee the benefits of her operational experience in Asia, where she held management responsibilities for 10 years. Her new responsibilities in Asia at Société Générale will enable her to provide the Board with her in-depth knowledge of this vital geographic region for Danone.
Isabelle SEILLIER	Mrs. Isabelle SEILLIER, Global Chairman of Investment Banking for J.P. Morgan, has recognized expertise in financial matters and in-depth knowledge of the consumer goods markets, notably the food and beverage industry.
Jean-Michel SEVERINO	Mr. Jean-Michel SEVERINO, a former Director of Development at the French Ministry of Cooperation and the former Chief Executive Officer of the French Development Agency, has expertise in the accounting and financial area as well as internal control and risk management matters. His extensive knowledge of emerging countries, notably in Africa, constitutes a precious competency for the Board's work.
Lionel ZINSOU-DERLIN	Lionel ZINSOU-DERLIN, an Associate Professor of Economics and Social Sciences, was an advisor to the Ministry of Industry and then to the French Prime Minister before taking on management positions at the bank Rothschild & Cie and the investment fund PAI Partners SAS. In 2015 and 2016, he was Prime Minister of Benin. His presence on the Board of Directors enabled it to benefit from his experience in finance and mergers and acquisitions as well as his in-depth knowledge of African markets.

It should be noted that the terms of office of the two Directors representing employees are currently in the process of being renewed by the employee representative bodies in accordance with legal and statutory provisions.

Analysis of the composition of the Board of Directors

	Composition following the Shareholders' Meeting held in		
	2018	2019	2020
Percentage of women [a]	43%	43%	43%
Average age of Directors [a]	57.6 years	58.6 years	59.6 years
Average length of term of office [a]	6.4 years	7.4 years	8.4 years
Percentage of Directors of non-French nationality [a]	36%	36%	36%
Rate of independence [a] [b]	57%	57%	57%

(a) In accordance with the recommendations of the AFEP-MEDEF Code and statutory provisions, Directors representing employees are not factored into the calculation of the Board of Directors' independence rate or the percentage of female Board members. To maintain the consistency of information presented, they are therefore not recognized in the calculations with respect to average age, average duration of terms of office or the percentage of non-French Directors.
(b) Since 2018, Danone has strictly applied all independence criteria mentioned in the AFEP-MEDEF Code, notably the one on the duration of terms of office.

The independence rate has remained stable since 2018, and this stability would be maintained in the event of a favorable vote by the Shareholders' Meeting of April 28, 2020. This rate would be above than the one required by the AFEP-MEDEF Code.

Operation of the Board of Directors

Directors' terms of office

Length and renewal of terms of office

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 for any individual Director ends, in its own right, 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.* €295,600 based on the share closing price on December 31, 2019).

Rules of procedure

Adopted in 2002 and updated regularly, the Board of Directors' rules of procedure:

- specify the rights and obligations of Directors, as well as the Board's method of operation;
- are reviewed on a regular basis and were amended in particular following regulatory developments and certain Board of Directors' self-assessments;
- are published on the Danone website, and a number of provisions are summarized hereinafter;
- were amended in 2019, such that the Committees' rules of procedure are incorporated into the Board of Directors' rules of procedure and that the rules of procedure are consistent with the AFEP-MEDEF Code, notably those related to the requirement that Directors facing an actual or potential conflict of interest systematically abstain from participating in the deliberations and from voting on the corresponding matter.

Summary of the main provisions of the rules of procedure in force

Duties	The Board of Directors exercises the powers attributed to it by law and acts in all cases in the business interest of the company. It determines the orientations of Danone's activity and ensures their implementation. It seeks to promote the company's long-term value creation while taking into account the social and environmental challenges of its activities. It conducts the verifications and controls that it deems necessary.
Meetings	The Board of Directors is a collegial body that meets at least five times per year. Danone's independent Directors meet at least once per year on the initiative of the Lead Independent Director, who may also invite the Company's other outside Directors to participate in this meeting.
Committees	The Board of Directors may decide to create one or several specialized Committees, whose composition, powers and operating rules it sets, and which conduct their activity under its responsibility. The Committees are comprised only of Directors who are designated personally and may not be represented. They are appointed by the Board of Directors, acting on the recommendation of the Governance Committee.

General principles

Directors' Code of Ethics

Each year, after reviewing the opinion of the Governance Committee, the Board of Directors individually considers the situation of each Director in light of the AFEP-MEDEF Code independence rules.

Market ethics

Directors are bound by a duty of care and due diligence, as well as an obligation to take special care with respect to any transactions involving DANONE shares or any financial instruments related to such shares. They must comply with regulations governing insider trading. In particular, they are required to comply with the applicable stock exchange regulations related to (i) the definition, use and disclosure of inside information, (ii) the provision of a list of persons closely associated with them, (iii) compliance with blackout periods, and (iv) the reporting of transactions involving DANONE shares.

Duty to report conflicts of interest

Each Director must, at all times, make every effort to avoid carrying out activities or completing transactions that could give rise to a conflict of interest with Danone. Each Director must inform the Board Secretary in advance of any conflict of interest, including potential or future conflicts of interest, that he/she has or is liable to have, in order to obtain the Secretary's approval. The Board Secretary may, where applicable and if he/she deems it necessary, seek the opinion of the Governance Committee prior to giving such approval.

Each Director must provide a sworn statement indicating whether or not he/she has any conflicts of interest, including potential conflicts of interest, (i) at the time he/she takes office, (ii) annually, in response to the Company's request when preparing the Registration Document, (iii) at any time, if requested by the Chairman of the Board of Directors or, where applicable, the Lead Independent Director, and (iv) within 10 business days of the occurrence of any event that causes a Director's previously filed statement to become inaccurate, in whole or in part.

A Director who has a conflict of interest, including a potential conflict of interest, must refrain from participating in discussions and voting on the matter in question.

Ban on the use of any hedging instrument

Each Director and any closely related persons must refrain from using any financial instruments related to DANONE shares (including hedging instruments), in particular (i) call options or options to subscribe DANONE shares, (ii) rights to DANONE shares granted subject to performance conditions, (iii) DANONE shares issued through options or issued through shares granted subject to performance conditions, (iv) DANONE shares subject to a holding period requirement by the Board of Directors or by law, and lastly, (v) any other DANONE shares held by this Director.

Board of Directors' assessment

The Board of Directors' performance is assessed every two years. This assessment may be a self-assessment, an assessment by the Governance Committee or an assessment by a third-party organization. Once a year, the Board devotes one item on its agenda to a discussion of its operation.

Information for Directors

The Board Secretary is responsible for providing the Directors with working documents. More generally, he/she is available to them for any request for information regarding their rights and obligations, the Board's operation or the Company's activities. In addition, the Directors may request at any time that the Chairman provide them with all information and documents they deem necessary to perform their duties.

Training of Directors

In accordance with the rules of procedure, all Directors are entitled to the training they need to perform their duties, either upon appointment or during their term of office, in particular to enable them to understand Danone's business, risks and organization, and to develop certain specific skills. This internal or external training is organized and paid for by the Company. The Directors representing employees receive suitable training to carry out their terms of office as soon as they assume their position.

In addition, upon assuming his/her duties, each new Director receives documents and information enabling him/her to know and understand Danone and its culture, as well as accounting, financial and operational specificities.

Danone offers each new Director an enhanced orientation procedure that includes individual meetings with several existing Directors and individual interviews with members of General Management and the Executive Committee.

Danone also offers all Directors presentation sessions by the heads of the main functions at Danone as well as regular site visits. Thus in 2019, the Directors participated in a site visit to the Daniel Carasso research center, during which they were informed about the innovation vision of various reporting entities. In addition, the December 2019 meeting of the Board of Directors was held in the United States over three days, which were devoted to site visits (the breakdown of this journey made by Directors in 2019 is presented below in the section *Assessment*).

Directors also regularly participate in significant events organized by Danone.

Moreover, during his/her term of office, each Director regularly receives press clips comprising articles about Danone and its environment as well as analyst ratings on DANONE shares.

Procedure for related party and ordinary agreements

In accordance with Article L.225-39 of the French Commercial Code and acting on the recommendation of the Governance Committee, the Board of Directors on December 12, 2019 approved an internal procedure related to the identification of related party agreements and the assessment of ordinary agreements.

While reiterating the applicable legal and regulatory framework, this procedure formalizes the process for identifying and characterizing agreements as "related party agreements" or "agreements involving current operations and entered into 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.

Involvement of Directors outside of Board meetings

Danone's Directors are involved outside of Board meetings, notably through discussions among themselves and with the Chairman and Chief Executive Officer. They also meet several times informally outside of Board meetings, in particular:

- they regularly attend work days of the annual seminar in Evian held for all Danone senior executives and during which Danone's strategy and those of its various reporting entities are discussed in detail;
- they meet informally before or after each Board of Directors' meeting;
- they participate in site visits;
- they attend the Shareholders' Meeting.

Activity and work of the Board of Directors

Meetings and attendance

	Board of Director's meetings	Attendance rate	Average meeting duration
2019	6	95%	5:10
2018	5	96%	4:00

Attendance rates for Board members as of December 31, 2019

Name	Board of Directors	Audit Committee	Governance Committee	Purpose & Engagement Committee
Emmanuel FABER	100%	–	–	–
Franck RIBOUD	83%	–	–	–
Guido BARILLA	83%	–	–	80%
Frédéric BOUTEBBA	100%	100%	–	–
Cécile CABANIS	100%	–	–	–
Gregg L. ENGLES [(a)]	67%	–	–	–
Clara GAYMARD	100%	–	100%	–
Michel LANDEL	100%	–	100%	–
Gaëlle OLIVIER	100%	100%	–	–
Benoît POTIER	100%	–	100%	100%
Isabelle SEILLIER	100%	–	–	–
Jean-Michel SEVERINO	83%	100%	–	–
Virginia A. STALLINGS	100%	–	–	100%
Bettina THEISSIG	100%	–	–	100%
Serpil TIMURAY	100%	–	–	80%
Lionel ZINSOU-DERLIN	100%	80%	100%	–

(a) Missed two Board meetings in early 2019 over a total of six meetings due to personal and temporary reasons. During his term of office through February 25, 2020, his attendance rate has been 80%.

Matters reviewed and discussed by the Board of Directors in 2019 and February 2020

Strategy

- regular presentation by the Chairman and Chief Executive Officer of Danone's strategic priorities and main operating choices;
- annual strategic presentations of each reporting entity by the head of that reporting entity during a special one-day event;
- review of the strategic risk matrix, including a detailed review of certain risks;
- briefing by the Social and Economic Committee on strategic orientations;
- monitoring of implementation of Danone's 2030 Goals;
- review of impact of "One Person, One Voice, One Share" program on Danone's strategy;
- in-depth review and monitoring of Danone's latest innovations, notably with respect to products and packaging;
- periodic review of strategic matters such as plastic, water, sugar, packaging;
- monitoring of B Corp™ certification.

Finance, activity and results

- review of Danone's financial situation and debt (change, amount, composition and repayment schedules, rating agencies);
- monitoring and regular review of the activity and financial situations of the respective reporting entities;
- review of financial authorization renewals to General Management (bond issues, share buyback, guarantees, commercial paper program, capital increase reserved for employees);
- monitoring of stock market performance, share capital and Danone's ownership;
- review of preparation for closing of consolidated financial statements, establishment of annual and interim consolidated and statutory financial statements and review of forward-looking management documents;
- establishment of management report and other reports to shareholders;
- monitoring of Danone's financial communications (including the review of each press release dealing with annual and interim consolidated financial statements);
- regular notifications on Danone's risk management and internal control systems and review of Danone's risks;
- proposed dividend distribution;
- monitoring of Protein cost-reduction program;
- Brexit update;
- monitoring of Danone's digital transformation and marketing;
- monitoring of Danone's Manifesto brands.

Corporate governance

- annual review related to the relevance of the governance method;
- annual review of related party agreements and commitments;
- review of internal procedure related to the identification of related party agreements and the assessment of ordinary agreements;
- proposed renewals of Directors' terms of office and appointments in connection with the 2019 and 2020 Shareholders' Meetings;
- review of the composition of the Board with respect to the Board's diversity policy and suitable expertise of its members;
- review of governance and compensation resolutions submitted for approval by shareholders and preparation of 2019 and 2020 Shareholders' Meetings;
- review and approval of new configuration of Committees, their composition and duties as well as the corresponding amendments to the Board's rules of procedure;
- review of succession plan in the event of an unforeseen vacancy of the Chairman and Chief Executive Officer due to resignation, death or temporary or definitive impediment due to illness, court order or any other reason, such plan having been prepared in conjunction with the current Chairman and Chief Executive Officer.

Compensation

- development and approval of compensation policies for corporate officers and Directors and review of disclosures relating to compensation;
- review of conditions for renewing the term of office of Mr. Emmanuel FABER, including in particular: end of his employment agreement, severance benefit, defined benefit retirement plan, non-compete indemnity;
- determination of annual compensation principles for 2019 and 2020, notably: review of weighting of various compensation components, determination of different amounts (target, cap, floor), determination of annual variable compensation targets;
- review of long-term compensation instruments, in particular the group performance shares (GPS) and group performance units (GPU) plans: determination of performance conditions for the new plans, decision for granting them, acknowledgement of the achievement of the performance conditions;
- review of compensation for corporate officers for previous years (2018 in February 2019 and 2019 in February 2020): acknowledgement of the achievement of the different targets, review of the weighting of the various components;
- review of compensation for Directors.

Corporate Social Responsibility (CSR)

- monitoring of investments made by Danone in projects that have a positive social and environmental impact;
- update on Danone initiatives with respect to natural resource preservation, namely water;
- approval of Danone's annual contribution to Danone Communities;
- review of Danone's social and environmental responsibility (review of non-financing reporting and the Company's non-financial rating);
- annual update on the FTSE4GOOD;
- review of societal funds created through Danone initiatives;
- monitoring of discussions between the Purpose & Engagement Committee and Danone regional representatives as part of the "One Person, One Voice, One Share" program.

Human resources

- annual review of Danone's situation and policy with respect to professional equality and equal pay for men and women;
- monitoring of "One Person, One Voice, One Share" program and in particular capital increases reserved for employees;
- monitoring of the reorganization project for the Early Life Nutrition and Medical Nutrition reporting entities and detailed presentation of the structure and organization of the Specialized Nutrition reporting entity by the head of the business;
- update on the digital survey of Danone's 100,000 employees (Danone People Survey);
- review of impact of transformation on talent management.

Assessment

In accordance with its rules of procedure, the Board of Directors conducts an assessment every two years, which covers the composition, organization and operation of the Board itself and of each of its Committees. The results of this assessment are reviewed by the Governance Committee. In alternating years, the assessment is performed by an outside firm that assesses in particular the individual contribution of each Director.

External assessment in 2016

In 2016, an external assessment of the Board of Directors' operation was performed based on individual interviews with each Director conducted by a specialized consulting firm that conducts most of the external assessments of French listed companies. The assessment revealed that the Board's operation had improved thanks to the effective and efficient implementation of recommendations from the previous assessment.

Following this assessment, several of the proposed recommendations were implemented. For example, the Directors met with Danone's operational managers on several occasions, and several of Danone's managers and members of the Executive Committee had a chance to share technical presentations with the Directors. Furthermore, a detailed presentation of Danone's key risk matrix was also made to the Board members. Finally, Directors were invited to participate in a Strategy Committee meeting.

Assessment in 2018

In the fall of 2018, Mr. Michel LANDEL, in his capacity as Lead Independent Director, conducted an internal assessment of the Board of Directors, working with the Board Secretary, on the basis of individual interviews with each Director. This assessment was performed using a detailed questionnaire sent beforehand to each Director.

Among the topics covered were the Board's operation, structure, governance, composition and duties, as well as the information provided to Directors, the choice of matters discussed, the quality of the discussions, participation and the general operation of the Committees.

The summary of the assessment was reviewed by the Governance Committee then presented to and discussed by Board of Directors.

Findings

The assessment revealed that the Board is considered to be of very high quality, that it is considered highly professional and very involved. The main areas of satisfaction involved:

- the atmosphere of trust, mutual respect and openness, enabling members to speak very freely, which encourages the participation of members and diverse viewpoints;
- the diverse and complementary profiles of Board members, notably through the addition of sector expertise to the Board;
- the quality of the discussions during Board meetings, which are considered to be of high quality, and the answers provided by management, which are seen as transparent and on point;
- the governance transition, which was considered to have been structured in an effective manner and carried out skillfully;
- the integration process for new Directors, which is greatly appreciated.

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- the diverse and complementary profiles of Board members, notably through the addition of sector expertise to the Board;
- the quality of the discussions during Board meetings and answers provided by management, which are seen as transparent and on point;
- the governance transition, which was considered to have been structured in an effective manner and carried out skillfully;
- the integration process for new Directors, which is greatly appreciated.

The Board discussed the main recommendations, which focused on:

- diversifying the panel of participants who come before the Board, in order to favor meetings with operating managers on a more regular basis;
- performing a more in-depth analysis of Danone's risks, as well as certain Human Resources matters;
- organizing some presentations in English, especially with respect to strategy;
- the time required to make some documents available, which could be improved;
- the extent of the duration of some Board meetings and the organization of some Board meetings abroad.

Measures implemented following the assessment

Over the course of 2019, the Board implemented some of the recommendations generated by the internal assessment. For example, the length of Board meetings was extended, with several Board meetings held over an entire day in 2019. A Board of Director's meeting was also held abroad, in the United States, over a three-day period. This extended Board meeting included an in-depth review of Danone's activities in the United States and their strategic plan and included on-site meetings with the management teams from Happy Family, Danone North America, Danone Waters of America and Danone Manifesto Ventures, as well as visits to certain Danone distribution networks. The Directors were also able to meet and exchange views with people who are part of the Danone ecosystem in the United States, notably partner farmers who presented their projects, notably in the regenerative agriculture segment, and some founding entrepreneurs in whom Danone has invested. These discussions thus enabled the Board of Directors to gain an in-depth understanding of Danone's activity in the United States as well as current and future trends in food, including production and distribution, and the resulting impediments and opportunities for Danone.

The Board also held in-depth discussions on Human Resources matters, notably the implementation of the "One Person, One Voice, One Share" program, Danone's policy with respect to professional equality and equal pay for men and women and even the restructuring project for the Early Life Nutrition and Medical Nutrition reporting entities.

The Board of Directors also reviewed the Company's strategic risk matrix and performed a thorough analysis of certain risks.

Review of the individual contribution of Directors

When conducting the external assessment of the Board in 2016, the specialized consulting firm reviewed the Directors' individual contribution to the work of the Board and its Committees. This review revealed that the Directors have a high level of involvement, attendance and preparation, which reflects all the Board members' strong support for Danone's values and project and their capacity to challenge and contribute to the Board's discussions.

Annual review of the Board's operation

In 2019 as in each year, the Board conducted a review of its own operation as well as that of each of its Committees. This review showed that the discussions and work of the Board and its Committees are conducted in a climate of trust favoring cohesion among Directors and enabling spontaneous, free and constructive discussions on all matters of interest. The high quality of the dialogue, deemed open and transparent, was emphasized. The Directors thereby exercise their judgment freely, thereby enabling them to participate in the Board's work in a fully independent manner.

AUDIT COMMITTEE

Composition as of December 31, 2019

Jean-Michel SEVERINO Chairman	**Date first joined the Committee: April 2012, Chairman of the Committee since April 2012** "Committee's financial expert", as defined by Article L. 823-19 of the French Commercial Code. Former Inspector General of Finance, Development Director at the French Ministry of Cooperation, Vice-President for East Asia at the World Bank and Chief Executive Officer of the French Development Agency (AFD), Jean-Michel SEVERINO has in-depth knowledge in accounting and finance as well as in internal control and risks management.
Gaëlle OLIVIER	**Date first joined the Committee: February 2015** Mrs. Gaëlle OLIVIER has worked on the trading floor at Credit Lyonnais and held several management positions within the Axa group, in particular as investment transactions manager for AXA Life Japan. She has recognized expertise in risks management and internal audit.
Lionel ZINSOU-DERLIN	**Date first joined the Committee: June 2018** Lionel ZINSOU-DERLIN is an Associate Professor of Economics and Social Sciences and former corporate officer of Rothschild & Cie bank and the PAI Partners SAS investment fund. He has a sound financial expertise.
Frédéric BOUTEBBA	**Date first joined the Committee: June 2018** Mr. Frédéric BOUTEBBA joined Danone in 1992, where he held several positions in the Sales Department. His practical knowledge of Danone and the challenges encountered by its employees enable him to bring to the Committee a concrete approach to audit 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;
- monitoring the engagement, duties and independence of the Statutory auditors.

The Audit Committee is regularly briefed by senior management on the accuracy of the financial statements, internal audit and internal control, risk management, treasury and financing, tax matters and compliance and on the Statutory auditors. At the discretion of the Committee, these briefings may be held without representatives of Danone's 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
2019	5	95%
2018	7	92%

A report on each Audit Committee meeting is presented at the next Board of Directors' meeting, and the minutes of Audit Committee meetings are sent to all Directors, thereby enabling the Board to stay fully informed and thus facilitating its decisions.

The Executive Vice President, Chief Financial Officer, Technology & Data, Cycles and Procurement works with the Audit Committee on a regular basis and participates in Committee meetings.

Work of the Committee in 2019 and early 2020

- review of Danone's interim and annual statutory and consolidated financial statements. This review systematically involves: (i) presentation by the Executive Vice President, Chief Financial Officer, Technology & Data, Cycles & Procurement of Danone's principal financial results; (ii) review of financial indicators not defined by IFRS; (iii) presentation by the Statutory auditors of their audit approach for the annual and interim financial statements; (iv) joint presentation by the person responsible for the financial statements (Head of Consolidation, Reporting and Standards) and the Statutory auditors of the main accounting options chosen; (v) review of main legal disputes involving Danone; (vi) hearing the findings of the Statutory auditors, including any audit adjustments; and (vii) review of draft press releases on annual and interim consolidated financial statements;
- semi-annual monitoring of Danone's financial situation;
- presentation of the proposed dividend distribution submitted to shareholders for approval;
- review of financial authorizations submitted to the Shareholders' Meeting for approval;
- review of risk map for Danone's principal risks (including financial) by the person responsible for risk monitoring and management, and review of the description of risk factors in the Universal Registration Document;
- review and monitoring of internal control and internal audit work; monitoring of organization and effectiveness of audit and internal control systems; review of main findings of audits carried out during the year; monitoring of internal control objectives; review of sections of management report involving internal control and risk management;
- annual monitoring of compliance: policies involving integrity, competition law, personal data protection, international sanctions;
- review of Danone's tax situation and monitoring of current tax developments;
- approval and regular monitoring of Statutory auditors' fees in connection with their certification of the financial statements and other services, and review of their independence;
- review and approval of the procedure for authorizing services, other than the certification of the financial statements, performed by the Statutory auditors and the members of their networks.

GOVERNANCE COMMITTEE (FORMERLY KNOWN AS THE NOMINATION AND COMPENSATION COMMITTEE)

Composition as of December 31, 2019

	Date first joined the Committee
Michel LANDEL Chairman	April 2018
Benoît POTIER	April 2012
Lionel ZINSOU-DERLIN	February 2015
Clara GAYMARD	April 2016

Duties

The Governance Committee is responsible for monitoring governance matters, notably the appointment of Board members and corporate officers, as well as matters involving their compensation, especially with respect to the AFEP-MEDEF Code on corporate governance at listed companies, which serves as a reference for the Company. It reviews the corporate governance rules applicable to the Company and monitors their implementation as well as any changes thereto.

The Governance Committee 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 Governance Committee

Meetings and attendance

	GOVERNANCE COMMITTEE MEETINGS	ATTENDANCE RATE
2019	5	100%
2018	5	95%

A report on each Governance Committee meeting is presented at the next Board of Directors' meeting, and activity reports enable the Board to stay fully informed, thereby facilitating its deliberations. The Chairman and Chief Executive Officer regularly works with the Governance Committee, except on matters involving him personally.

Work of the Committee in 2019 and early 2020

Regarding governance

- annual review of relevance of governance method;
- review of amendments to Board's internal rules of procedure and of the rules of procedure of the Committees;
- review of organization of the Committees and their governance;
- review of the composition of the Board with respect to the diversity policy, and specifically the relative number of female Directors, independent Directors, international Directors and the suitability of the Directors' expertise, leading to a review for the 2019 and 2020 Shareholders' Meetings of term of office renewals and possible appointments of new Directors;
- annual individual review of the independence of each Director and actual or potential conflicts of interest (see the above section *Independence of Directors*);
- review of composition of the Board and Committees, and more specifically a review of appointments to the Purpose & Engagement Committee of Mr. Benoît POTIER as Chairman, Mr. Guido BARILLA, Mrs. Virginia A. STALLINGS, Mrs. Serpil TIMURAY and Mrs. Bettina THEISSIG as members;
- annual review of operation of the Board of Directors;
- monitoring of comments by the French Financial Markets Authority regarding the 2018 Registration Document;
- review of succession plan in the event of an unforeseen vacancy of the Chairman and Chief Executive Officer due to resignation, death or temporary or definitive impediment due to illness, court order or any other reason, such plan having been prepared in conjunction with the current Chairman and Chief Executive Officer;
- update on the activity of the Lead Independent Director;
- review of draft reports on corporate governance for the years 2018 and 2019;
- monitoring of the "One Person, One Voice, One Share" program and notably the capital increases reserved for foreign employees;
- monitoring of capital increase reserved for employees participating in the Company Savings Plan.

Regarding compensation

- review of Danone's compensation policy, notably the review of weightings of various components and coherence of performance conditions;
- review and determination of various criteria and weighting factors of annual variable compensation: in particular, for each criterion, setting of the target, the cap and the maximum and minimum that may be granted;
- review of compensation programs (i) long-term cash, including review of fulfillment of performance conditions and setting of performance targets for the year; (ii) long-term share-based, including the determination of performance conditions and review of their fulfillment, the review of the obligation to hold shares for corporate officers and Executive Committee members;
- review of compensation policy for 2019 and 2020 of corporate officers;
- review of conditions for renewing the term of office of Mr. Emmanuel FABER, in particular: conditions for terminating his employment agreement, severance benefit, defined benefit retirement plan, non-compete indemnity;
- preparation of resolutions related to 2018 and 2019 compensation for corporate officers in connection with the respective Shareholders' Meetings in 2019 and 2020;
- review of proposed resolutions regarding the granting of GPS by the 2019 and 2020 Shareholders' Meetings;
- review of allocation of Directors' compensation;
- review of disclosures related to compensation: February 2019, July 2019 and February 2020;
- review of regulatory changes regarding compensation and governance.

PURPOSE & ENGAGEMENT COMMITTEE

This Committee was established in April 2019. It replaces the Strategy Committee and Social Responsibility Committee.

Composition as of December 31, 2019

	Date first joined the Committee
Benoît POTIER Chairman	April 2019
Guido BARILLA	April 2019
Virginia A. STALLINGS	April 2019
Bettina THEISSIG	April 2019
Serpil TIMURAY	April 2019

Duties

The Purpose & Engagement Committee has the following responsibilities:

- monitoring the roll-out of policies, commitments and initiatives implemented by Danone as part of its 2030 Goals, notably in the health, environment, human resources, inclusive growth and B Corp™ certification areas;
- maintain a dialogue with employees and their representatives by consulting with them on the company's progress toward the 2030 Goals and by reporting to them on the discussions held by the Board on the long-term deployment of the "One Planet, One Health" company vision and progress toward the 2030 Goals;
- review the reporting and non-financial control systems as well as the main results of non-financial information disclosed by Danone.

The duties of the Purpose & Engagement 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 Purpose & Engagement Committee

Meetings and attendance

	PURPOSE & ENGAGEMENT COMMITTEE MEETINGS	ATTENDANCE RATE
2019	4	92%
2018	–	–

In 2019, five meetings were held, including one attended by 13 of 26 volunteers (13 in person and 13 by videoconference) representatives of Danone's 100,000 employees as part of the new inclusive governance model established in connection with the "One Person, One Voice, One Share" program.

Each Purpose & Engagement Committee meeting involves the presentation of a report to the Board of Directors, and the meetings of the Committee are provided to all Directors, thereby enabling the Board to be fully informed of the issues related to social and environmental responsibility and thus facilitating its deliberations.

Work of the Committee in 2019 and early 2020

- review of annual budget of societal fund Danone Communities, and in that regard review of Danone's contribution to Danone Communities and review of investment projects by the FPS Danone Communities;
- 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 Wise[2] program on workplace safety and health;
- presentation of report of Personal Ethics Commission meetings examining various issues related to Human Resources;
- deployment of "One Person, One Voice, One Share" program: meeting and discussions between the Committee and 26 Danone employee volunteers;
- annual review of Danone's non-financial reporting and monitoring of its non-financial rating;
- annual update on Danone's participation in the FTSE4Good index;
- monitoring of commitments undertaken by Danone in connection with the Consumer Goods Forum, notably with respect to deforestation;
- monitoring of initiatives taken by Danone as part of its 2030 Goals in the areas of health, resource preservation, Manifesto brands and with respect to social issues;
- review of the latest scientific publications relating to healthy food models;
- monitoring of Danone initiatives with respect to regenerative agriculture and the Green Day project;
- update on packaging-related challenges;
- update on Danone's CSR and monitoring of the internal Danone Way program aimed at deploying sustainable development best practices at the Company;
- monitoring of B Corp™ certification;
- monitoring of social impact projects financed by the social bond issued in 2018.

COMMITTEES DISBANDED IN 2019

Social Responsibility Committee

The Social Responsibility Committee was disbanded on April 25, 2019. This Committee was responsible for supervising the actions, policies and practices implemented by Danone in the social, environmental, ethical, nutritional areas as well as audit, internal control, internal reporting and non-financial ratings matters.

In 2019, it held one meeting, during which it reviewed in particular: (i) the Danone Communities annual budget; (ii) Danone's non-financial reporting; (iii) accomplishments in connection with the social bond issued in 2018; (iv) scientific publications relating to the impact of the food industry on the environment and health.

Strategy Committee

The Strategy Committee was disbanded on April 25, 2019. The purpose of this Committee was to analyze Danone's main strategic orientations. It prepared and shed light on the work of the Board for matters of major strategic interest. No meeting was held in 2019.

EXECUTIVE COMMITTEE

Role

Under the authority of the Chairman and Chief Executive Officer, the Executive Committee is responsible for Danone's operational management. It implements the strategy defined by the Board of Directors, reviews and approves resource allocation, ensures the consistency of the actions taken by all the subsidiaries and reporting entities and, depending on the results achieved, decides on action plans to be implemented. The Executive Committee meets at least once a month.

In accordance with the provisions of the September 5, 2018 Act for the freedom to choose one's future career, women make up more than 40% of the Executive Committee. Danone also strives to have balanced representation of men and women at each level of its organization. The Board ensures that a policy of non-discrimination and diversity is implemented in its management bodies. Upon the proposal of General Management and in accordance with AFEP-MEDEF Code recommendations, the Board of Directors ensures that General Management sets ambitious gender diversity goals for the Executive Committee and senior management, and is kept informed of the resources put in place and results obtained (see Section 5.4 *Building the future with Danone employees* hereinbefore).

Composition as of March 1, 2020: 7 members

Name	Age	Principal function at Danone	Date first joined the Executive Committee
Emmanuel FABER	56	Chairman and Chief Executive Officer	2000
Bertrand AUSTRUY	46	Executive Vice President, Human Resources and General Secretary	2015
Henri BRUXELLES	54	Executive Vice President, Waters and Africa	2017
Cécile CABANIS	48	Executive Vice President, Chief Financial Officer, Technology & Data, Cycles and Procurement	2015
Francisco CAMACHO	54	Executive Vice President, Essential Dairy and Plant-Based	2011
Nigyar MAKHMUDOVA	52	Executive Vice President, Growth & Innovation	2019
Véronique PENCHIENATI-BOSETTA	53	Executive Vice President, Specialized Nutrition	2018

APPLICATION OF AFEP-MEDEF CORPORATE GOVERNANCE CODE FOR LISTED COMPANIES

In 2008, Danone decided to refer to the AFEP-MEDEF Code and applies its recommendations, with the exception of the following points:

Recommendations	Danone practice and justification
Governance Committee operating methods (section 18.3 of the AFEP-MEDEF Code) *"During the presentation of the report on the work of the Compensation Committee, the Board must deliberate on compensation for corporate officers without them being present."*	The Board of Directors deliberates in the presence of the corporate officers on their compensation, but these officers do not take part in either the deliberations or the vote on decisions involving them. In addition, it only reaches decisions on this matter upon the recommendation of the Governance Committee, which consists of three-fourths independent Directors and therefore does include any corporate officer. Lastly, a Lead Independent Director, whose position was established in 2013 and whose powers were enhanced in 2017, provides additional guarantees regarding the proper functioning of the Board and balance of powers between General Management and the Board.
Presence of a Director representing employees on the Governance Committee (section 18.1 of the AFEP-MEDEF Code) *"It is recommended [...] that an employee-director be a member of it."*	The Board, working with the Directors representing employees, did not deem it useful to appoint a Director representing employees to the Governance Committee. The Board, having determined that the profile of Mrs. Bettina THEISSIG, Director representing employees, as well as her experience and in-depth knowledge of Danone are assets for the work of the Purpose & Engagement Committee, and appointed her a member of this Committee. In addition, in order to provide the Audit Committee with a concrete approach of its work, the Board appointed Mr. Frédéric BOUTEBBA, Director representing employees, to that Committee. It should be noted that Danone's Governance Committee consists of three-fourths Directors deemed independent, in accordance with the criteria of the AFEP-MEDEF Code, and exercises its activity under the responsibility of the Board. The work, recommendations and opinions of the Committee are summarized in detailed reports and discussed at Board meetings by all Directors, including Directors representing employees.

6.2 POSITIONS AND RESPONSIBILITIES OF THE DIRECTORS

(Article R. 225-83 of the French Commercial Code)

Information regarding the Directors:

- *the terms of office in italics are not governed by Article L. 225-21 of the French Commercial Code concerning multiple directorships;*
- *unless otherwise indicated:*
  - *the companies are in France;*
  - *current terms of office correspond to terms of office held as of December 31, 2019;*
  - *DANONE shares correspond to the number of DANONE shares held as of December 31, 2019;*
  - *the terms of office followed by the symbol SM are subject to approval by the Shareholders' Meeting of April 28, 2020.*

Directors whose renewal of office is proposed

Gregg L. ENGLES

Gaëlle OLIVIER

Isabelle SEILLIER

Jean-Michel SEVERINO

Lionel ZINSOU-DERLIN

Current Directors

Guido BARILLA

Cécile CABANIS

Emmanuel FABER

Clara GAYMARD

Michel LANDEL

Benoît POTIER

Franck RIBOUD

Virginia A. STALLINGS

Serpil TIMURAY

Directors representing employees

Frédéric BOUTEBBA

Bettina THEISSIG

Operating management of large companies / governance of listed companies

Experience in emerging markets

International experiences

Finance / Audit / M&A

FMCG / Food and beverage industry

Social and environmental responsibility

Nutrition / Health

GUIDO BARILLA

Chairman of the Board of Directors of BARILLA

Independent Director, Member of the Purpose & Engagement Committee

Age 61 – Italian nationality
First appointed to the Board: 2018 Shareholders' Meeting
End of term: 2021 Shareholders' Meeting
DANONE shares: 4,000

Expertise – Experience – Main activities

Guido BARILLA began his career in 1982 with a two-year experience abroad in the Sales Department at Barilla France, a subsidiary of the Barilla Group. He then worked at several food companies in the United States. In 1986, upon returning to the Barilla Group's headquarters in Parma, he became a company executive responsible primarily for the Group's international expansion. That same year, he was appointed to the Board of Directors of Barilla G. e R. F.lli S.p.A., and subsequently named Vice Chairman in 1988. Following his father's death in 1993, he became Chairman of the Board of Directors of Barilla G. e R. F.lli S.p.A. and Group Chairman as of 2003. In 2009, he became Chairman of the Advisory Board of the Barilla Center for Food and Nutrition (BCFN), now known as the BCFN Foundation.

Current terms of office

Danone companies

- Director and member of the Purpose & Engagement Committee of DANONE SA

Other companies

Foreign unlisted companies

- Director and Chairman of the Board of *CO.FI.BA. S.R.L* [a] (Italy), *GELP - S.P.A.* (Italy), *BARILLA G. E R. FRATELLI S.P.A* [a] (Italy), *BARILLA INIZIATIVE S.P.A* [a] (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* [a] (Italy), *F.I.R.S.T. COMMERCIALE S.R.L* [a] (Italy), *F.I.R.S.T. RETAILING S.P.A.* [a] (Italy)

Terms of office that expired over the past five years

- Member of the *DANONE SA* Social Responsibility Committee

(a) Barilla Group company.

FRÉDÉRIC BOUTEBBA

Political and Social Project Manager of DANONE SA

Director representing employees, Member of the Audit Committee

Age 52 – French nationality
First appointed to the Board: 2016 Shareholders' Meeting
End of term: 2020 Shareholders' Meeting [a]
DANONE shares: 1 [b]

Expertise – Experience – Main activities

Frédéric BOUTEBBA joined Danone in 1992 where he held a number of responsibilities in the Sales Department. In 2006, he changed course and began to represent and defend employees' interests, joining various employee representative bodies both at the head office of Danone Eaux France S.A.E.M.E. and at the national level. In January 2018, he became an advisor and urgent applications judge for the Industrial Tribunal (*Conseil de Prud'hommes*) of Bergerac.

Current terms of office

Danone companies

- Director representing employees and member of the Audit Committee of DANONE SA

Other companies

-

Terms of office that expired over the past five years

- Member of the *DANONE* Group-level Works Council
- Shop Steward, Member and Union Representative of the Works Council of *DANONE EAUX FRANCE S.A.E.M.E.*
- Member representing employees of *BRANCHE EAUX, BIÈRES ET B.R.S.A.*

(a) The term of office of this Director representing employees is currently in the process of being renewed by the employee representative bodies, in accordance with the statutory provisions and the by-laws.
(b) Share granted under the "One Person, One Voice, One Share" program.

6

CÉCILE CABANIS

Executive Vice President, Chief Financial Officer, Technology & Data, Cycles and Procurement of DANONE SA

Non-independent Director

Age 48 – French nationality
First appointed to the Board: 2018 Shareholders' Meeting
End of term: 2021 Shareholders' Meeting
DANONE shares: 17,482

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 Assistant Director in the group's Mergers-Acquisitions division. 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. Since February 2015, she has been Danone's Chief Financial Officer and a member of the Executive Committee. In 2017 she also became Head of Information Systems and Technologies and of Cycles, Procurement and Sustainable Resources Development at Danone. 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.

Current terms of office

Companies affiliated with Danone

- Director of DANONE SA
- Director of *MICHEL ET AUGUSTIN SAS*
- Director and Chair of the Board of Directors of *LIVELIHOODS FUND SICAV SIF* (Luxembourg)

Other companies

French listed companies

- Director and Chair of the Audit and Risks Committee of SCHNEIDER ELECTRIC SE
- Vice-President of the Supervisory Board, Chair of the Appointments and Compensation Committee and member of the Audit Committee of MEDIAWAN

French unlisted companies

- Member of the Supervisory Board of SOCIÉTÉ ÉDITRICE DU MONDE

Terms of office that expired over the past five years

- Director of *DANONE S.A.* [a] (Spain), *DANONE DJURDJURA* [a] (Algeria), *PRODUITS LAITIERS FRAIS IBERIA* [a] (Spain), *CENTRALE DANONE* [a] (Morocco), *FROMAGERIE DES DOUKKALA* [a] (Morocco), *DAN TRADE B.V.* [a] (Netherlands), *DANONE LIMITED* [a] (United Kingdom), *DANONE RUSSIA* [a] (Russia), *DANONE INDUSTRIA LLC* [a] (Russia), *DANONEWAVE PUBLIC BENEFIT CORPORATION* [a] (United States), *COMPAGNIE GERVAIS DANONE* [a]
- Member of the Supervisory Board of *TOECA INTERNATIONAL COMPANY B.V.* [a] (Netherlands), *DANONE SP. Z.O.O.* [a] (Poland)
- Chief Executive Officer of *DANONE CIS HOLDINGS B.V.* [a] (Netherlands)

(a) Company affiliated with Danone.

GREGG L. ENGLES

Founder and Managing Partner of CAPITOL PEAK PARTNERS

SM **Non-independent Director**

Age 62 – U.S. nationality
First appointed to the Board: 2017 Shareholders' Meeting
End of term: 2023 Shareholders' Meeting [a]
DANONE shares: 4,093

Expertise – Experience – Main activities

Gregg L. ENGLES has founded and led several investment firms: Kaminski Engles Capital Corporation in 1988, Engles Capital Corporation in 1989, and Engles Management Corporation in 1993. He founded Suiza Foods Corporation in 1993 and became Chairman and Chief Executive Officer in 1994. Suiza Foods Corporation was founded to consolidate the U.S. fluid milk industry and became one of the nation's leading food and beverage companies. It was listed in 2016 and later renamed Dean Foods Company. Gregg L. ENGLES created a branded dairy alternative business (WhiteWave) to the Dean Foods portfolio and built The WhiteWave Foods Company through a series of acquisitions, including International Delight in 1997, Silk in 2002, Horizon Organic in 2004, and Alpro in 2009. He became Chairman and Chief Executive Officer following its spin-off from Dean Foods Company in 2012. He held this position until April 2017, when the company was purchased by Danone.

Current terms of office

Danone companies

- Director of DANONE SA

Other companies

Foreign listed companies

- Director, Chairman of the Audit Committee, member of the Compensation Committee and Nominating and Governance Committee of *GCI LIBERTY, INC.* (United States)

Foreign unlisted companies

- Founder and Chief Executive Officer of *CAPITOL PEAK PARTNERS, LLC* (United States)
- Director of *MENINNO FOODS* (United States), *JL DARLING, INC.* (United States), *ELEVATION FOODS* (United States)

Terms of office that expired over the past five years

- Director of *LEXEA* (United States)
- Chairman and Chief Executive Officer of *THE WHITEWAVE FOODS COMPANY* (United States)
- Member of the Board of Directors, Chairman of the Audit Committee, member of the Compensation Committee and Nominating Committee of *LIBERTY EXPEDIA HOLDINGS, INC.* (United States)

(a) Subject to the renewal of his term of office by the Shareholders' Meeting of April 28, 2020.

EMMANUEL FABER

Chairman and Chief Executive Officer of DANONE SA

Non-independent Director

Age 55 – French nationality
First appointed to the Board: 2002 Shareholder's Meeting
End of term: 2022 Shareholder's Meeting
DANONE shares: 104,571

Expertise – Experience – Main activities

Emmanuel FABER began his career as a consultant at Bain & Company before working as an investment banker at Baring Brothers. He moved to Legris Industries, where he was named Chief Executive Officer in 1996. Emmanuel joined Danone in 1997 as Chief Financial Officer, Strategy and Information Systems, and became member of the company's Executive Committee in 2000. In 2005 he took up the position of Vice-President for the Asia-Pacific region. In 2008, Emmanuel was appointed Deputy General Manager and, in 2011, he became Vice-Chairman of the Board of Directors. In October 2014, he became Danone's Chief Executive Officer. Since December 1, 2017, he is also Chairman of the Board. Since 2019, Emmanuel FABER is Co-Chair of the Consumer Goods Forum, a CEO-led organization that helps the world's retailers and consumer goods manufacturers to collaborate, alongside other key stakeholders, to secure consumer trust and drive positive change. Emmanuel FABER is strongly committed to promoting innovative inclusive business models. In 2005, he supervised the first social business experiments conducted in Bangladesh with Grameen Bank and the creation of Danone Communities in 2006, in close collaboration with Nobel Peace Prize-Winner Muhammad Yunus. With Martin Hirsch, Emmanuel is also a founder and co-chair of the Business and Poverty Action Tank, a social-business incubator based at HEC in Paris which contributes to reduce poverty and social exclusion in France. In 2013, upon the request of the French Government, Emmanuel co-wrote with Jay Naidoo the report "Innovating by mobilizing stakeholders: 10 proposals for a new approach to Official Development Assistance". Since 2019, Emmanuel FABER spearheads the Business for Inclusive Growth (B4IG) initiative. Launched in August 2019, in connection with the G7 Leaders' Summit in Biarritz (France), B4IG is a first-of-its kind coalition of 40 leading global companies and partners committed to tackling inequalities and promoting inclusive growth, sponsored by French President Emmanuel Macron and coordinated by the OECD. In parallel, Emmanuel FABER actively contributes to building a global business movement for biodiversity. Launched in September 2019 at the United Nations Climate Action Summit in New York, the "One Planet Business for Biodiversity" (OP2B) coalition, hosted by the World Business Council for Sustainable Development (WBCSD), gathers 19 leading companies joining forces to step up regenerative farming practices and to protect biodiversity.

Current terms of office

Companies affiliated with Danone

- Chairman and Chief Executive Officer of DANONE SA
- Chairman of the Board of Directors of *DANONE NORTH AMERICA PUBLIC BENEFIT CORPORATION* (United States), *DANONE COMMUNITIES (SICAV)*
- Member of the Board of Directors of *LIVELIHOODS FUND FOR FAMILY FARMING SAS*
- Director of *COFCO DAIRY INVESTMENTS LIMITED* (Hong Kong), *PROMINENT ACHIEVER LIMITED* (Hong Kong)
- Director and Vice-President of *NAANDI COMMUNITY WATER SERVICES PRIVATE LTD* (India)
- Director of *GRAMEEN DANONE FOODS LIMITED* (Bangladesh)

Other companies

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Terms of office that expired over the past five years

- Member of the Strategy Committee and the Social Responsibility Committee of *DANONE SA*
- Chief Executive Officer, Deputy General Manager of DANONE SA
- Member of the Steering Committee of *LIVELIHOODS FUND SICAV SIF* (Luxembourg)
- Member of the Supervisory Board of LEGRIS INDUSTRIES SA

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CLARA GAYMARD

Co-founder of RAISE CONSEIL

Independent Director, Member of the Governance Committee

Age 59 – 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 numerous positions within the senior civil service from 1982 to 2006: she was an administrative officer at the Paris Mayor's Office between 1982 and 1984 and then, after leaving the ENA, she joined the French Public Audit Office (Cour des Comptes) initially as an auditor and then as public auditor as of 1990. She then served as assistant to the head of the French Trade Office in Cairo (1991-1993) and later as head of the European Union office in the foreign economic relations department (DREE) of the Ministry of Economy and Finance. In 1995, she was named cabinet director for the Minister for Solidarity between Generations. She was then appointed Assistant Director of SME Support and Regional Action at the DREE (1996-1999) before being named head of the SME Mission (1999-2003). From 2003, she served as Goodwill Ambassador in charge of foreign investments and as President of the French Agency for International Investments. She joined General Electric (GE) in 2006, where she became President of GE France and then President of the Northwest Europe region from 2008 to 2010.

In 2009, she was named Vice-President of GE International in charge of the major public accounts, and then in 2010 Vice-President for Governments and Cities. She left GE at the end of 2015 to focus on Raise, a company she co-founded with Gonzague DE BLIGNIERES. Clara GAYMARD was also Chair of the Women's Forum For the Economy and Society from 2014 to 2018.

Current terms of office

Danone companies

- Director and member of the Governance Committee of DANONE SA

Other companies

French listed companies

- Director and member of the Audit Committee of BOUYGUES
- Director of LVMH
- Director, member of the Compensation Committee and the Research, Innovation and Sustainable Development Committee of VEOLIA ENVIRONNEMENT

French unlisted companies

- Director of SAGES
- Chair of *PABAFAJAMET*, *RAISE CARAS SAS*
- Chief Executive Officer of *RAISE CONSEIL*, *LE PONTON SAS*

Terms of office that expired over the past five years

- Chair of *GENERAL ELECTRIC FRANCE*
- Representative in France of *GENERAL ELECTRIC INTERNATIONAL INC.* (United States)
- Chair of *WOMEN'S FORUM FOR THE ECONOMY AND SOCIETY*

MICHEL LANDEL

Lead Independent Director of DANONE SA

Independent Director, Chairman of the Governance Committee

Age 68 – French nationality
First appointed to the Board: 2018 Shareholders' Meeting
End of term: 2021 Shareholders' Meeting
DANONE shares: 4,000

Expertise – Experience – Main activities

Michel LANDEL began his career in 1977 at Chase Manhattan Bank. In 1980 he became Director of a civil engineering products factory with the Poliet group. He was recruited by Sodexo in 1984 as Operations Manager for East and North Africa, then promoted to Director Africa for the Remote Sites activities, and took over responsibility for the North American businesses in 1989. He contributed in particular to the 1998 merger with Marriott Management Services and the creation of Sodexho Marriott Services. In 1999 he became Chief Executive Officer of Sodexho Marriott Services, later Sodexo, Inc. In February 2000, Michel LANDEL was appointed Vice-Chairman of the Sodexo Executive Committee. From June 2003 to August 2005, Michel LANDEL served as Group Deputy General Manager in charge of North America, the United Kingdom and Ireland, as well as Remote Sites. From 2005 to 2018, he served as Chief Executive Officer of Sodexo and Chairman of the Executive Committee. He also received numerous awards for his efforts on behalf of diversity and inclusion, notably the CEO Leadership Award for Diversity Best Practices and CEO Advocate of the Year by Asian Enterprise Magazine.

In 2016, at the United Nations annual meeting on women's empowerment principles, Michel LANDEL received the CEO Leadership Award. For three years in a row (2015-2017), he was ranked among the Best-Performing CEOs in the World by the Harvard Business Review.

Current terms of office

Danone companies

- Lead Independent Director and Chairman of the Governance Committee of DANONE SA

Other companies

French listed companies

- Director and member of the Nominating and Governance Committee of LEGRAND

French unlisted companies

- Chairman of *ASTROLABE SERVICES*

Foreign unlisted companies

- Chairman of the Board of Directors of *LOUIS DELHAIZE – COMPAGNIE FRANCO-BELGE D'ALIMENTATION* (Belgium)

Terms of office that expired over the past five years

- Chief Executive Officer and Director of SODEXO
- Member of the Supervisory Board of *ONE SCA*
- Member of the Management Board of *SODEXO PASS INTERNATIONAL SAS*, *ONE SAS*
- Director of *SODEXO INC.* (United States)

GAËLLE OLIVIER

Chief Executive Officer for SOCIÉTÉ GÉNÉRALE Asia Pacific [a]

Independent Director, Member of the Audit Committee

Age 48 – French nationality
First appointed to the Board: 2014 Shareholders' Meeting
End of term: 2023 Shareholders' Meeting [b]
DANONE shares: 4,340

Expertise – Experience – Main activities

Gaëlle OLIVIER started her career at Crédit Lyonnais in the equity derivatives trading room, then in 1998 joined AXA Group to work at AXA Investment Managers. Two years later, she was appointed Executive Assistant to AXA Group's Chairman and Chief Executive Officer as well as Secretary of the Supervisory Board and the Management Board, a position she held for five years. In 2004 she joined AXA Japan as Head of Investment Operations, then in 2006 became a member of the Management Committee in charge of strategy, audit and integration with Winterthur Japan. In 2009, she became AXA Group Head of Communications and Corporate Responsibility, then in 2011 was named Chief Executive Officer for Property & Casualty Insurance business at AXA Asia. In January 2016 she became Chief Executive Officer of AXA Entreprises in France. In July 2016 she was appointed Chief Executive Officer of AXA Global P&C and joined the AXA Group's Management Committee. Gaëlle OLIVIER left the AXA Group in November 2017 and is developing other business projects, notably in the new technologies sector. Gaëlle OLIVIER was named Chief Executive Officer for Société Générale Asia Pacific as of January 2, 2020.

Current terms of office

Danone companies

- Director and member of the Audit Committee of DANONE SA

Other companies

French unlisted companies

- Manager of *KYOUKO (SARL)*

Terms of office that expired over the past five years

- Chair of the Board of *GALYTIX LTD* (United Kingdom)
- Chief Executive Officer and Chair of *AXA GLOBAL P&C*
- Chair of the Board and of the Compensation Committee of *AXA CORPORATE SOLUTIONS ASSURANCE*
- Director of *AXA UK*
- Chair of the Board of *AXA GLOBAL DIRECT SA*
- Chair and member of the Board of *AXA ART* (Germany), *AXA THAILAND PUBLIC COMPANY LIMITED* (Thailand)
- Chief Executive Officer of *AXA ENTREPRISES*
- Director of *AXA GENERAL INSURANCE HONG KONG LIMITED* (China), *AXA GENERAL INSURANCE CHINA LIMITED* (China), *AXA TIAN PING PROPERTY & CASUALTY INSURANCE COMPANY LIMITED* (China), *AXA INSURANCE SINGAPORE PTE LTD* (Singapore), *AXA ASIA REGIONAL CENTRE PTE LTD* (Singapore), *AXA AFFIN GENERAL INSURANCE BERHAD* (Malaysia), *BHARTI – AXA GENERAL INSURANCE COMPANY LIMITED* (India)

(a) As of January 2, 2020.
(b) Subject to the renewal of her term of office by the Shareholders' Meeting of April 28, 2020.

BENOÎT POTIER

Chairman and Chief Executive Officer of L'AIR LIQUIDE SA

Non-independent Director, Chairman of the Purpose & Engagement Committee and member of the Governance Committee

Age 62 – French nationality
First appointed to the Board: 2003 Shareholders' Meeting
End of term: 2021 Shareholders' Meeting
DANONE shares: 8,846

Expertise – Experience – Main activities

A graduate of the École Centrale de Paris, Benoît POTIER joined Air Liquide in 1981 as a Research and Development engineer. He then held positions as Project Manager in the Engineering and Construction Department and Head of Energy Development within the Large Industry segment. In 1993, he was named Head of Strategy-Organization and in 1994 he was appointed Head of Chemicals, Steel, Refining and Energy Markets. He became Deputy General Manager in 1995 and added to the aforementioned responsibilities that of Head of Construction Engineering and Large Industry for Europe. He was appointed Chief Executive Officer in 1997, Director of Air Liquide in 2000 and Chairman of the Management Board in November 2001. In 2006 he was named Chairman and Chief Executive Officer of L'Air Liquide SA. In addition, he was named Vice Chairman of the European Round Table of Industrialists in 2010 and then Chairman in 2014. He held this position until May 2018. Since 2018, he has been the Co-Chair of the Hydrogen Council.

Current terms of office

Danone companies

- Director, Chairman of the Purpose & Engagement Committee and member of the Governance Committee of DANONE SA

Other companies

French listed companies

- Chairman and Chief Executive Officer of L'AIR LIQUIDE SA

Foreign listed companies

- Member of the Supervisory Board and member of the Nominating Committee of *SIEMENS AG* (Germany)

French unlisted companies

- Chairman and Chief Executive Officer of *AIR LIQUIDE INTERNATIONAL* [a]
- Director of *THE HYDROGEN COMPANY* [a]

Foreign unlisted companies

- Chairman and Chief Executive Officer of *AIR LIQUIDE INTERNATIONAL CORPORATION* [a] (United States)
- Director of *AMERICAN AIR LIQUIDE HOLDINGS INC.* [a] (United States)
- Co-Chair of *THE HYDROGEN COUNCIL* (Belgium)

Terms of office that expired over the past five years

- Chairman of the Strategy Committee of *DANONE SA*
- Director of *CENTRALESUPELEC*

(a) Air Liquide Group company.

FRANCK RIBOUD

Honorary Chairman of DANONE SA

Non-independent Director

Age 64 – French nationality
First appointed to the Board: 1992 Shareholders' Meeting
End of term: 2022 Shareholders' Meeting
DANONE shares: 124,309

Expertise – Experience – Main activities

Franck RIBOUD joined Danone in 1981 and held successive positions through 1989 in Management Control, Sales and Marketing. After serving as Head of Sales at Heudebert, in September 1989 he was appointed to head up the department responsible for the integration and development of new companies in the Biscuits Division. He was involved in the largest acquisition, at the time, by a French company in the United States, namely the acquisition of Nabisco's European activities by BSN. In July 1990, he was appointed Chief Executive Officer of Société des Eaux Minérales d'Évian. In 1992, he became Head of Danone's Development Department. Danone then launched its international diversification marked by increased development in Asia and Latin America and the creation of an Export Department. He served as Chairman and Chief Executive Officer of Danone from May 1996 to October 2014, at which time he became Chairman of the Board of Directors. From 2003 to 2017, he was Danone's representative to the French Council on Sustainable Development. He was also Chairman of the Steering Committee of the Danone Ecosystem Fund (2009-2017) and Chairman of the Board of the Livelihoods Fund for Family Farming (2015-2017). Since December 2017, he has been the Honorary Chairman of Danone.

Current terms of office

Danone companies

- Honorary Chairman and Director 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 that expired over the past five years

- Chairman of the Board, Chief Executive Officer, Chairman of the Strategy Committee of DANONE SA
- Director of RENAULT SA and *RENAULT SAS*
- Member of the Steering Committee of *LIVELIHOODS FUND SICAV SIF* [a] (Luxembourg)
- Chairman of the Board of *LIVELIHOODS FUND FOR FAMILY FARMING SAS* [a]
- Chairman of the Board of *DANONE COMMUNITIES (SICAV)* [a]
- Director of *DANONE S.A.* [a] (Spain), *BAGLEY LATINOAMERICA SA* [a] (Spain)

(a) Company affiliated with Danone.

ISABELLE SEILLIER

Global Chairman of Investment Banking at J.P. MORGAN

SM **Non-independent Director**

Age 59 – French nationality
First appointed to the Board: 2011 Shareholders' Meeting
End of term: 2023 Shareholders' Meeting [a]
DANONE shares: 4,073

Expertise – Experience – Main activities

In 1987, Isabelle SEILLIER began her professional career in the options division of Société Générale in Paris, where she headed the Sales Department for options products in Europe until 1993. She joined J.P. Morgan in Paris in 1993 as head of the sales department for derivative products in France for industrial companies. In 1997, she became an investment banker at J.P. Morgan & Cie SA as a banking advisor providing coverage for large industrial clients. In March 2005, she was appointed joint head of investment banking before being named sole head of this activity in June 2006. In 2008, she became President of J.P. Morgan for France while remaining in charge of investment banking for France and North Africa. In January 2016, she was appointed Vice-President of Investment Banking for J.P. Morgan for Europe, the Middle East and Africa. Since 2019, she has been Global Chairman of Investment Banking for J.P. Morgan. In addition, 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 helps these associations.

Current terms of office

Danone companies

- Director of DANONE SA

Other companies

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Terms of office that expired over the past five years

- Member of the Strategy Committee of *DANONE SA*

(a) Subject to the renewal of her term of office by the Shareholders' Meeting of April 28, 2020.

JEAN-MICHEL SEVERINO

Manager of I&P SARL

SM Independent Director, Chairman of the Audit Committee

Age 62 – French nationality
First appointed to the Board: 2011 Shareholders' Meeting
End of term: 2023 Shareholders' Meeting [a]
DANONE shares: 4,505

Expertise – Experience – Main activities

Jean-Michel SEVERINO began his career at the Inspection Générale des Finances (French General Inspection of Finance) (1984-1988). He was then named technical advisor for economic and financial affairs at the French Ministry of Cooperation (1988-1989). He later became the head of that Ministry's Department of Economic and Financial Affairs and then its Development Director. In 1996, he was recruited by the World Bank as Director for Central Europe at a time when this region was marked by the end of the Balkans conflict and reconstruction. He became the World Bank's Vice-President in charge of East Asia from 1997 to 2001 and focused on the management of the macroeconomic and financial crisis in these countries. Then, he was named Chief Executive Officer of the Agence Française de Développement, where from 2001 to 2010 he led the expansion efforts to cover the entire emerging and developing world. In 2010, at the end of his third term of office, he returned to the Inspection Générale des Finances, where he was responsible for the French Water Partnership. In 2011, he left the civil service to head up I&P (Investisseurs et Partenaires), a fund management company specializing in financing African small and medium-sized businesses. In addition to his professional duties, he has significant experience in the educational and research areas, notably as an associate professor at Centre for Studies and Research on International Development (CERDI). He was elected as a member of the National Academy of Technologies of France (Académie des Technologies) in 2010 and is currently a senior fellow and director of the Foundation for Studies and Research on International Development (FERDI). He is also actively involved in several non-profit foundations and associations focusing on ethics and development.

Current terms of office

Danone companies
- Director and Chairman of the Audit Committee of DANONE SA

Other companies

French listed companies
- Director and member of the Audit Committee of ORANGE

French unlisted companies
- Chairman of the Board of Directors of EBI SA (ECOBANK INTERNATIONAL)
- Director of PHITRUST IMPACT INVESTORS SA
- Manager of *ÉMERGENCES DÉVELOPPEMENT, I&P (INVESTISSEURS ET PARTENAIRES)*
- Co-Manager of *I&P CONSEIL*

Foreign unlisted companies
- Director of *I&P GESTION* (Mauritius)
- Chairman of the Board of Directors of *I&P AFRIQUE ENTREPRENEURS* (Mauritius)

Terms of office that expired over the past five years

- Member of the Strategy Committee and Social Responsibility Committee of *DANONE SA*
- Director of *ADENIA PARTNERS* (Mauritius)

(a) Subject to the renewal of his term of office by the Shareholders' Meeting of April 28, 2020.

VIRGINIA A. STALLINGS

Professor of Pediatric Medicine at CHILDREN'S HOSPITAL OF PHILADELPHIA

Independent Director, Member of the Purpose & Engagement Committee

Age 69 – U.S. nationality
First appointed to the Board: 2012 Shareholders' Meeting
End of term: 2021 Shareholders' Meeting
DANONE shares: 4,000

Expertise – Experience – Main activities

Virginia A. STALLINGS is a Professor of Pediatrics at the University of Pennsylvania Perelman School of Medicine and holds a Chair in Gastroenterology and Nutrition. She is also Director of the Nutrition Center at Children's Hospital of Philadelphia. She is a pediatrician and a clinical and research specialist focused on nutrition and health in children and adults, as well as on growth in children with chronic illnesses. Her research interests are in nutrition-related growth in healthy children and those with chronic illnesses. She has been extensively involved in pediatric nutrition clinical care and research for more than 25 years. She recently founded a company, Medical Nutrition Innovation, LLC, to develop new nutrition products for infants, children and adults. Dr. STALLINGS plays a significant role in the community of nutrition scientists and physicians as a member of the U.S. National Academy of Medicine, the Food and Nutrition Board of the US National Academy of Sciences and the Council of the American Society for Nutrition. She chaired the National Academy of Medicine Committee on "Food Allergies: Global Burden, Causes, Treatment, Prevention and Public Policy", which published its conclusions and recommendations in 2016. She has received research and teaching awards from the American Society of Nutrition, the American Academy of Pediatrics and the National Academy of Medicine.

Current terms of office

Danone companies

- Director and member of the Purpose & Engagement Committee of DANONE SA

Other companies

Foreign unlisted companies

- Director of *FITLY* (United States)
- Founder and Administrator of Scientific Advisory Board of *MEDICAL NUTRITION INNOVATION, LLC* (United States)

Terms of office that expired over the past five years

- Chair of the Social Responsibility Committee of *DANONE SA*

BETTINA THEISSIG

Member of the European Works Council of DANONE and Chair of the Works Council of MILUPA NUTRICIA GMBH

Director representing employees, Member of the Purpose & Engagement Committee

Age 57 – German nationality
First appointed to the Board: 2014 Shareholders' Meeting
End of term: 2020 Shareholders' Meeting [a]
DANONE shares: 1 [b]

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 Early Life Nutrition Division since the acquisition of the Numico Group in 2007. After acquiring her first professional experience in Milupa's advertising department, she held various positions in several departments, including marketing, sales, human resources and medical, which enabled her to gain further knowledge of the Company. In 2002, her unwavering interest in the condition of employees and the protection of their rights prompted her to join the Works Council of Milupa, a Danone specialized nutrition company. 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. Bettina THEISSIG has also represented employees with disabilities since 1998.

Current terms of office

Danone companies

- Director representing employees and member of the Purpose & Engagement Committee of DANONE SA
- Chair of the Works Council and Central Works Council of *MILUPA GMBH* (Germany)

Other companies

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Terms of office that expired over the past five years

- Member of the Social Responsibility Committee of *DANONE SA*

(a) The term of office of this Director representing employees is currently in the process of being renewed by the employee representative bodies, in accordance with the statutory provisions and the by-laws.
(b) 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, Member of the Purpose & Engagement Committee

Age 50 – Turkish nationality
First appointed to the Board: 2015 Shareholders' Meeting
End of term: 2021 Shareholders' Meeting
DANONE shares: 7,271

Expertise – Experience – Main activities

Serpil TIMURAY 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 the 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 January 2014, she joined the Executive Committee of Vodafone Group and was appointed as the Regional CEO of Africa, Middle East, Asia-Pacific. In October 2016, she was appointed as the Group Chief Commercial Operations and Strategy Officer of Vodafone Group. She has been CEO Europe Cluster of Vodafone since October 2018 and continues to be a member of the Group's Executive Committee.

Current terms of office

Danone companies

- Director and member of the Purpose & Engagement Committee of DANONE SA

Other companies

Foreign unlisted companies

- Chair of the Board of Directors of *VODAFONE TURKEY* [a] (Turkey)
- Vice-Chair of the Supervisory Board and Chair of the Compensation Committee of *VODAFONE ZIGGO* (Netherlands)

Terms of office that expired over the past five years

- Member of the Social Responsibility Committee of *DANONE SA*
- Director of *GSMA* (United Kingdom)
- Director, member of the Nomination Committee, member of the Compensation Committee of *VODACOM GROUP* [a] (South Africa), *SAFARICOM KENYA* [a] (Kenya), *VODAFONE HUTCHISON AUSTRALIA* [a] (Australia)
- Director, Chair of the Social Responsibility Committee, member of the Nomination Committee, member of the Compensation Committee of *VODAFONE INDIA* [a] (India)
- Director of *VODAFONE EGYPT* (Egypt), *VODAFONE QATAR* [a] (Qatar)
- Chair of *VODAFONE* [a] and *QATAR FOUNDATION LLC* (Qatar)

(a) Vodafone Group company.

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LIONEL ZINSOU-DERLIN

Chairman of SOUTHBRIDGE SAS

SM **Independent Director, Member of the Audit Committee and the Governance Committee**

Age 65 – French and Beninese nationality
First appointed to the Board: 2014 Shareholders' Meeting
End of term: 2023 Shareholders' Meeting [a]
DANONE shares: 4,369

Expertise – Experience – Main activities

Lionel ZINSOU-DERLIN 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 between 2009 and 2015 and was Chairman of the Executive Committee between 2010 and 2015. Lionel ZINSOU-DERLIN was also a consultant for the United Nations Development Programme (UNDP). Since 2015, he has held the position of Vice Chairman of the Supervisory Board of PAI Partners SAS. From June 2015 to April 2016, he was the Prime Minister of Benin. In 2017, he was appointed President of the Terra Nova think tank. That same year, he co-founded Southbridge, a financial and strategic consulting firm focusing on Africa.

Current terms of office

Danone companies

- Director and member of the Audit Committee and Governance Committee of DANONE SA

Other companies

Foreign listed companies

- Director of *AMERICANA* (United Arab Emirates)
- Director of *ATTIJARIWAFA BANK* (Morocco)

French unlisted companies

- Vice Chairman of the Supervisory Board of *PAI PARTNERS SAS*
- Chairman of *SOUTHBRIDGE SAS*
- Chairman of the Supervisory Board of *LES DOMAINES BARONS DE ROTHSCHILD (LAFITE) SCA*
- Member of the Supervisory Board of *AP-HP INTERNATIONAL (SASU)*
- Chairman of the Supervisory Board of EFFICIENCE AFRICA FUND SA
- Chairman of the Advisory Committee of *BAOBAB (SAS)*

Foreign unlisted companies

- Chairman of the Board of Directors of *SOUTHBRIDGE HOLDING* (Mauritius)
- Director of *I&P* (Mauritius), *I&P AFRIQUE ENTREPRENEURS* (Mauritius), *SOUTHBRIDGE PARTNERS* (Ivory Coast)

Terms of office that expired over the past five years

- Director of KAUFMAN & BROAD SA
- Chairman of *PAI PARTNERS SAS*
- Chairman and Chief Executive Officer of *SOUTHBRIDGE FRANCE*
- Director of *PAI SYNDICATION GENERAL PARTNER LIMITED* (Guernsey), *PAI EUROPE III GENERAL PARTNER LIMITED* (Guernsey), *PAI EUROPE IV GENERAL PARTNER LIMITED* (Guernsey), *PAI EUROPE V GENERAL PARTNER LIMITED* (Guernsey), *PAI EUROPE VI GENERAL PARTNER LIMITED* (Guernsey)
- Member of the Advisory Committee of *MOËT HENNESSY*
- Member of the Supervisory Board of *CERBA EUROPEAN LAB SAS*
- Alternate Director of *UNITED BISCUITS TOPCO LTD* (Luxembourg)
- Manager of *SOFIA – SOCIÉTÉ FINANCIÈRE AFRICAINE SARL*

(a) Subject to the renewal of his term of office by the Shareholders' Meeting of April 28, 2020.

6.3 COMPENSATION AND BENEFITS OF GOVERNANCE BODIES

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COMPENSATION POLICY FOR CORPORATE OFFICERS FOR 2020

The compensation policy for corporate officers is drawn up by the Board of Directors pursuant to Articles L.225-37-2 and seq. of the French Commercial Code and is subject to approval by the Shareholders' Meeting. It defines all components of the fixed and variable compensation of the corporate officers and the decision-making process followed for its determination, revision and implementation.

This policy does the following:

- it complies with Danone's corporate purpose: (i) the variable component of this compensation, most of which is paid in the form of shares, aligns the interests of the corporate officers with those of the shareholders, and (ii) the performance factors taken into consideration include the long-term strategy of Danone as well as ESG criteria;
- it contributes to its sustainability, insofar as it both encourages talent retention within the Company and fits into its long-term vision thanks to its variable component governed by targets assessed over time;
- it forms an integral part of Danone's strategy, thanks to performance objectives based on economic, financial, social and environmental indicators such as sales, recurring operating margin or its environmental commitments and achievements.

General principles

Principles for determining the compensation of corporate officers

The principles for determining the compensation of Danone's corporate officers also state that this compensation must be:

- tied to the Company's 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 1,600 senior executives worldwide;
- determined by the Board of Directors on the basis of the Governance Committee's recommendations and in compliance with the AFEP-MEDEF Code;
- representative of the manager's responsibilities;
- determined in a general way, including, where applicable, all types of commitments such as indemnities or benefits due or likely to be due as a result of the officers assuming, terminating or changing their duties or after they perform these duties, such as severance pay and a non-compete indemnity for example;
- fixed by taking into consideration the compensation and employment terms of Danone's employees.

The application of these principles results in:

- the preponderance of the component of officers' compensation being subject to performance conditions;
- a long-term shareholding compensation component in the form of Group performance shares (GPS);
- the obligation requiring corporate officers and Executive Committee members to hold DANONE shares resulting from the allotment of GPS, thereby aligning their interests with those of shareholders;
- the capping of overall compensation.

All the performance conditions related to these components of long-term compensation and the review of their achievement are described in detail in Danone's Universal Registration Document.

Role of the Governance Committee

Danone's compensation policy is regularly reviewed by the Governance Committee (three-quarters of which is composed of independent Directors in 2019 and which is chaired by the Lead Independent Director).

The Governance Committee reviews the best market practices, based on (i) a benchmark prepared by a specialized and objective firm and including large international companies listed in France (CAC 40), and (ii) a peer group (or "panel") of leading global food and beverage groups. This panel is also used to determine the performance conditions for Group performance shares (GPS). At the date of this Universal Registration Document, it includes Unilever N.V., Nestlé S.A., PepsiCo Inc., The Coca-Cola Company, General Mills Inc., Kellogg Company, The Kraft Heinz Company and Mondelez International Inc. Danone is aiming to position the compensation for these officers between the median compensation and the third superior quartile of the benchmark CAC 40 index companies. The Governance Committee takes particular care to ensure that:

- the compensation is such as to attract, retain and motivate talented individuals while remaining consistent with Danone's employee compensation and employment terms and current market practices;
- long-term performance-based compensation is sufficiently high relative to annual compensation, to encourage corporate officers to achieve high performance over the long term;

- the performance criteria are stringent, complementary and stable such that they compensate long-term performance and ensure the alignment of shareholders' interests, in line with the targets announced by Danone to the financial markets, with those of the management. In addition, these performance conditions reflect best compensation practices, such as "no payment under guidance" and "no payment below the median" for the external performance conditions;
- all components of the compensation of corporate officers and member of the Executive Committee are taken into account, including the potential benefit of a supplementary retirement plan, and their balance is ensured.

Compensation policy of the Chairman of the Board of Directors (a non-executive corporate officer) for 2020

The principles presented below apply in the event of the duties of the Chairman of the Board and the Chief Executive Officer being separated.

Director's compensation

The Chairman of the Board may receive compensation for his/her directorship if he/she does not receive fixed compensation, under the terms of the compensation policy for Directors described below.

Fixed compensation and other benefits

Fixed compensation	• decided by the Board of Directors on the basis of the Governance Committee's opinion; • in accordance with the principles presented above, and notably consistent with the Chairman's responsibilities and experience and with market practices; • may be reviewed at relatively long intervals.
Benefits in kind	• benefits in kind may be granted only if they comply with Danone's policy (such as access to the car and driver pool).
Social security benefits	• Group insurance, healthcare and pension benefits identical to those of all of the Company's executives.

Variable compensation

The Chairman of the Board cannot receive any variable compensation whatsoever, whether annual or in the form of long-term cash or long-term shareholding.

Extraordinary compensation

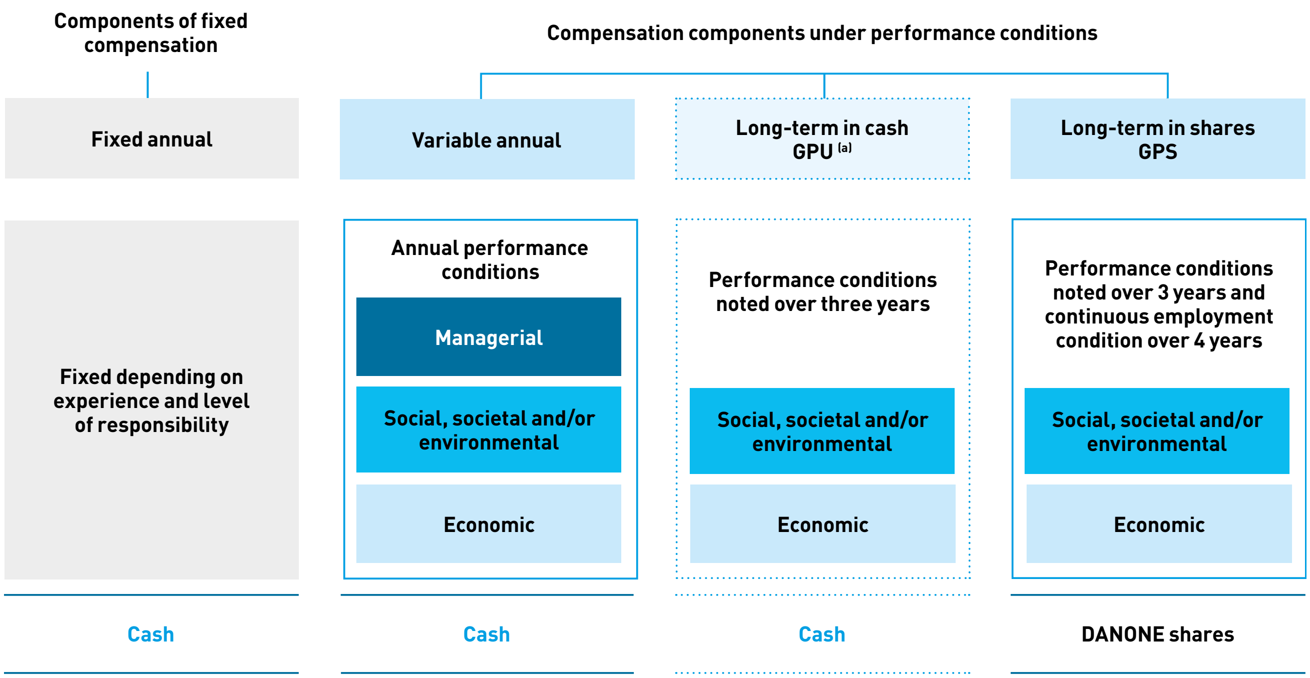
If a new Chairman of the Board is appointed, the Board may, on the recommendation of the Governance Committee, decide to grant this person extraordinary compensation in order to offset, in whole or part, the potential loss of compensation resulting from the acceptance of his/her new duties. Pursuant to Article L.225-100 III of the French Commercial Code, this compensation may be paid only after it has been approved by the Shareholders' Meeting.

Other components liable to be granted to the Chairman of the Board

As indicated above, the Board of Directors takes all components of compensation into consideration when assessing the overall compensation of the corporate officers. Where applicable, therefore, the determination of the Chairman's compensation would take into account the commitments authorized under Article L. 225-37-3, paragraph 4 of the French Commercial Code, subject to the requirements of the AFEP-MEDEF Code.

Compensation of executive corporate officers

Compensation structure summary



(a) As part of the simplification of its compensation, the Board has not granted any Group performance units to Emmanuel FABER since 2017.

As a reminder, components of variable annual or, where applicable, extraordinary compensation granted to the Chief Executive Officer for the previous year may be paid only after the relevant components have been approved by the Shareholders' Meeting under the conditions set out in Article L. 225-100 of the French Commercial Code.

Director's compensation

Danone policy on the compensation of directors (see section *Compensation policy for Directors* hereinafter) is to not pay executive corporate officers any compensation for their directorship.

Fixed compensation and other benefits

Fixed compensation	• compensates the duties incumbent in the office held; • is decided by the Board of Directors on the basis of the Governance Committee's opinion, in accordance with the principles presented above and taking into account their duties, their experience and market practices, in line with the collective principles that Danone applies to around 1,600 senior executives worldwide; • is reviewed at relatively long intervals. For example, the fixed compensation of Mr. Emmanuel FABER, amounting a million euros, has not changed since 2014.
Benefits in kind	• only benefits in kind that comply with Danone's policy (such as access to the car and driver pool) may be granted.
Social security benefits	• Group insurance, healthcare and pension benefits identical to those of all of the Company's executives.

Variable compensation

Structure	• annual variable compensation; • long-term variable compensation paid in cash and subject to performance conditions (GPU); • long-term variable compensation paid in the form of DANONE shares and subject to performance conditions (GPS). Long-term compensation in cash and shares represents, at the time of granting, about 50% of the overall compensation in value of executive corporate officers and cannot exceed 60% of this target compensation.
Stringent performance criteria	• mainly based on the Company's objectives as announced to the market and consistent with its strategic roadmap to 2030; • mainly economic (60% for annual variable compensation, and 80% for long-term variable compensation); • also social/environmental (20% for both annual variable compensation and long-term variable compensation); • and managerial (20% solely for annual variable compensation).

Annual variable compensation

Principles	• is determined by the Board of Directors on the basis of the Governance Committee's opinion and in accordance with the principles presented above, and is consistent with the duties of the person concerned and with market practices; • is subject to performance conditions including quantifiable economic criteria and social/environmental and managerial criteria determined beforehand and in a precise and objective manner by the Board of Directors on the basis of the Governance Committee's opinion; • has a target amount that may be up to 100% of the fixed compensation; • is capped at 200% of the fixed compensation; • has no minimum or guaranteed cap.
Structure	• quantifiable economic component based on Danone's main financial targets such as sales growth, operating margin improvement and free cash flow delivery; • social and environmental component based on Danone's objectives; and • managerial component determined on the basis of specific annual targets.
Performance criteria	• qualitative criteria are precisely defined and not made public for confidentiality reasons, in accordance with the French Financial Market Authority's recommendation no. 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 2020 financial year. It will also be presented in the 2020 Universal Registration Document and will be paid only after approval by the Shareholders' Meeting approving the accounts of the considered fiscal year.

Long-term variable compensation in cash (Group performance units)

Principles	• granted for a given fiscal year; • subject to performance conditions over three years on the basis of one or more quantifiable economic criteria, possibly supplemented by social and environmental criteria. These conditions are determined in advance by the Board of Directors, on the recommendation of the Governance Committee, which each year also determines whether or not the targets are achieved for each GPU plan.

To simplify the Chief Executive Officer's compensation structure and increase its share-based component, no GPUs have been granted to Mr. Emmanuel FABER since 2017.

More information on GPU plans is provided in section 6.4 *Detailed information on long-term compensation plans*, including the (i) general principles, (ii) performance targets, (iii) other applicable rules, (iv) details of GPUs granted in 2019 and a review of the potential achievement of performance conditions for 2019, and (v) detailed information on GPU plans in effect as of December 31, 2019.

Long-term variable compensation in shares (Group performance shares)

Principles	• established in 2010 to strengthen the commitment of beneficiaries (corporate officers, Executive Committee members and over 1,600 senior executives) to support Danone's development and increase its share price over the long term; • approved annually by the Shareholders' Meeting in a specific resolution; • granted by the Board of Directors on the recommendation of the Governance Committee; • subject to complementary performance criteria that are representative of Danone's performance and consistent with its specific business, assessed over a three-year period. These reflect key indicators monitored by investors and analysts to measure the performance of companies in the food and beverage sector. They may also include a societal and/or environmental criterion. The Board of Directors determines whether or not these performance objectives have been achieved, after an initial review by the Governance Committee; • definitively granted to all beneficiaries, subject to them being continuously present for four years, with the exception of those specified in the plan rules (including in the event of death or disability) or decided by the Board of Directors. In the case of the executive corporate officers, the Board of Directors may, where applicable, decide to partially waive the continuous employment condition on a *prorata temporis* basis and based on a reasoned opinion. Moreover, if there is a change of control, the fulfillment of the continuous employment condition for GPS granted from 2019 onwards to executive corporate officers and members of the Executive Committee will be assessed on a *prorata temporis* basis, calculated between the date of the grant and the date of the change of control, compared to the initial delivery date stipulated in the plan. In addition, regarding the fulfillment of the performance conditions, either the Board of Directors will have reached a decision regarding the level of achievement or no such decision will have been reached, in which case the Board, acting on the recommendation of the Governance Committee, will assess the extent to which each performance condition has been fulfilled on the basis of the available information; • capped as follows: the number of performance shares granted to executive corporate officers must not exceed 60% of each executive corporate officer's overall target compensation in terms of its accounting valuation (in accordance with the IFRS standards) estimated at the time of the grant; • granted in the form of Danone shares that the person is obliged to hold in accordance with the principles determined by the Board and stated below.
Performance conditions	These are generally: • an external performance criterion based on Danone's sales growth compared to that of a group of Danone's historical peers consisting of leading international groups in the food and beverage sector; • an internal performance criterion based on a key financial indicator such as operating margin, free cash flow or other; • an external environmental performance criterion.

More information on the GPS plans is provided in section 6.4 *Detailed information on long-term compensation plans*, including the (i) general principles, (ii) performance conditions, (iii) other applicable rules, (iv) details of the GPSs granted in 2019 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, 2019.

Extraordinary compensation

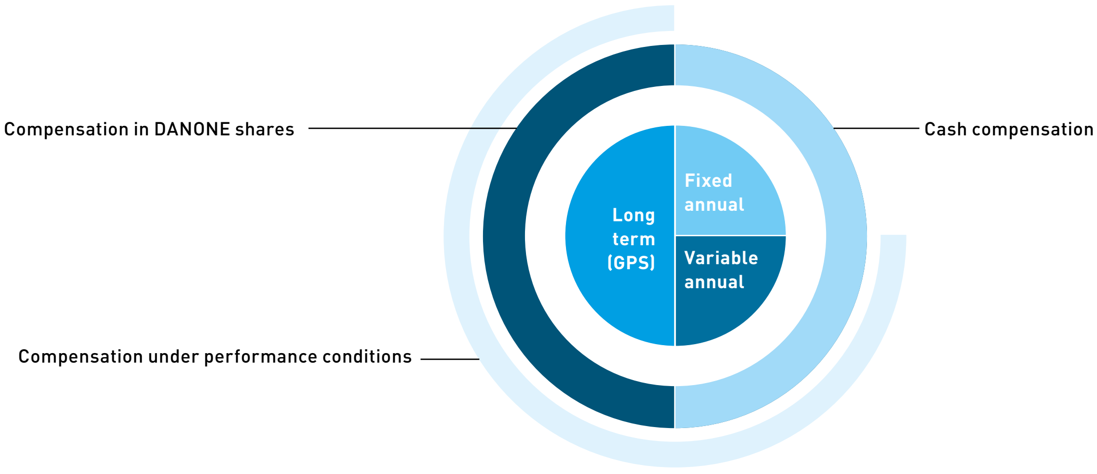
If a new executive corporate officer is appointed, further to an external hiring, the Board of Directors may, subject to the requirements of the AFEP-MEDEF Code and on the recommendation of the Governance Committee, decide to grant this person extraordinary compensation mainly in the form of long-term compensation in cash and/or shares subject to performance conditions, in order to fully or partly offset the potential loss of compensation resulting from the acceptance of his/her new duties. Pursuant to Article L.225-100 III of the French Commercial Code, this compensation may be paid only after it has been approved by the Shareholders' Meeting.

Other components liable to be granted to the executive corporate officers

The Board of Directors includes all components of compensation in its overall assessment of the compensation of corporate officers, including, where applicable, the commitments corresponding to the compensation components, indemnities or benefits due or likely to be due as a result of the officers assuming, terminating or changing their duties or after them performing these duties, such as severance pay and a non-compete indemnity, as well as retirement commitments, that may be granted to the corporate officers subject to the requirements of the AFEP-MEDEF Code.

It should be noted that, should a new executive corporate officer be appointed, he/she may be eligible for severance pay amounting to up to two years of gross annual compensation (fixed and variable) and subject to stringent performance conditions, as well as other commitments under Article L.225-37-3, paragraph 4 of the French Commercial Code, subject to the requirements of the AFEP-MEDEF Code.

Compensation structure of the Chairman and Chief Executive Officer of Danone



Compensation principles established for 2020

On the recommendation of the Governance Committee, the Board of Directors determined the principles of Mr. Emmanuel FABER's compensation for fiscal year 2020 at its meeting on February 25, 2020.

Fixed compensation €1,000,000	The amount of Mr. Emmanuel FABER's annual fixed compensation, which has not changed since 2014, was confirmed by the Board of Directors at its meeting on February 25, 2020, on the recommendation of the Governance Committee.
Annual variable compensation The target amount of the annual variable compensation for 2020, its components and the maximum compensation percentage are the same as for the previous year. • Target amount: €1,000,000 • Cap: €2,000,000 • No floor	As in 2019, it will consist of three components - an economic component based on Danone's targets, a social, societal and environmental component and a managerial component - with the same weightings. In accordance with the French Financial Market Authority's recommendation no. 2012-02 of February 9, 2012, the expected level of fulfillment for each of these criteria was specified in advance by the Board of Directors, on the recommendation of the Governance Committee, but not disclosed publicly for reasons of confidentiality. In accordance with AFEP-MEDEF Code recommendations, the allocation of this performance-based variable compensation will be specifically disclosed at the close of the 2020 financial year. It will also be presented in the 2020 Universal Registration Document. In addition, pursuant to Article L. 225-100 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 2020 will be subject to approval by the 2021 Shareholders' Meeting. The variable or extraordinary components of compensation granted for fiscal year 2020 will be paid only after approval by the 2021 Shareholders' Meeting.
Long-term variable compensation	The target amount is €2,000,000, with no floor and a maximum of €2,400,000.

COMPENSATION POLICY FOR DIRECTORS

This policy is fixed by the Board of Directors on the basis of the Governance Committee's opinion and subject to approval by the Shareholders' Meeting. It is drawn up pursuant to the provisions of Article L.225-37-2 of the French Commercial Code and the recommendations of the AFEP-MEDEF Code. In particular, it is adapted to the Directors' level of responsibilities and the time they devote to their duties and encourages their attendance at Board meetings. In particular, it takes into account the obligation requiring the Directors to hold 4,000 DANONE shares, thereby aligning their interests with those of the Company and its shareholders. It also attracts experts and notably promotes the international diversity of the Board of Directors by granting a travel bonus to foreign directors.

It provides that:

- the directors receive Directors' compensation; however, the members of the Executive Committee, the executive corporate officers, the honorary Directors, the Chairman of the Board (if he/she receives fixed compensation) and the Directors representing employees do not receive directors' fees;
- the Shareholders' Meeting must approve the total maximum amount of Directors' compensation to be divided among the Directors. This compensation must be allocated in accordance with the allocation rules the Board of Directors has decided, on the recommendation of the Governance Committee;
- The Directors' compensation includes a variable, larger component based on their actual attendance at the Board and Committee meetings.

The 18th resolution of the Shareholders' Meeting of April 29, 2015 fixed the annual maximum amount to be paid to the Board of Directors for compensating its members at €1,000,000. Since April 25, 2019, the allocation rules are as follows:

(in €)	Annual fixed amount	Per meeting	For travel – residing in Europe (not in France)	For travel – residing outside of Europe
Lead Independent Director	80,000	–	–	–
Director	10,000	–	–	–
Board meetings	–	–	–	–
Director	–	3,000	2,000	8,000
Committee meetings	–	–	–	–
Chair	–	8,000	2,000	8,000
Member	–	4,000	2,000	8,000

As a reminder, all Directors representing employees have an employment contract, like Mrs. Cécile CABANIS. Pursuant to the provisions of Article R.225-29-1 II of the French Commercial Code, the employment contract of Mrs. Cécile CABANIS provides for 3 months' notice and 24 months' severance pay.

In addition, the Board may, where applicable, allocate extraordinary compensation to a Director for a specific mission entrusted to him/her pursuant to Article L.225-46 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 2019

Pursuant to the provisions of Article L.225-100 II and III of the French Commercial Code, the report shown below includes the information in the 9th resolution subject to approval by the Shareholders' Meeting on April 28, 2020.

Compensation of the Chairman and Chief Executive Officer

Summary of the financial position of the Chairman and Chief Executive Officer

Compensation granted and value, on the grant date, of the GPU and GPS paid or granted in 2018 and 2019 to the Chairman and Chief Executive Officer (information required by Tables 1 and 2 of Annex 4 of the AFEP-MEDEF Code on the corporate governance of listed companies)

				Year ended December 31
(in €)		2018		2019
	Paid	Granted	Paid	Granted
Annual fixed compensation [a]	1,000,000	1,000,000	1,000,000	1,000,000
Annual variable compensation [a]	1,200,000	1,050,000	1,050,000	1,025,000
Annual compensation	**2,200,000**	**2,050,000**	**2,050,000**	**2,025,000**
Long-term compensation in cash (value of GPU paid [a] [b] and maximum value of GPU granted [c] for the year)	580,000	–	600,000	–
Benefits in kind [d]	7,347	7,347	7,402	7,402
Extraordinary compensation	N/A	N/A	N/A	N/A
Director's compensation [e]	N/A	N/A	N/A	N/A
Compensation in cash and benefits paid or granted in 2019	**2,787,347**	**2,057,347**	**2,657,402**	**2,032,402**
Long-term compensation in shares (value of GPS delivered and maximum value [f] of GPS granted for the year)	1,809,720	2,007,135	2,034,360	2,000,400
Total	**4,597,067**	**4,064,482**	**4,691,762**	**4,032,802**

(a) Gross amount.
(b) Correspond to grants in 2015 for GPU paid in 2018 and grants in 2016 for GPU paid in 2019.
(c) Since 2017, Mr. Emmanuel FABER no longer receives GPU.
(d) Correspond to the group insurance and the car and driver pool made available to all officers.
(e) In accordance with the compensation policy for corporate officers, Mr. Emmanuel FABER does not receive any director's compensation.
(f) Estimated value as of the grant date in accordance with IFRS 2, assuming the performance conditions have been met (see Note 8.4 of the Notes to the consolidated financial statements).

Compensation of the Chairman and Chief Executive Officer in 2019

Annual fixed compensation

The fixed compensation of Mr. Emmanuel FABER due for 2019 amounts to €1 million. It takes into account both his experience and his level of responsibility and has not changed since 2014 when he became Danone's Chief Executive Officer.

Annual variable compensation

Compensation target and annual cap set for 2019

Target amount of annual variable compensation: €1,000,000 (unchanged since 2014)

Performance conditions and cap

	Performance indicators	Portion of the target amount	Potential variation after weighting
Economic Quantifiable portion, calculated on the basis of Danone's economic targets	Like-for-like sales growth	25%	0% to 50%
	Recurring operating margin growth	25%	0% to 50%
	Free cash flow generation	10%	0% to 20%
	Total	**60%**	**0% to 120%**
Social, societal and environmental Reference to Danone's social, societal and environmental targets	Employees sustainable engagement	10%	0% to 20%
	Fulfillment of climate ambitions	10%	0% to 20%
	Total	**20%**	**0% to 40%**
Managerial Reference to specific annual targets	Organizational leadership	20%	0% to 40%
	Total	**20%**	**0% to 40%**
Total		**100%**	**0% to 200%**

Review of the achievement of objectives by the Board of Directors at its meeting of February 25, 2020, on the recommendation of the Governance Committee

The annual variable compensation of Mr. Emmanuel FABER for 2019, amounting to €1,025,000, represents 102.5% of the target compensation (compared with €1,050,000 for 2018; this compensation received 97.65% approval at the Shareholders' Meeting on April 25, 2019 in the 8th resolution). This compensation represents 102.5% of the annual fixed compensation and takes into account the following components:

Indicators	Weighting	Percentage of fulfillment	Weighted	Performance amount *(in euros)*
Economic	60%	91.7%	55%	550,000
Social, societal and environmental	20%	112.5%	22.5%	225,000
Managerial	20%	125%	25%	250,000
Total	**100%**	**–**	**102.5%**	**1,025,000**

Level of economic component achievement: 91.7% of target

Indicators	Weighting	Review of fulfillment of the following achievements	Percentage of fulfillment	Weighted
Growth	25%	Non fulfillment of the target due to a growth of 2.6%	0%	0%
Recurring operating margin	25%	Exceed the target due to a level of achievement greater than 15%	140%	35%
Free cash flow	10%	Exceed the target due to the free cash flow generation greater than 2.5 billion euros	200%	20%
Total	**60%**		**–**	**55%**

Level of social, societal and environmental achievement: 113% of target

Indicators	Weighting	Review of fulfillment of the following achievements	Percentage of fulfillment	Weighted
Employees sustainable engagement	10%	Employee commitment level was measured using the Danone People Survey bi-annual survey, combined this year with the "One Voice" program. With a 90% participation rate and over 175,000 verbatim reports, the "long-term engagement" rate hit an all-time high with a sharp increase in employee belief that the "One Planet. One Health" vision with be the making of Danone. Employee engagement levels are 7 percentage points higher than seen in the retail sector, with over 41,000 volunteers coming forward to contribute to the analysis and action plans surrounding Danone's 2030 targets.	125%	12.5%
Fulfillment of climate ambitions	10%	Danone's climate commitments were strengthened in 2019 with in particular the signing of the "1.5 degree" public commitment on the back of a call by the Secretary General of the United Nations. Moreover, Danone reaffirmed its A score from CDP, putting it in the top 2% of best performing companies in terms of climate and transparency. Furthermore, to address the major risk of biodiversity loss, Danone helped establish the "One Planet Business for Biodiversity" (OP2B) coalition, which brings together some 20 leading businesses to take action in this area and which was welcomed at the General Assembly of the United Nations in New York.	100%	10%
Total	**20%**		**–**	**22.5%**

Level of managerial component fulfillment: 125% of target

Indicators	Weighting	Review of fulfillment of the following achievements	Percentage of fulfillment	Weighted
Organizational leadership	20%	The activities of the two "Early Life Nutrition" and "Advanced Medical Nutrition" businesses have been merged into a single "Specialized Nutrition" Reporting Entity in 2019, and a uniform regional structure has been rolled out for all Danone activities. The "Specialized Nutrition" integration project began in early 2019 with the establishment of the new management team. The synergies plan then gave rise to a wide-ranging employee consultation, making it possible to combine the activities in the various countries in question. The integration has been a great success, this configuration having allowed the teams to deliver very strong economic and social performance in 2019. Moreover, all Danone activities have been reviewed with a view to combining them in a unified regional structure. The work began in July and the structure is already operational.	125%	25%
Total	**20%**		**–**	**25%**

Long-term compensation in cash (Group performance units)

Grants in 2019 and previous years

No GPUs have been granted to Mr. Emmanuel FABER since 2017.

Amounts paid (information required by Table 10 of Annex 4 of the AFEP-MEDEF Code on the corporate governance of listed companies)

		Year ended December 31
(in €)	**2018**	**2019**
Emmanuel FABER	580,000 [a]	600,000 [b]

(a) GPU granted in 2015 based on (i) partial fulfillment of targets for the year 2015 and (ii) total fulfillment of targets for 2016 and 2017.
(b) GPU granted in 2016 based on total fulfillment of targets for 2016, 2017 and 2018.

Details of the GPU plans are presented in section 6.4 *Detailed information on long-term compensation plans*, below.

Long-term compensation in shares (Group performance shares)

Grants in 2019 and previous years (Tables 6 and 9 of Annex 4 of the AFEP-MEDEF Code on the corporate governance of listed companies)

Date of the Board meeting that granted the GPS	7/23/2015	7/23/2016	7/23/2017	7/26/2018	7/24/2019
Number of GPS	36,000	34,200	35,021 [(a)]	34,475 [(a)]	30,000 [(a)]
Date of authorization of the Shareholders' Meeting	4/29/2015	4/28/2016	4/27/2017	4/26/2018	4/25/2019
Corresponding resolution	27th resolution	17th resolution	23rd resolution	15th resolution	19th resolution
Value of GPS granted for the year [(b)]	2,034,360	2,012,670	2,013,007	2,007,135	2,000,400
Number of GPS void or canceled [(c)]	–	–	–	–	–
Number of GPS that have become available	–	–	–	–	–
Delivery date	7/24/2019	7/28/2020	7/27/2021	7/27/2022	7/25/2023

(a) If the continuous employment condition is fulfilled, the free cash flow performance condition is met in full, the environmental condition is met in full and the sales performance condition is exceeded for the 2017, 2018 and 2019 GPS, Mr. Emmanuel FABER could receive 36,772, 36,199 and 31,500 shares in 2021, 2022 and 2023, respectively.

(b) Estimated book value as of the grant date in accordance with IFRS 2, assuming the performance conditions have been fulfilled (see Note 8.4 of the Notes to the consolidated financial statements).

(c) Cases in which the continuous employment condition was not fulfilled and do not include GPS that were not delivered because the performance conditions were not fulfilled.

The details of past GPS plans and ones still in effect are presented in section 6.4 *Detailed information on long-term compensation plans*.

If there is a change of control, the achievement of the continuous employment condition for GPS granted from 2019 onwards to executive corporate officers and members of the Executive Committee will be reviewed on a *prorata temporis* basis, calculated between the date of the grant and change of control relative to the initial delivery date stipulated in the plan. In addition, regarding the fulfillment of the performance conditions, either the Board of Directors will have reached a decision regarding the level of fulfillment or no such decision will have been reached, in which case the Board, acting on the recommendation of the Governance Committee, will assess the degree of fulfillment for each performance condition on the basis of the available information.

Other compensation and benefits to which the Chairman and Chief Executive Officer is entitled

Summary of contracts, plans and indemnities applicable in 2019

Contracts, plans and indemnities applicable to Danone's Chairman and Chief Executive Officer in 2019 (information required by Table 11 of Annex 4 of the AFEP-MEDEF Code on the corporate governance of listed companies)

Name	Employment contract		Supplementary pension plan		Indemnities or benefits due or likely to be due as a result of termination or change in function		Indemnities related to a non-compete clause	
	Yes	No [(a)]	Yes [(a) (b)]	No	Yes	No [(a)]	Yes	No [(a) (c)]
Emmanuel FABER		✓	✓			✓		✓
Chairman and Chief Executive Officer								
First appointment: 2002								
Current appointment ends: 2022								

(a) Through a letter dated January 25, 2019, effective from April 24, 2019, Mr. Emmanuel FABER terminated his employment contract and waived his severance pay as well as his defined-contributions retirement plan.

(b) Regarding the defined-contributions retirement plan ("article 83"), his rights ceased to increase on April 24, 2019, the termination date of his employment contract.

(c) His non-compete commitment also ended concurrently with the termination of the employment contract.

Benefits: group insurance and healthcare coverage

Mr. Emmanuel FABER is entitled to the same group insurance and healthcare benefits offered to all Danone SA managers. He is also entitled to the same life and disability insurance applicable to all Danone employees.

Supplementary pension plan

Defined-contributions retirement plan

In connection with the termination of his employment contract, Mr. Emmanuel FABER has waived his defined-contributions retirement plan set up for certain Danone senior executives, subject to the provisions of Article L.137-11 of the French Social Security Code. Established in 1976, this plan was designed to retain senior executives having the status of "Group directors" and has been closed to new beneficiaries since 2003. On December 31, 2019, 88 Group directors were members of this plan (excluding plan beneficiaries who had already claimed their pension benefits), compared to 170 potential beneficiaries in 2003. A presentation of the methods for calculating the pension annuity and cap that would have applied to Mr. Emmanuel FABER until April 24, 2019 appears in the 2017 Registration Document on pages 254 to 257.

Defined-contributions retirement plan

Since April 25, 2019, Mr. Emmanuel FABER is entitled to a defined-contributions retirement plan ("article 83") available solely 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.

They 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. The contributions paid by Danone for 2019 totaled €5,673.

Compensation components paid or granted in 2019 to the Chairman and Chief Executive Officer and on which the Shareholders' Meeting on April 28, 2020 is asked to decide under the terms of the 10th resolution

Pursuant to Article L.225-100 III of the French Commercial Code:

- the following compensation components are subject to approval by the Shareholders' Meeting on April 28, 2020: fixed, variable and extraordinary compensation making up the total compensation and the benefits in kind paid or granted in 2019;
- the annual variable compensation granted for fiscal year 2019 cannot be paid without the approval of the Shareholders' Meeting on April 28, 2020.

Compensation and benefits paid or granted to Mr. Emmanuel FABER in 2019

Compensation items submitted for approval by the Shareholders' Meeting	Amounts paid during 2019	Amounts granted in respect of 2019 fiscal year	Presentation
Fixed compensation	€1,000,000 In respect of 2019 fiscal year		The fixed compensation takes into account Mr. Emmanuel FABER's experience and level of responsibility. It has not changed since 2014. In 2019, this represents about 25% of the total compensation.
Annual variable compensation	€1,050,000 In respect of 2018 fiscal year Compensation approved by the 8th resolution of the Shareholders' Meeting on April 25, 2019	€1,025,000 In respect of 2019 fiscal year Payment of this compensation is subject to approval by the Shareholders' Meeting on April 28, 2020 (10th resolution)	The target annual variable compensation was fixed by the Board at €1,000,000. This compensation is granted subject to performance conditions based on the fulfillment of quantifiable economic criteria (representing 60% of the target), social/environmental criteria (representing 20% of the target) and managerial criteria (representing 20% of the target). It is capped at 200% of the fixed compensation.
Long-term variable compensation in cash (GPU)	€600,000 In respect of GPU granted in 2016	Not applicable	Long-term variable compensation in cash corresponds to Group performance units. He has not been granted any GPU since 2017.
Extraordinary compensation	Not applicable		Mr. Emmanuel FABER has not been granted any extraordinary compensation.
Long-term compensation in shares (GPS)	36,000 GPS granted in 2015 were delivered under a GPS plan approved by the Shareholders' Meeting on April 29, 2015 (27th resolution). Wording for information only not subject to a vote in the 9th resolution submitted to the Shareholders' Meeting on April 28, 2020	€2,000,400 In respect of GPS granted in 2019	Long-term compensation in shares takes the form of Group performance shares (GPS). GPS are Company shares subject to performance conditions. For information, 36,000 2015 GPS were delivered in 2019, amounting to a book value of €2,034,060. The plan was approved by the Shareholders' Meeting on April 29, 2015 (27th resolution). In 2019, 30,000 2019 GPS amounting to a book value of €2,000,400 were granted and are liable to be increased to 31,500 GPS if the continuous employment condition is fulfilled, the free cash flow performance condition is fully met, the environmental condition is fully met and the sales growth condition is exceeded. The plan was approved by the Shareholders' Meeting on April 25, 2019 (19th resolution). This grant represented 0.004% of Danone's share capital. See details of granting and performance conditions in section 6.4 *Detailed information on long-term compensation plans*
Stock options	Not applicable		The last stock options grant took place in November 2009 and none is currently in progress.
Director's compensation	Not applicable		Danone's policy consists in not paying any compensation to the executive corporate officers for their directorship.
Benefits in kind	€7,402 In respect of 2019 fiscal year		Corresponds to the group insurance plan and the car and driver pool.
Severance pay and non-compete indemnity	None was paid	Not applicable	Through a letter dated January 25, 2019, Mr. Emmanuel FABER terminated his employment contract (with effect from April 24, 2019) and waived his severance pay. His non-compete commitment ended concurrently with the termination of his employment contract.
Supplementary pension plan	Not applicable		Since April 24, 2019, Mr. Emmanuel FABER benefits from the defined-contributions retirement plan set up for the benefit of Danone employees.

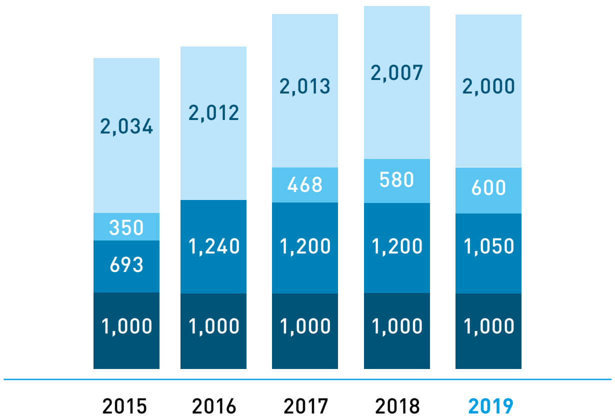
As a result, the total compensation granted and paid to the Chairman and Chief Executive Officer in 2019 is consistent with Danone's compensation policy, insofar as it is:

- fixed by the Board of Directors on the recommendations of the Governance Committee;
- subject to the approval of the Shareholders' Meeting on April 28, 2020;
- consistent with the caps set in the compensation policy approved by the Shareholders' Meeting on April 25, 2019;
- dependent on the performance condition fulfillment level, which is reviewed and validated by the Board of Directors on the recommendation of the Governance Committee.

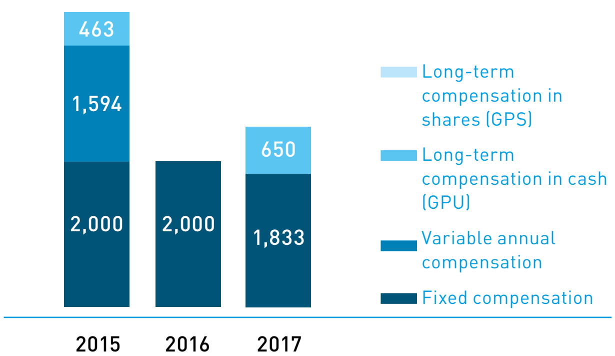
Evolution of compensation over the last five years

Compensation paid during the last five years

Mr. Emmanuel FABER in his capacity as Chief Executive Officer and, since 2017, Chairman and Chief Executive Officer



Mr. Franck RIBOUD in his capacity as Chairman of the Board up to November 30, 2017



Evolution of Company performance during the last five years

Two complementary criteria have been chosen for assessing the Company's performance:

- the first, an economic criterion, 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;
- the second is an ESG criterion consisting of Danone's rating established by CDP under its Climate Change program. The Carbon Disclosure Project (CDP) is a Non-Governmental Organization that assesses the environmental management of companies, cities and states relative to the risks and opportunities involved in climate change, water and deforestation. CDP is recognized as the leading climate change assessment platform for investors. More than 8,000 companies, representing more than half of world capitalization, sends their environmental performance data to CDP. Only 2% of the companies have been awarded an "A" rating regarding climate change. This "A" rating is only available to businesses that can justify the quality of their carbon footprint metric and robust reduction plans throughout their value chain. This ESG criterion is in line with the commitments made by Danone as part of its "One Planet. One Health" vision.

Fiscal year	Earnings per share	Danone's rating by CDP under the Climate Change program
2015	2.93	B
2016	3.10	B
2017	3.49	A–
2018	3.56	A
2019	3.85	A

6

Annual evolution in average compensation paid to Danone SA employees

Pursuant to the provisions of Article L.225-37-3 of the French Commercial Code, the following table shows the average compensation of Danone employees on a Full-Time Equivalent basis, and its evolution over the last five fiscal years.

Fiscal year	Annual average compensation *(in €)*
2015	115,463
2016	117,991
2017	121,765
2018	131,363
2019	132,196

Equity ratio between the compensation of corporate officers and the average and median compensation of Danone SA employees, pursuant to Article L.225-37-3 of the French Commercial Code

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. They have been calculated for the Danone SA scope, which has employed an average of 800 employees over the last five fiscal years.

The following ratios have been calculated on the basis of the annual fixed and variable compensation and the GPU paid during the previous years and GPS granted during the same periods and valued at their fair value.

The following table reflects Danone's change in governance, introduced on November 30, 2017: from 2015 to 2017, Mr. Franck RIBOUD was the Chairman of the Board and Mr. Emmanuel FABER was the Chief Executive Officer. Since December 1st, 2017, Mr. Emmanuel FABER is the sole corporate officer (Chairman and Chief Executive Officer). For calculation purposes, the 2017 compensation amounts up to November 30 have been annualized.

Net income

				Year ended December 31	
Compensation ratio	**2015**	**2016**	**2017**	**2018**	**2019**
Emmanuel FABER			**Chief Executive Officer**	**Chairman and Chief Executive Officer**	
Average	35	36	38	36	35
Median	58	59	63	62	57
Franck RIBOUD			**Chairman**		
Average	35	17	20	–	–
Median	58	28	34	–	–

Compensation for Directors

Annual compensation paid or granted, as well as benefits in kind granted in 2018 and 2019 to the Board members (Table 3 of Annex 4 of the AFEP-MEDEF Code on the corporate governance of listed companies)

As the compensation of the Chairman and Chief Executive Officer has already been presented in detail earlier in this document, it is not included in the following table.

	2018				2019			
(in €)	Compensation for directorship [a]		Other compensation		Compensation for directorship [a]		Other compensation	
Name	**Amounts paid [b]**	**Amounts granted [c]**	**Amounts paid**	**Amounts granted**	**Amounts paid [b]**	**Amounts granted [c]**	**Amounts paid**	**Amounts granted**
Guido BARILLA	5,000	41,000	–	–	54,000	47,000	–	–
Cécile CABANIS	–	–	1,708,555 [d]	1,704,805 [e]	–	–	1,738,205 [f]	1,738,955 [g]
Gregg L. ENGLES	38,000	45,000	–	–	31,000	38,000	–	–
Jacques-Antoine GRANJON [h]	19,000	8,000	–	–	–	–	–	–
Clara GAYMARD	45,000	41,000	–	–	41,000	48,000	–	–
Michel LANDEL	45,000	123,000	–	–	145,000	148,000	–	–
Jean LAURENT [h]	123,000	52,000	–	–	–	–	–	–
Gaëlle OLIVIER	49,000	53,000	–	–	53,000	48,000	–	–
Benoît POTIER	69,000	77,000	–	–	77,000	80,000	–	–
Franck RIBOUD	27,000	37,000	1,430,392 [i]	–	33,000	25,000	1,441,425 [j]	–
Isabelle SEILLIER	51,000	51,000	–	–	45,000	36,000	–	–
Mouna SEPEHRI [h]	39,000	5,000	–	–	–	–	–	–
Jean-Michel SEVERINO	85,000	89,000	–	–	85,000	65,000	–	–
Virginia A. STALLINGS	62,000	85,000	–	–	97,000	84,000	–	–
Serpil TIMURAY	57,000	65,000	–	–	77,000	76,000	–	–
Lionel ZINSOU-DERLIN	49,000	69,000	–	–	69,000	64,000	–	–
Total	**763,000**	**841,000**	**3,138,947**	**1,704,805**	**807,000**	**759,000**	**3,179,630**	**1,738,955**

(a) Gross amount due in the fiscal year before the withholding tax.
(b) Amounts granted for the second half of the previous fiscal year (paid in February) and for the first half of the fiscal year in question (paid in August).
(c) Amounts allocated during the fiscal year in question.
(d) The annual compensation noted above includes fixed and variable annual compensation, benefits in kind, profit-sharing and the payment of the 2015 GPU.
(e) In addition to the compensation noted above (which includes fixed and variable annual compensation, benefits in kind, profit-sharing and the payment of the 2015 GPU), 7,350 GPU and 12,670 GPS (up to 13,303 GPS if the continuous employment condition is fulfilled, the performance condition related to free cash flow is met in full and the sales performance condition is exceeded) were granted to her in 2018.
(f) The annual compensation noted above includes fixed and variable annual compensation, benefits in kind, profit-sharing and the payment of the 2016 GPU.
(g) In addition to the compensation noted above (which includes fixed and variable annual compensation, benefits in kind, profit-sharing and the payment of the 2015 GPU), 7,350 GPU and 11,029 GPS (up to 11,580 GPS if the continuous employment condition is fulfilled, the performance condition related to free cash flow is met in full and the sales performance condition is exceeded) were granted to her in 2019.
(h) The term of office ended with the Shareholders' Meeting on April 26, 2018.
(i) Corresponds to the annual pension amount due in 2018, whose payments are made at the end of the term. He also received, for the last time in 2018, a total of 50,000 GPS granted in 2014.
(j) Corresponds to the annual pension amount due in 2019, whose payments are made at the end of the term.

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)	**244**	**Group performance units (GPU)**	**262**
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Presentation of 2020 GPS submitted to the Shareholders' Meeting of April 28, 2020 for approval	248	Objectives applicable to the GPU in effect	264
Review of the conditions related to GPS not yet delivered	252		

GROUP PERFORMANCE SHARES (GPS)

Principal rules

General principles

Authorization by the Shareholders' Meeting

Group Performance Shares (GPS) were introduced in 2010. The grant of GPS must be authorized by the Shareholders' Meeting. Since 2013, this authorization has been granted until the end of each fiscal year and is subject to shareholders approval every year.

Cap on the number of GPS granted

Danone's GPS have always had 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 total number of GPS that may be granted to corporate officers.

Limitations for GPS not yet delivered

Shareholders' Meeting that approved the GPS	4/28/2016	4/27/2017	4/26/2018	4/25/2019
Maximum number of GPS that may be granted [a]	0.2%	0.2%	0.2%	0.2%
Of which the maximum number of GPS that may be granted to all corporate officers [a]	*0.03%*	*0.03%*	*0.03%*	*0.03%*

(a) Expressed as a percentage of that year's share capital subsequent to the Shareholders' Meeting that authorized the plans. This number of shares does not reflect any adjustments that may be made pursuant to legal requirements or any contractual provisions that may require other adjustments in order to maintain the rights of shareholders and other rights-holders.

A new authorization with the same caps as those approved by the Shareholders' Meeting of April 25, 2019 will be submitted to the Shareholders' Meeting of April 28, 2020 for approval.

Grant by the Board of Directors

GPS are granted annually by the Board of Directors on the recommendation of the Governance Committee, at the same times each year. In principle, they are therefore granted at the end of July and, if necessary, are granted to certain new employees at the end of the year. It should be noted that, in accordance with the compensation policy, the number of GPS granted to the corporate officers may not exceed 60% of each corporate officer's overall target compensation in terms of accounting valuation (in accordance with IFRS) estimated at the time of the grant.

Review of the achievement of performance objectives by the Board of Directors

After an initial review by the Governance Committee, the Board of Directors determines whether performance objectives have been achieved.

Valuation and accounting in the consolidated financial statements

Long-term compensation in the form of GPS is valued and accounted for in Danone's consolidated financial statements pursuant to IFRS 2 *Share-based payments* (see Note 8.4 of the Notes to the consolidated financial statements).

Performance conditions

The performance conditions for GPS are determined in advance at the beginning of the year and are indicated in the comments on the resolutions submitted to the Shareholders' Meeting describing in particular the resolution related to GPS.

Performance conditions are determined by the Board of Directors on the recommendation of the Governance Committee. They are the same for all GPS beneficiaries and apply to all the GPS granted.

Performance conditions are stringent and consistent with Danone's current environment. They include complementary criteria that are representative of Danone's performance and adapted to the specific nature of its business.

These criteria reflect the key indicators monitored by investors and analysts to measure the performance of companies in the food and beverage sector. Some of these criteria are internal and some are external.

Since 2018, one of the conditions has been linked to Danone's environmental performance. This condition, which is weighted by 20%, reflects the levels assigned to Danone by CDP under its Climate Change program (see sections hereinafter *Presentation of 2020 GPS submitted to the Shareholders' Meeting of April 28, 2020 for approval* and *Review of the conditions related to GPS not yet delivered*).

Regarding the external financial performance criterion, the composition of the peer group panel that has been used to determine the performance conditions of GPS and the severance pay of corporate officers has been essentially the same since 2007. However, two adjustments were made in 2013 and 2015 due to the restructuration of The Kraft Heinz Company, a member of the panel.

All performance conditions related to GPS are subject to a three-year reference period.

Continuous employment condition

The definitive grant of GPS is subject to a four-year continuous employment condition that applies to all beneficiaries. Therefore, a beneficiary of a share grant who leaves Danone before the end of the vesting period cannot retain his or her shares except in the cases allowed by law (including death and disability), and barring exceptions decided by the Board of Directors based on a reasoned opinion.

However, in the specific case where an employee retires at the legal age (or prior to this as allowed by law), the GPS granted in the 12 months preceding the retirement date are cancelled with no exceptions.

Regarding the executive corporate officers, the Board of Directors may, where applicable, decide an exception to the continuous employment condition, only on a partial and *prorata* basis.

Finally, as a reminder, the GPS plans enable beneficiaries to be exempted from the continuous employment and performance conditions in the event of a change of control of the Company.

It should be noted that in the event of a change of control, the achievement of the continuing employment condition for GPS granted as of 2019 to executive corporate officers and members of the Executive Committee will be reviewed on a *prorata* basis, calculated between the date of the grant and change of control relative to the initial delivery date stipulated in the plan. In addition, regarding the achievement of the performance conditions, either the Board of Directors will have made a determination on the level of achievement or no such determination will have been made, in which case the Board, acting on the recommendation of the Governance Committee, will assess the degree of achievement for each performance condition based on 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. For the corporate officers, the prohibition of hedging extends to all DANONE shares or financial instruments related to these shares which they own or may be in a position to own. In addition, each beneficiary of GPS has personally agreed not to use hedging instruments. Thus, Mr. Emmanuel FABER has made a formal commitment not to use hedging instruments to hedge his risk exposure, in particular regarding GPS that he has received or will receive until such time as he ceases to exercise his functions. To the Company's knowledge, no hedging instrument has been established by the Chairman and Chief Executive Officer.

In addition, an obligation to hold DANONE shares resulting from GPS applies to corporate officers and other Executive Committee members. They must hold (in registered form) a number of shares resulting from GPS (and until termination of their duties) that is 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 obtained under the respective GPS 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 certain number of DANONE shares at the end of the holding period for their shares subject to performance conditions.

In addition, following the proposal of the Governance Committee, the Board of Directors, at its meeting on February 14, 2012, decided to add to the current scheme an overall holding ceiling for the requirement to hold shares resulting from the grant of performance shares or from exercises of stock options representing the equivalent in shares of four years of fixed compensation for corporate officers and two years of fixed compensation for the other Executive Committee members.

The Board of Directors confirmed this holding obligation when it renewed Mr. Emmanuel FABER's term of office as Director on February 18, 2019 and when it approved the grant of GPS at its meeting on July 24, 2019.

Summary of GPS delivered in 2019 and not yet delivered

Summary of GPS plans as of December 31, 2019

Characteristics of outstanding GPS plans as of December 31, 2019, grants made under these plans and changes in these plans during 2019 (information required pursuant to table 9 of appendix 4 of the AFEP-MEDEF Code on corporate governance of listed companies)

Outstanding GPS plans		
Shareholders' Meeting that approved the GPS	04/29/2015	04/28/2016
Number of GPS authorized by the Shareholders' Meeting	1,287,584	1,309,902
Of which number of GPS not granted	*642,212*	*685,074*
Date of the Board of Directors' meeting authorizing the GPS	07/23/2015	07/27/2016
Number of GPS granted during the year	**645,372**	**624,828**
Maximum number of GPS that may be granted [a]	–	–
GPS characteristics		
Share delivery date	07/24/2019	07/28/2020
End date of holding period	–	–
Performance conditions	• weighted by two-thirds, average sales growth greater than or equal to that of the Panel over the years 2015, 2016 and 2017; • weighted by one-third, improvement in growth in the operating margin over three years (2015, 2016 and 2017) on a like-for-like basis.	• weighted by 50%, average sales growth greater than or equal to that of the Panel over the years 2016, 2017 and 2018; • weighted by 50%, improvement in growth in the operating margin over three years (2016, 2017 and 2018) on a like-for-like basis.
Assessment of achievement of performance conditions	• Sales growth target between 2015 and 2017: achieved. • Operating margin evolution objective: achieved.	• Sales growth target between 2016 and 2018: achieved. • Operating margin evolution objective: achieved.

Changes in 2019 and situation as of December 31, 2019		
Number of GPS as of December 31, 2018	457,775	485,089
GPS granted in 2019	–	–
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]	–	–
GPS void or canceled in 2019	(15,437)	(21,430)
Of which GPS canceled in 2019 due to non-fulfillment of some performance conditions	–	–
Shares delivered in 2019	(442,338)	(1,539)
Of which shares delivered to corporate officers	*(36,000)*	–
Of which shares delivered to the 10 employees (not including corporate officers) who received the largest number of shares in 2019	*(72,360)*	–
Number of GPS as of December 31, 2019	**–**	**462,120**
Of which GPS granted to corporate officers	*36,000*	*34,200*
Maximum number of GPS that may be granted to the corporate officers [a]	–	–
Of which GPS granted to members of the Executive Committee	*109,710*	*104,268*
Of which number of Executive Committee beneficiaries	*12*	*12*
Of which GPS granted to the 10 Danone employees (not including corporate officers) who received the largest number of shares in 2019	–	–
Number of beneficiaries [b]	1,332	1,394
GPS void or canceled as of December 31, 2019	(201,909)	(162,708)

(a) Maximum number of GPS that may be granted if the continuing employment condition is satisfied, the free cash flow condition is fully achieved, the environmental condition is fully satisfied and the sales growth condition is exceeded.
(b) Combined numbers of beneficiaries on the "4+0" plans granted by the Board.

					Total
04/27/2017	04/26/2018	04/26/2018	04/25/2019	04/25/2019	
1,311,784	–	1,341,420	–	1,370,110	–
667,364	–	*717,381*	–	*818,551*	–
07/26/2017	07/26/2018	12/05/2018	07/24/2019	12/12/2019	
644,420	**606,224**	**17,815**	**521,933**	**29,226**	**3,089,818**
–	636,777	18,711	548,215	30,708	–
07/27/2021	07/27/2022	12/06/2022	07/25/2023	12/13/2023	
–	–	–	–	–	–
• 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%, achievement of a 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%, achievement of a free cash flow level of more than €6 billion over the years 2018, 2019 and 2020; • weighted by 20%, achievement of a "Leadership" level assigned to Danone by CDP under its Climate Change program over the years 2018, 2019 and 2020.		• weighted by 50%, average sales growth greater than or equal to that of the Panel over the years 2019, 2020 and 2021; • weighted by 30%, achievement of a free cash flow level of more than €6.2 billion over the years 2019, 2020 and 2021; • weighted by 20%, achievement of a "Leadership" level assigned to Danone by CDP under its Climate Change program over the years 2019, 2020 and 2021.		
• The Board of Directors will assess the achievement of the sales growth target between 2017 and 2019 in the first half of 2020. • Free cash flow objective: achieved.	The Board of Directors will assess the achievement of these objectives in 2021.		The Board of Directors will assess the achievement of these objectives in 2022.		
592,664	598,601	17,815	–	–	2,151,944
–	–	–	521,933	29,226	551,159
–	–	–	548,215	30,708	578,923
–	–	–	*30,000*	–	*30,000*
–	–	–	*31,500*	–	*31,500*
(33,796)	(24,880)	(1,764)	(6,217)	(465)	(103,989)
–	–	–	–	–	–
(1,314)	(1,295)	–	(1,127)	–	(447,613)
–	–	–	–	–	*(36,000)*
–	–	–	–	–	*(72,360)*
557,554	**572,426**	**16,051**	**514,589**	**28,761**	**2,151,501**
35,021	*34,475*	–	*30,000*	–	*169,696*
36,772	*36,199*	–	*31,500*	–	–
89,158	*77,141*	–	*56,120*	*11,169*	*447,566*
8	*7*	–	*6*	*1*	–
–	–	–	*71,044*	*11,169*	*82,173*
1,499	1,415	33	1,404	46	–
(86,866)	(33,798)	(1,764)	(7,344)	(465)	(494,389)

Impact on share capital dilution and share ownership

Year ended December 31

	2018		2019	
	Number of shares	Percentage of share capital [a]	Number of shares	Percentage of share capital [a]
Grants during the year				
GPS granted	624,039	0.09%	551,159 [c]	0.08%
Of which GPS granted to the Chief Executive Officer	*34,475* [d]	*0.005%*	*30,000* [e]	*0.004%*
Balance as of December 31 [b]				
GPS not yet vested	2,151,944 [f]	0.31%	2,151,501 [g]	0.31%
Of which GPS granted to corporate officers	*261,696* [h]	*0.04%*	*169,696* [i]	*0.02%*

(a) Percentage of share capital as of December 31.
(b) Balance of GPS not yet vested as of December 31 of the respective year.
(c) Up to 578,923 GPS if the continuing employment condition is satisfied, the free cash flow condition is fully achieved, the environmental condition is fully satisfied and the sales growth condition is exceeded.
(d) Up to 36,199 GPS if the continuing employment condition is satisfied, the free cash flow condition is fully achieved, the environmental condition is fully satisfied and the sales growth condition is exceeded.
(e) Up to 31,500 GPS if the continuing employment condition is satisfied, the free cash flow condition is fully achieved, the environmental condition is fully satisfied and the sales growth condition is exceeded.
(f) Up to 2,215,714 GPS if the continuing employment condition is satisfied, the free cash flow condition is fully achieved, the environmental condition is fully satisfied and the sales growth condition is exceeded.
(g) Up to 2,236,014 GPS if the continuing employment condition is satisfied, the free cash flow condition is fully achieved, the environmental condition is fully satisfied and the sales growth condition is exceeded.
(h) Up to 265,171 GPS if the continuing employment condition is satisfied, the free cash flow condition is fully achieved, the environmental condition is fully satisfied and the sales growth condition is exceeded.
(i) Up to 174,671 GPS if the continuing employment condition is satisfied, the free cash flow condition is fully achieved, the environmental condition is fully satisfied and the sales growth condition is exceeded.

For the record, it should be noted that two grants were made in 2019, a main grant in July 2019 and a very minor complementary grant in December 2019. Is should also be noted that the practice of making two grants during the year is traditional, since it was implemented in 2011, 2012, 2013, 2014 and 2018. The second grant enables new management teams to be offered the benefits of the long-term compensation mechanism.

Presentation of 2020 GPS submitted to the Shareholders' Meeting of April 28, 2020 for approval

General rules

The Shareholders' Meeting of April 28, 2020 is asked to vote on the establishment of a new GPS plan under which all beneficiaries would receive GPS from a single plan, the 4+0 plan, *i.e.* with a four-year vesting period and no holding period.

Performance conditions

The 2020 GPS would be subject to performance conditions based on three complementary criteria that are representative of Danone's performance and adapted to the specific nature of its business:

- weighted by 50%, an external performance condition related to sales growth;
- weighted by 30%, an internal performance condition related to the achievement of a free cash flow level; and
- weighted by 20%, an external environmental performance condition;

under the conditions described hereinafter:

Sales growth performance condition, weighted by 50%

PRINCIPLE

The average growth in Danone's consolidated sales ("CA") is compared, on a like-for-like basis, with that of a benchmark panel over a three-year period, *i.e.* 2020, 2021 and 2022

- if Danone's CA is less than the Median Panel CA, the definitive grant will be 0% of the shares subject to the sales-related performance condition, pursuant to the "no payment below the median" principle;
- if Danone's CA is equal to the Median Panel CA, the definitive grant will be 75% of the shares subject to the sales-related performance condition;
- if Danone's CA is between the Median Panel CA and 120% of the Median Panel CA, the definitive grant will be between 75% and 110% of the shares subject to the sales-related performance condition based on a linear progressive scale between 100% and 120% of the Median Panel CA;
- if Danone's CA is greater than or equal to 120% of the Median Panel CA, the definitive grant will be 110% of the shares subject to the sales-related performance condition.

DEFINITIONS	
Danone's CA	Average growth in sales (on a consolidated and like-for-like basis) in 2020, 2021 and 2022, it being specified that "sales" and "changes on a like-for-like basis" correspond to financial indicators used by Danone and not defined by IFRS, the calculation of which is indicated in the financial press releases published by the Company (see also section 3.6 *Financial indicators not defined in IFRS*).
Each Panel member's CA	Average growth in sales generated by a given Panel member in 2020, 2021 and 2022 (on a consolidated and like-for-like basis).
Panel CA	The CA of all Panel members
Median Panel CA	Value of the Panel member CA that half of the Panel members exceed (*i.e.* there are as many Panel members with CA exceeding or equal to the Median as there are with CA less than or equal to the Median). If there is an even number of Panel members, the Median Panel CA will be the arithmetic average of the two central Panel CA.
Panel	Eight leading international groups in the food and beverage sector: Unilever N.V., Nestlé S.A., PepsiCo Inc., The Coca-Cola Company, The Kraft Heinz Company, Mondelez International Inc., General Mills Inc. 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, exclude this Panel member, provided that it maintains the overall consistency of the panel.
ASSESSMENT OF ACHIEVEMENT OF THE PERFORMANCE CONDITION	
The Board of Directors' procedure for determining that this performance condition has been met	The Board of Directors must state whether this performance condition was met, by a duly justified decision indicated in the Board of Directors' report to the Shareholders' Meeting, subsequent to the Governance Committee's recommendation, and based on a financial advisor's report.
Date of assessment of achievement of the performance condition	In 2023, after the companies in the Panel have published their sales figures.

Performance condition related to the attainment of a free cash flow level, weighted by 30%

PRINCIPLE	
Attainment of a free cash flow ("FCF") level of more than €6.2 billion over a three-year period, *i.e.* for 2020, 2021 and 2022	If the sum of the FCF is: • less than or equal to €6.2 billion, the definitive grant will be 0% of the shares subject to the FCF performance condition; • between €6.2 and €6.7 billion, the definitive grant will be between 0% and 100%, based on a linear progressive scale between €6.2 and €6.7 billion; • greater than or equal to €6.7 billion, the definitive grant will be 100%.
DEFINITIONS	
Sum of the "FCF"	Sum of the amounts of free cash flow for 2020, 2021 and 2022, it being specified that free cash flow is a financial indicator not defined by IFRS, the calculation of which is indicated in Danone's financial press releases) (see also section 3.6 *Financial indicators not defined in IFRS*), excluding changes in scope and exchange rates. This performance condition takes into account the investment plan of around €2 billion to accelerate climate action of Danone's brands and strengthen the growth model as announced on February 26, 2020.
OTHER APPLICABLE RULES	
Percentage of shares subject to this performance condition	30% of the shares granted subject to performance conditions will be subject to this performance condition related to the attainment of a free cash flow level over three years. However, this percentage may be increased to 40% or 50% in case of no publication or late publication of the Level related to the environmental performance condition defined hereinafter.
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 by CDP each year to Danone 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- 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 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 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 score was assigned for 2021 and a score of A was not assigned for 2020, the definitive grant will be 0% for all 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); 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.

Review of the conditions related to GPS not yet delivered

GPS granted in 2019

The 2019 GPS are subject to the three performance conditions described hereinafter.

Sales growth performance condition, weighted by 50%

PRINCIPLE	
The average growth in Danone's consolidated sales ("CA") is compared, on a like-for-like basis, with that of a benchmark panel over a three-year period, *i.e.* 2019, 2020 and 2021	• if Danone's CA is less than the Median Panel CA, the definitive grant will be 0% of the shares subject to the sales-related performance condition, pursuant to the "no payment under the median" principle; • if Danone's CA is equal to the Median Panel CA, the definitive grant will be 75% of the shares subject to the sales-related performance condition; • if Danone's CA is between the Median Panel CA and 120% of the Median Panel CA, the definitive grant will be between 75% and 110% of the shares subject to the sales-related performance condition based on a linear progressive scale between 100% and 120% of the Median Panel CA; • if Danone's CA is greater than or equal to 120% of the Median Panel CA, the definitive grant will be 110% of the shares subject to the sales-related performance condition.
DEFINITIONS	
Danone's CA	Average growth in sales (on a consolidated and like-for-like basis) in 2019, 2020 and 2021, it being specified that "sales" and "changes on a like-for-like basis" correspond to financial indicators used by Danone and not defined by IFRS, the calculation of which is indicated in the financial press releases published by the Company (see also section 3.6 *Financial indicators not defined in IFRS*).
Each Panel member's CA	Average growth in sales generated by a given Panel member in 2019, 2020 and 2021 (on a consolidated and like-for-like basis).
Panel CA	The CA of all Panel members.
Median Panel CA	Value of the Panel member CA that half of the Panel members exceed (*i.e.* there are as many Panel members with CA exceeding or equal to the Median as there are with CA less than or equal to the Median). If there is an even number of Panel members, the Median Panel CA will be the arithmetic average of the two central Panel CA.
Panel	Eight leading international groups in the food and beverage sector: Unilever N.V., Nestlé S.A., PepsiCo Inc., The Coca-Cola Company, The Kraft Heinz Company, Mondelez International Inc., General Mills Inc. 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, exclude this Panel member, provided that it maintains the overall consistency of the panel.
ASSESSMENT OF ACHIEVEMENT OF THE PERFORMANCE CONDITION	
The Board of Directors' procedure for determining that this performance condition has been met	The Board of Directors must state whether this performance condition was met, by a duly justified decision indicated in the Board of Directors' report to the Shareholders' Meeting, subsequent to the Governance Committee's recommendation, and based on a financial advisor's report.
Date of assessment of achievement of the performance condition	In 2022, after the companies in the Panel have published their sales figures.

Performance condition related to the attainment of a free cash flow level, weighted by 30%

PRINCIPLE	
Attainment of a free cash flow ("FCF") level of more than €6.2 billion over a three-year period, *i.e.* for 2019, 2020 and 2021	If the sum of the FCF is: • less than or equal to €6.2 billion, the definitive grant will be 0% of the shares subject to the FCF performance condition; • between €6.2 and €6.7 billion, the definitive grant will be between 0% and 100%, based on a linear progressive scale between €6.2 and €6.7 billion; • greater than or equal to €6.7 billion, the definitive grant will be 100%.
DEFINITIONS	
Sum of the "FCF"	Sum of the amounts of free cash flow for 2019, 2020 and 2021, it being specified that free cash flow is a financial indicator not defined by IFRS, the calculation of which is indicated in Danone's financial press releases) (see also section 3.6 *Financial indicators not defined in IFRS*), excluding changes in scope and exchange rates.
OTHER APPLICABLE RULES	
Percentage of shares subject to this performance condition	30% of the shares granted subject to performance conditions will be subject to this performance condition related to the attainment of a free cash flow level over three years. However, this percentage may be increased to 40% or 50% in case of no publication or late publication of the Level related to the environmental performance condition defined hereinafter.
ASSESSMENT OF ACHIEVEMENT OF THE PERFORMANCE CONDITION	
The Board of Directors' procedure for determining that this performance condition has been met	The Board of Directors must determine the level of achievement of this second performance condition, by a duly justified decision indicated in the Board of Directors' report to the Shareholders' Meeting, subsequent to the Governance Committee's recommendation.
Date of assessment of achievement of the performance condition	Early 2022, after the approval of the 2021 financial statements.

Environmental performance condition, weighted by 20%

PRINCIPLE	
Levels assigned to Danone by CDP under its Climate Change program in 2020, 2021 and 2022 (based in particular on Danone's environmental performance in 2019, 2020 and 2021)	If the "Leadership" level: • is assigned to Danone for 2019, 2020 and 2021 and a score of A was assigned at least twice during these three years, the definitive grant will be 100% of the shares subject to the environmental performance condition; • is assigned to Danone for these three years and a score of A was assigned only one year, the definitive grant will be 50% of the shares subject to the environmental performance condition; • in all other cases, and in particular if the "Leadership" level is assigned for 2019, 2020 and 2021 without a score of A being assigned during these three years, the definitive grant will be 0% of the shares subject to the environmental performance condition.
DEFINITIONS	
CDP	CDP, a not-for-profit organization that runs a global disclosure system for investors, companies, cities, states and regions to help them assess and manage their environmental impacts.
Score	Score assigned by CDP each year to Danone under its Climate Change program based on Danone's environmental performance in 2019, 2020 and 2021.
"Leadership" Level	The "Leadership" level is assigned if a score of A or A- was assigned by CDP.
Score A	Score assigned by CDP based on environmental performance for a given year, corresponding to the highest ranking under its Climate Change program or, in case of a change in the range of scores used by CDP for this program, any other score representing the upper eighth of the range of scores assigned by CDP, or the highest score if this new range of scores assigned by CDP includes fewer than eight scores.
Score A-	Score assigned by CDP based on environmental performance for a given year, corresponding to the second highest ranking under its Climate Change program or, in case of a change in the range of scores used by CDP for this program, any other score representing the upper fourth of the range of scores assigned by CDP, or the two highest scores if this new range of scores assigned by CDP includes fewer than eight scores.
OTHER APPLICABLE RULES	
Many levels during the same year	If, in a single year, CDP publishes two different levels, the lower level will be taken into account.
Many scores during the same year	If, in a single year, CDP publishes two different scores, the lower score will be taken into account.
Change in the name of CDP or the Climate Change program	If the name of CDP or the Climate Change program changes without a change in their scoring methods, the publications of the entity or program whose name was changed will, for the purposes of this grant of shares, be considered the publications produced by CDP or the Climate Change program.

No publication or late publication of the Score	If CDP has not assigned a score to Danone under the Climate Change program for 2019, 2020 and/or 2021, the following rules will apply, as an exception to the above: • if, by March 31, 2023, no score was assigned for 2021 whereas the "Leadership" level was assigned for 2019 and 2020 and a score of A was also assigned for these two years, or a score of A and A- was assigned for these two years, the definitive grant will be 100% for one-half of the shares subject to the environmental performance condition and the other half will increase the basis of the shares subject to the FCF condition (in this case, the FCF condition will affect 40% of the shares granted); • if, by March 31, 2023, no score was assigned for 2021 whereas the "Leadership" level was assigned for 2019 and 2020 and a score of A- was assigned for these two years, the definitive grant will be 50% for one-half of the shares subject to the environmental performance condition and the other half will increase the basis of the shares subject to the FCF condition (in this case, the FCF condition will affect 40% of the shares granted); • if, by March 31, 2023, no score was assigned for 2021 and the "Leadership" level was not assigned for 2019 and 2020, the definitive grant will be 0% of the shares subject to the environmental performance condition; • if no score was assigned for 2020 whereas a score of A was assigned for 2019, the definitive grant will be 100% for one-half of the shares subject to the environmental performance condition and the other half will increase the basis of the shares subject to the FCF condition (in this case, the FCF condition will affect 40% of the shares granted); • if no score was assigned for 2020 and a score of A- was assigned for 2019, the definitive grant will be 50% for one-half of the shares subject to the environmental performance condition and the other half will increase the basis of the shares subject to the FCF condition (in this case, the FCF condition will affect 40% of the shares granted); • if no score was assigned for 2020 and the "Leadership" level was not assigned for 2019, the definitive grant will be 0% for one-half of the shares subject to the environmental performance condition and the other half will increase the basis of the shares subject to the FCF condition (in this case, the FCF condition will affect 40% of the shares granted); and • if no score was assigned for 2019, all the shares subject to the environmental performance condition will increase the basis of the shares subject to the FCF condition (in this case, the FCF condition will affect 50% of the shares granted).
ASSESSMENT OF ACHIEVEMENT OF THE PERFORMANCE CONDITION	
The Board of Directors' procedure for determining that this performance condition has been met	The Board of Directors must determine the level of achievement of this third performance condition, by a duly justified decision indicated in the Board of Directors' report to the Shareholders' Meeting, subsequent to the Governance Committee's recommendation.
Date of assessment of achievement of the performance condition	Early 2023.

GPS granted in 2018

The 2018 GPS are subject to the three performance conditions described hereinafter.

Sales growth performance condition, weighted by 50%

PRINCIPLE	
The average growth in Danone's net sales ("CA") is compared, on a like-for-like basis, with that of a benchmark panel over a three-year period, *i.e.* 2018, 2019 and 2020	• if Danone's CA is less than the Median Panel CA, the definitive grant will be 0% of the shares subject to the sales-related performance condition, pursuant to the "no payment under the median" principle; • if Danone's CA is equal to the Median Panel CA, the definitive grant will be 90% of the shares subject to the sales-related performance condition; • if Danone's CA is between the Median Panel CA and 120% of the Median Panel CA, the definitive grant will be between 90% and 110% of the shares subject to the sales-related performance condition based on a linear progressive scale between 100% and 120% of the Median Panel CA; • if Danone's CA is greater than or equal to 120% of the Median Panel CA, the definitive grant will be 110% of the shares subject to the sales-related performance condition.
DEFINITIONS	
Danone's CA	Average growth in sales (on a consolidated and like-for-like basis) in 2018, 2019 and 2020, it being specified that "sales" and "changes on a like-for-like basis" correspond to financial indicators used by Danone and not defined by IFRS, the calculation of which is indicated in the financial press releases published by the Company (see also section 3.6 *Financial indicators not defined in IFRS*).
Each Panel member's CA	Average growth in sales generated by a given Panel member in 2018, 2019 and 2020 (on a consolidated and like-for-like basis).
Panel CA	The CA of all Panel members.
Median Panel CA	Value of the Panel member CA that half of the Panel members exceed (*i.e.* there are as many Panel members with CA exceeding or equal to the Median as there are with CA less than or equal to the Median). If there is an even number of Panel members, the Median Panel CA will be the arithmetic average of the two central Panel CA.
Panel	Eight leading international groups in the food and beverage sector: Unilever N.V., Nestlé S.A., PepsiCo Inc., The Coca-Cola Company, The Kraft Heinz Company, Mondelez International Inc., General Mills Inc. 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, exclude this Panel member, provided that it maintains the overall consistency of the panel.

ASSESSMENT OF ACHIEVEMENT OF THE PERFORMANCE CONDITION	
The Board of Directors' procedure for determining that this performance condition has been met	The Board of Directors must state whether this performance condition was met, by a duly justified decision indicated in the Board of Directors' report to the Shareholders' Meeting, subsequent to the Governance Committee's recommendation, and based on a financial advisor's report.
Date of assessment of achievement of the performance condition	In 2021, after the companies in the Panel have published their sales figures.

Performance condition related to the attainment of a free cash flow level, weighted by 30%

PRINCIPLE	
Attainment of a free cash flow ("FCF") level of more than €6 billion over a three-year period, *i.e.* for 2018, 2019 and 2020	If the sum of the FCF is: • less than or equal to €6 billion, the definitive grant will be 0% of the shares subject to the FCF performance condition; • between €6 and €6.5 billion, the definitive grant will be between 0% and 100%, based on a linear progressive scale between €6 and €6.5 billion; • greater than or equal to €6.5 billion, the definitive grant will be 100%.
DEFINITIONS	
Sum of the "FCF"	Sum of the amounts of free cash flow for 2018, 2019 and 2020, it being specified that free cash flow is a financial indicator not defined by IFRS, the calculation of which is indicated in Danone's financial press releases) (see also section 3.6 *Financial indicators not defined in IFRS*), excluding changes in scope and exchange rates.
OTHER APPLICABLE RULES	
Percentage of shares subject to this performance condition	30% of the shares granted subject to performance conditions will be subject to this performance condition related to the attainment of a free cash flow level over three years. However, this percentage may be increased to 40% or 50% in case of no publication or late publication of the Level related to the environmental performance condition defined hereinafter.
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 2021, after the approval of the 2020 financial statements.

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 by CDP each year to Danone under its Climate Change program in its 2019, 2020 and 2021 publications, based on Danone's environmental performance in 2018, 2019 and 2020.
"Leadership" Level	A score of "A" or "A-" assigned by CDP under its Climate Change program or, in case of a change in the range of scores used by CDP for this program, any other score representing the upper fourth of the range of scores assigned by CDP, or the highest score if this new range of scores assigned by CDP includes fewer than four scores.
OTHER APPLICABLE RULES	
Many Levels during the same year	If, in a single year, CDP publishes two different Levels, the lower Level will be taken into account.
Change in the name of CDP or the Climate Change program	If the name of CDP or the Climate Change program changes without a change in their scoring methods, the publications of the entity or program whose name was changed will, for the purposes of this grant of shares, be considered the publications produced by CDP or the Climate Change program.
No publication or late publication of the Level	If, by December 31 of 2019 and/or 2020 and/or 2021, CDP has not assigned a Level to Danone under the Climate Change program during the year in question, the following rules will apply, as an exception to the above: • if no Level was published in 2021 whereas the "Leadership" Level was assigned to Danone in 2019 and 2020, the definitive grant will be 100% for one-half of the shares subject to the environmental performance condition and the other half will increase the basis of the shares subject to the FCF condition (in this case, the FCF condition will affect 40% of the shares granted); • if no Level was published in 2021 and the "Leadership" Level was assigned to Danone neither in 2019 nor in 2020, the definitive grant will be 0% of the shares subject to the environmental performance condition; • if no Level was published in 2021 whereas the "Leadership" Level was achieved by Danone only one year (2020 or 2019), the definitive grant will be 0% for one-half of the shares subject to this environmental performance condition and the other half will increase the basis of the shares subject to the FCF condition (in this case, the FCF condition will affect 40% of the shares granted); • if no Level was published in 2020 and the "Leadership" Level was not achieved by Danone in 2019, the definitive grant will be 0% for one-half of the shares subject to this environmental performance condition and the other half will increase the basis of the shares subject to the FCF condition (in this case, the FCF condition will affect 40% of the shares granted); • if no Level was published in 2020 whereas the "Leadership" Level was assigned to Danone in 2019, all the shares subject to the environmental performance condition will increase the basis of the shares subject to the FCF condition (in this case, the FCF condition will affect 50% of the shares granted); and • if no Level was published in 2019, all the shares subject to the environmental performance condition will increase the basis of the shares subject to the FCF condition (in this case, the FCF condition will affect 50% of the shares granted).
ASSESSMENT OF ACHIEVEMENT OF THE PERFORMANCE CONDITION	
The Board of Directors' procedure for determining that this performance condition has been met	The Board of Directors must determine the level of achievement of this third performance condition, by a duly justified decision indicated in the Board of Directors' report to the Shareholders' Meeting, subsequent to the Governance Committee's recommendation.
Date of assessment of achievement of the performance condition	Early 2022.

GPS granted in 2017

The 2017 GPS are subject to the two performance conditions described hereinafter.

Sales growth performance condition, weighted by 50%

PRINCIPLE	
The average growth in Danone's net sales ("CA") is compared, on a like-for-like basis, with that of a benchmark panel over a three-year period, i.e. 2017, 2018 and 2019	• if Danone's CA is less than the Median Panel CA, the definitive grant will be 0%, pursuant to the "no payment under the median" principle; • if Danone's CA is equal to the Median Panel CA, the definitive grant will be 90% of the shares subject to the sales-related performance condition; • if Danone's CA is between the Median Panel CA and 120% of the Median Panel CA, the definitive grant will be between 90% and 110% of the shares subject to the sales-related performance condition based on a linear progressive scale between 100% and 120% of the Median Panel CA; • if Danone's CA is greater than or equal to 120% of the Median Panel CA, the definitive grant will be 110% of the shares subject to the sales-related performance condition.
DEFINITIONS	
Danone's CA	Average growth in sales in 2017, 2018 and 2019 (on a consolidated and like-for-like basis).
Each Panel member's CA	Average growth in sales generated by a given Panel member in 2017, 2018 and 2019 (on a consolidated and like-for-like basis).
Like-for-like changes in sales	Financial indicators not defined by IFRS that Danone uses, the calculation of which is indicated in Danone's financial press releases, (see also section 3.6 Financial indicators not defined in IFRS of the 2017 Registration Document).
Panel CA	The CA of all Panel members.
Median Panel CA	Value of the Panel member CA that half of the Panel members exceed (i.e. there are as many Panel members with CA exceeding or equal to the Median as there are with CA less than or equal to the Median). If there is an even number of Panel members, the Median Panel CA will be the arithmetic average of the two central Panel CA.
Panel	Eight leading international groups in the food and beverage sector: Unilever N.V., Nestlé S.A., PepsiCo Inc., The Coca-Cola Company, The Kraft Heinz Company, Mondelez International Inc., General Mills Inc. 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, exclude this Panel member, 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 2020, 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 50%

PRINCIPLE	
Attainment of a free cash flow ("FCF") level of more than €6 billion over a three-year period, *i.e.* for 2017, 2018 and 2019	If the sum of the FCF over three years (2017, 2018 and 2019) is: • less than or equal to €6 billion, the definitive grant will be 0% of the shares subject to the FCF performance condition; • between €6 and €6.5 billion, the definitive grant will be between 0% and 100%, based on a linear progressive scale between €6 and €6.5 billion; • greater than or equal to €6.5 billion, the definitive grant will be 100%.
DEFINITIONS	
Sum of the "FCF"	Sum of the amounts of free cash flow for 2017, 2018 and 2019 (free cash flow is a financial indicator not defined by IFRS, the calculation of which is indicated in Danone's financial press releases) (see also section 3.6 *Financial indicators not defined in IFRS of the 2017 Registration Document*), excluding changes in scope (but including the WhiteWave entities for all of 2017) and exchange rates.
ASSESSMENT OF ACHIEVEMENT OF THE PERFORMANCE CONDITION	
The Board of Directors' procedure for determining that this performance condition has been met	The Board of Directors must determine the level of achievement of this second performance condition, by a duly justified decision indicated in the Board of Directors' report to the Shareholders' Meeting, subsequent to the Governance Committee's recommendation.
Assessment of achievement of the performance condition	**At the recommendation of the Governance Committee, on February 25, 2020 the Board of Directors noted the achievement of the free cash flow condition.**

Review of the rules related to the GPS granted in 2016 and to be delivered in 2020

The 2016 GPS are subject to the two performance conditions described hereinafter.

Sales growth performance condition, weighted by 50%

PRINCIPLE	
The average growth in Danone's net sales ("CA") is compared, on a like-for-like basis, with that of a benchmark panel over a three-year period, *i.e.* 2016, 2017 and 2018	• If Danone's CA is greater than or equal to the Median Panel CA, the definitive grant will be 100%; and • if Danone's CA is less than the Median Panel CA, the definitive grant will be 0%, pursuant to the "no payment under the median" principle.
DEFINITIONS	
Danone's CA	Average growth in sales in 2016, 2017 and 2018 (on a consolidated and like-for-like basis).
Each Panel member's CA	Average growth in sales generated by a given Panel member in 2016, 2017 and 2018 (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 N.V., Nestlé S.A., PepsiCo Inc., The Coca-Cola Company, The Kraft Heinz Company, Mondelez International Inc., General Mills Inc. and Kellogg Company.
Like-for-like changes in sales	Financial indicators not defined by IFRS that Danone uses, the calculation of which is indicated in Danone's financial press releases (see also section 3.6 *Financial indicators not defined in IFRS* of the 2016 Registration Document).
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 this consistency.
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 a Panel member	The Board of Directors may, by a duly justified decision indicated in the Board of Directors' report to the Shareholders' Meeting, exclude this Panel member, provided that it maintains the overall consistency of the panel.
ASSESSMENT OF ACHIEVEMENT OF THE PERFORMANCE CONDITION	
Assessment of achievement of the performance condition	**Upon recommendation of the Governance Committee, on April 25, 2019 the Board of Directors noted the achievement of the sales-related performance condition.**

Trading operating margin performance condition, weighted by 50%

PRINCIPLE	
Improvement in growth in the trading operating margin on a like-for-like basis over a three-year period, *i.e.* for 2016, 2017 and 2018	If growth in the trading operating margin on a like-for-like basis over three years (2016, 2017 and 2018) is: • greater than or equal to +35 basis points, the definitive grant will be 100%; • less than +35 basis points, the definitive grant will be 0%.
DEFINITIONS	
Recurring operating margin Change on a like-for-like basis	Non-IFRS financial indicators that Danone uses, the calculation of which is indicated in Danone's financial press releases (see also section 3.6 *Financial indicators not defined in IFRS of the 2016 Registration Document*).
ASSESSMENT OF ACHIEVEMENT OF THE PERFORMANCE CONDITION	
Assessment of achievement of the performance condition	**Upon recommendation of the Governance Committee, on February 18, 2019 the Board of Directors noted the achievement of the operating margin condition.**

GROUP PERFORMANCE UNITS (GPU)

Principles

GPU were introduced in 2005 to more closely align the compensation of Danone's corporate officers, Executive Committee members and 1,600 senior executives with the Company's overall medium-term operational and economic performance.

They represent long-term cash compensation paid by Danone under performance conditions that are assessed over three years and are the same for all beneficiaries. Each GPU has a maximum value of €30. Information on the valuation of existing GPU is provided hereinafter in section *Objectives applicable to the GPU in effect.*

STEP 1

Determination of performance conditions and grant of GPU

The performance conditions are determined by the Board of Directors upon recommendation of the Governance Committee. They are based on one key financial indicator and/or one or more social/environmental indicator(s).

STEP 2

Assessment of the achievement of performance conditions

This assessment is performed by the Board upon recommendation of the Governance Committee in order to value the GPU on the basis of predetermined objectives.

STEP 3

Payment of GPU

The payment of GPU is subject to the validation of a three-year continuous employment conditions that applies to all beneficiaries.

In case of a change of control, the performance objectives for the valuation period, *i.e.* the three calendar years during which the three-year performance objectives will be assessed, would be:

- valued on the basis of the achievement of the objectives validated by the Board of Directors;
- considered fully achieved if the objectives were not yet validated by the Board of Directors on the date of change of control. A payment would be made for all outstanding GPU plans in the month following the change of control.

Moreover, the continuous employment and performance conditions are partially waived in case of a beneficiary's death or voluntary or non-voluntary retirement.

For the corporate officers, in case of departure before the end of the term set for assessing the performance criteria, payment of long-term cash compensation is cancelled, except under exceptional circumstances justified by the Board. Therefore, in case of the voluntary or non-voluntary retirement of a corporate officer:

- he/she loses all rights to the GPU granted during the 12 months preceding his/her departure;
- the GPU granted previously (i) are considered vested by said beneficiary and the three-year continuous employment condition does not apply; and (ii) are valued as of the date of the event based on the following rules:
  - the calendar year(s) for which the financial statements were approved by the Board of Directors are assessed based on achievement of the objectives;
  - the current or future calendar year(s) is/are deemed to have no value.

Situation as of December 31, 2019

Outstanding GPU plans							
Year of grant	**2016**	**2017**	**2018**	**2018**	**2019**	**2019**	**Total**
Date of Board meeting that granted the GPU	07/27/2016	07/26/2017	07/26/2018	12/05/2018	07/24/2019	12/12/2019	N/A
Number of GPU granted	943,266	952,130	905,806	14,394	913,795	21,550	**3,750,941**
Of which, GPU granted to corporate officers	*20,000* [a]	– [b]	– [b]	– [b]	– [b]	– [b]	***20,000***
Number of beneficiaries	1,394	1,498	1,414	22	1,403	33	

GPU characteristics				
Year of payment	**2019**	**2020**	**2021**	**2022**
Objectives [c]	Annual objectives for 2016, 2017 and 2018	Objectives set in 2017 for a three-year period	Objectives set in 2018 for a three-year period	Objectives set in 2019 for a three-year period
Unit value of GPU	€30, since the 2016, 2017 and 2018 objectives were fully achieved for 2018	Maximum €30	Maximum €30	Maximum €24

(a) Grant to Mr. Emmanuel FABER.
(b) Since 2017, Mr. Emmanuel FABER no longer receives GPU.
(c) The objectives and information concerning their achievement are presented in detail hereinafter.

Objectives applicable to the GPU in effect

Objectives of GPU granted in 2016

Applicable objectives		Level of achievement	Value of each GPU for the year in question *(in €)*	Level of achievement	Valuation
For 2016 (1st year of the 2016 GPU)	Growth in the operating margin	< +25 bp	0	The Board of Directors' meeting of February 14, 2017, at the recommendation of the Governance Committee, noted the full achievement of the 2016 objective and therefore valued GPU at €10 for 2016.	€10
		⩾ +25 bp	5		
		⩾ +26 bp	6		
		⩾ +27 bp	7		
		⩾ +28 bp	8		
		⩾ +29 bp	9		
		⩾ +30 bp	10		
For 2017 (2nd year of the 2016 GPU)	Growth in earnings per share	< +10%	0	The Board of Directors' meeting of February 15, 2018, at the recommendation of the Governance Committee, noted the full achievement of the 2017 objective and therefore valued GPU at €10 for 2017.	€10
		⩾ +10%	10		
For 2018 (3rd year of the 2016 GPU)	Growth in earnings per share	< +10%	0	The Board of Directors' meeting of February 18, 2019, at the recommendation of the Governance Committee, noted the full achievement of the 2018 objective and therefore valued GPU at €10 for 2018.	€10
		⩾ +10%	10		

Objectives of GPU granted in 2017

Objectives	Level of achievement	Value of the objective *(in €)*	Level of achievement	Value
Growth in the recurring operating margin (like-for-like) over a three-year period, *i.e.* 2017, 2018 and 2019	< +60 bp	0	The Board of Directors' meeting of February 25, 2020, at the recommendation of the Governance Committee, noted the full achievement of the 2017 objectives and therefore valued 2017, 2018 and 2019 at €30.	Max. €30
	= +60 bp	12		
	= +70 bp	15		
	= +80 bp	18		
	= +90 bp	21		
	⩾ +100 bp	24		
Annual reduction in the carbon footprint over a three-year period, *i.e.* 2017, 2018 and 2019	< +4%	0		
	⩾ +4%	3		
Comparison of employee commitment level based on the Danone People survey relative to the FMCG [a] sector over a three-year period, *i.e.* 2017, 2018 and 2019	⩽ FMCG	0		
	> FMCG	3		

(a) Fast-Moving Consumer Goods.

Objectives of GPU granted in 2018

Objectives	Level of achievement	Value of the objective *(in €)*	Level of achievement	Value
Recurring operating margin	< 15,7%	0	The Board of Directors will assess the achievement of these objectives in 2021.	Max. €30
	⩾ 15,7%	12		
	⩾ 15,8%	15		
	⩾15,9%	18		
	⩾16,0%	21		
	⩾16,1%	24		
Comparison of employee commitment level based on the Danone People survey relative to the FMCG [a] sector over a three-year period, *i.e.* 2018, 2019 and 2020	⩽ FMCG	0		
	> FMCG	6		

(a) Fast-Moving Consumer Goods

Objectives of GPU granted in 2019

Objectives	Level of achievement	Value of the objective *(in €)*	Level of achievement	Value
Achievement of the financial objectives communicated to the market in 2019, 2020 and 2021	Non achievement of the objectives each year	0	The Board of Directors will assess the achievement of these objectives in 2022.	Max. €24
	Achievement of the objectives over 1 year	6		
	Achievement of the objectives over 2 years	12		
	Achievement of the objectives each year	18		
Comparison of employee commitment level based on the Danone People Survey relative to the FMCG [a] sector over a three-year period, *i.e.* 2019, 2020 and 2021, with a distinction based on whether 2 or 3 scores are assigned over the period	**3 scores**			
	≤FMCG	0		
	>FMCG	over 2 years: 6		
		over 3 years: 12		
	2 scores			
	≤FMCG	0		
	>FMCG	12		

(a) Fast-Moving Consumer Goods.

6.5 DANONE SHARES HELD BY THE MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE COMMITTEE

NUMBER OF DANONE SHARES HELD BY THE MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE COMMITTEE (WHICH INCLUDES 2 DIRECTORS)

	As of December 31, 2019
Board of Directors	
Emmanuel FABER	104,571
Franck RIBOUD	124,309
Guido BARILLA	4,000
Frédéric BOUTEBBA	1 [a]
Cécile CABANIS	17,482
Gregg L. ENGLES	4,093
Clara GAYMARD	4,256
Michel LANDEL	4,000
Gaëlle OLIVIER	4,340
Benoît POTIER	8,846
Isabelle SEILLIER	4,073
Jean-Michel SEVERINO	4,505
Virginia A. STALLINGS	4,000
Bettina THEISSIG	1 [a]
Serpil TIMURAY	7,271
Lionel ZINSOU-DERLIN	4,369
Executive Committee (excluding Emmanuel FABER and Cécile CABANIS)	**80,229**
Total number of shares	**380,346**
Total as a percentage of the Company's share capital	**0.06%**

(a) Share granted under the "One Person, One Voice, One Share" program.

TRANSACTIONS ON DANONE SHARES

Transactions on DANONE shares completed in 2019 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 [a]
Emmanuel FABER	Chairman and Chief Executive Officer	Shares	Delivery of shares [b]	7/24/2019	€00.00	36,000	€00.00
Franck RIBOUD	Director	Shares	Disposal	3/6/2019	€67.4512	36,334	€2,450,771.90
		Shares	Disposal	7/26/2019	€78.2406	5,674	€443,937.16
		Shares	Disposal	7/26/2019	€78.3156	1,461	€113,845.02
		Shares	Disposal	7/26/2019	€78.2600	127	€9,939.02
		Shares	Disposal	7/26/2019	€78.4978	7,840	€615,422.75
		Others [c]	Disposal	9/9/2019	€80.1859	20,000	€1,603,718.00
A legal entity related to Franck RIBOUD		Shares	Disposal	2/20/2019	€66.3152	1,250	€82,894.00
		Shares	Disposal	6/19/2019	€74.0800	1,350	€100,008.00
An individual related to Franck RIBOUD		Others [d]	Disposal	9/9/2019	€80.1859	20,000	€1,603,718.00
Bertrand AUSTRUY	Member of the Executive Committee	Others [e]	Subscription	5/16/2019	€10.00	4,355.2600	€43,552.60
		Shares	Delivery of shares [b]	7/24/2019	€00.00	6,543	€00.00
Frédéric BOUTEBBA	Director	Others [f]	Disposal	11/21/2019	€148.5100	446,6068	€66,326.56
Cécile CABANIS	Member of the Executive Committee	Others [e]	Subscription	5/16/2019	€10.00	4,852.6250	€48,526.25
		Shares	Delivery of shares [b]	7/24/2019	€00.00	10,800	€00.00

(a) The amounts have been rounded to two decimals.

(b) These shares were delivered pursuant to the grant of Group performance shares (GPS) on July 23, 2015, in accordance with the conditions set by the Board of Directors for the 2015 GPS plan.

(c) This transaction is a disposal of 20,000 usufruct shares. The aforementioned gross unit price corresponds to the sale price of the fully owned shares.

(d) This transaction is a disposal of bare ownership of 20,000 shares. The aforementioned gross unit price corresponds to the sale price of the fully owned shares.

(e) This transaction involved a subscription through a bridge fund (Fonds Relais) in connection with an annual capital increase reserved for employees of the Company and its French subsidiaries. The value of each fund share was €10 in 2019. Following the capital increase, the bridge fund was merged into the Danone Company savings fund FCPE Danone.

(f) This transaction corresponds to the disposal of the shares from the employee savings mutual fund FCPE Danone in which all employees of Danone and its French subsidiaries can participate. The value of these fund shares was €148.51 at the moment the transaction was completed.

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, 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 concerning 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

We inform you that we have not been advised of any agreement authorized and entered into during the last fiscal year to be submitted to the approval of the Shareholders' Meeting in accordance with Article L. 225-38 of the French Commercial Code.

AGREEMENTS ALREADY APPROVED BY THE SHAREHOLDERS' MEETING

Agreements approved in prior fiscal years

a) whose implementation continued during the past fiscal year

In accordance with Article R. 225-30 of the French Commercial Code, we have been informed that the execution of the agreements described below, already approved by the shareholders' meeting in prior fiscal years, continued during the past fiscal year.

1. Advisory agreements with J.P. Morgan Group dated May 25, 2018

Persons concerned

Mrs. Isabelle Seillier, a director of your company and senior executive at J.P. Morgan.

Nature, purpose and conditions

By a unanimous vote, Mrs. Isabelle Seillier abstaining, the board of directors' meeting of April 26, 2018 authorized the signing of two M&A advisory agreements with J.P. Morgan Securities Plc ("J.P. Morgan") related to two potential disposal projects.

On May 25, 2018, your company entered into two advisory agreements with J.P. Morgan, under which J.P. Morgan agreed to help your company find buyers, draft a memorandum aimed at potential buyers, review offers, manage a data room, monitor the due diligence procedure and negotiate the documents needed to complete the project. These two agreements have expired on April 27, 2019.

As consideration for its advisory assignment and subject to the completion of the respective transactions, these two advisory agreements provided for your company to pay J.P. Morgan a fee representing 1.50% of the total value of the assets to be sold, with a minimum of USD 1.5 million for the first transaction and €800,000 for the second. These fees would be due only if the disposal projects were completed.

As consideration for the first agreement related to the disposal of the company EarthBound Farm in the United States, your company paid in 2019 a total of USD 1,938,042 to J.P. Morgan in fees related to the completion of the disposal and the reimbursement of costs. This agreement ended on April 27, 2019.

Since the second project was not completed, the agreement ended on April 27, 2019 and did not result in the payment of the above-mentioned fee, as provided by the agreement.

2. With the Danone Communities mutual investment fund (SICAV)

Persons concerned

Mr. Emmanuel Faber, chairman and chief executive officer of your company and director and chairman of the board of the Danone Communities mutual investment fund (SICAV).

Nature, purpose and conditions

On April 26, 2007, within the framework of the Danone Communities project, the company's board of directors unanimously authorized the signing of a cooperation agreement established between your company, the danone.communities mutual investment fund (Société d'Investissement à Capital Variable – SICAV), the danone.communities FCPR (venture capital fund, now FPS), and companies of the Crédit Agricole group, namely IDEAM (which was merged into Amundi in 2011) and Crédit Agricole Private Equity (now renamed Omnes Capital), respectively management companies for the SICAV and the FPS, it being specified that as of the date of this board meeting, Mr. Jean Laurent, a director of your company, was also the chairman of the board of directors of Calyon, a subsidiary of the Crédit Agricole group, and abstained from voting. This agreement governs the relations between your company and other entities that have taken part in the Danone Communities project, and in particular provides for the initial subscription of shares of the danone.communities SICAV by your company for a maximum amount of €20 million, as well as the annual financial contribution by your company of a maximum amount of €1.5 million for the first fiscal year, it being specified that this amount must be revised annually by your company's board of directors.

On February 18, 2019, the board of directors voted unanimously to set your company's annual financial contribution for 2019 at a maximum of €3.6 million. The total amount of financial contributions provided by your company to Danone Communities for the fiscal year 2019 therefore totaled €3.6 million.

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b) not implemented during the last fiscal year

We were also informed that the following agreements, which had already been approved by the shareholders' meeting in previous years, remained in effect but were not implemented during the last fiscal year.

With Mr. Emmanuel Faber, chairman and chief executive officer of your company

1. Agreement concerning conditions for resuming the employment contract of Mr. Emmanuel Faber at the conclusion of his term of office

Nature, purpose and conditions

On February 13, 2008, the board of directors voted unanimously, Mr. Emmanuel Faber abstaining from voting, to authorize an amendment to the company's employment contract with Mr. Emmanuel Faber, for the purpose of determining the conditions under which his employment contract would be resumed (it was suspended when he was appointed a corporate officer of the company), assuming that his term of office ended for whatever reason.

This amendment provides that:

- his entire length of service as a corporate officer on behalf of your company will be taken into account for the purpose of seniority and the resulting rights within the framework of his employment contract;
- your company undertakes to offer him a position involving duties comparable to those currently exercised by the members of your company's executive committee;
- the annual compensation that will be paid out to him cannot be less than the total annual average compensation (gross base salary, benefits in kind, and bonus of any type) allocated to all members of the executive committee during the 12 months preceding the resumption of his employment contract;
- he will benefit from your company's defined-benefit pension plan based on his seniority as a corporate officer and his seniority under the employment contract;
- the contractual indemnity due in the event of the termination of his employment contract will be canceled.

This agreement ended on April 24, 2019, as Mr. Emmanuel Faber terminated his employment contract effective April 24, 2019 through a letter dated January 25, 2019.

2. Amendments to the suspended employment contract of Mr. Emmanuel Faber

Nature, purpose and conditions

On February 10, 2010, the board of directors (excluding Mr. Emmanuel Faber who abstained from voting) amended the suspended employment contract of Mr. Emmanuel Faber, such that:

- the indemnity provided under your company's collective agreement applicable to all company employees (the "Indemnity for Termination of the Employment Contract") is: (i) subject to a limit of two years' fixed and variable gross compensation; and (ii) in the event of the payment of both the Indemnity for Termination of the Employment Contract and the indemnity due in certain instances of the termination of the term of office of a corporate officer, included in an overall limit, also subject to a limit of two years' fixed and variable gross compensation, applicable to all termination indemnities paid in respect of a term of office or an employment contract;
- the portion of the Indemnity for Termination of the Employment Contract corresponding to the seniority acquired in respect of the term of office of the person concerned is subject to the same performance conditions as the indemnity due in certain instances of the termination of the term of office of the corporate officer;
- in the exclusive event that a change in control results in the forced termination of his term of office as a corporate officer, the person concerned may, provided he has not committed serious misconduct or gross negligence, request the termination of his employment contract in the form of termination within three months from the date of the termination of his term of office as a corporate officer (i.e. the date on which his employment contract is resumed).

In the event of the amendment of the performance conditions applicable to the indemnity due in certain instances of the termination of the term of office of a corporate officer, the performance conditions applicable to the portion of the Indemnity for Termination of the Employment Contract corresponding to the seniority acquired in respect of the term of office will be automatically amended.

The portion of the Indemnity for Termination of the Employment Contract which is subject to performance conditions and which corresponds to the seniority acquired in respect of the term of office will be subject to the agreement of the board of directors and the authorization of shareholders on each occasion the term of office is renewed.

In addition, the non-compete clause included in the suspended employment contract of Mr. Emmanuel Faber was amended such that it may not be implemented by your company and trigger the payment of consideration except in the case of a resignation.

As part of the reunification of the chairman and chief executive officer functions, the board of directors on October 18, 2017 took note to the extent necessary and acting on the recommendation of the nomination and compensation committee, that the non-compete clause contained in the suspended employment contract of Mr. Emmanuel Faber remained unchanged.

This agreement ended on April 24, 2019, as Mr. Emmanuel Faber terminated his employment contract effective April 24, 2019 through a letter dated January 25, 2019.

Paris-La Défense and Neuilly-sur-Seine, March 2, 2020

The Statutory Auditors

ERNST & YOUNG Audit		**PricewaterhouseCoopers Audit**	
Pierre-Henri PAGNON	Gilles COHEN	Anik CHAUMARTIN	François JAUMAIN

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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, 2019

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)*
June 1, 2017	13,835,487	Capital increase for the payment of the dividend in shares	3,458,871.75	167,431,871.75	669,727,487
June 8, 2017	982,913	Capital increase reserved for employee members of a company savings plan	245,728.25	167,677,600.00	670,710,400
May 31, 2018	13,475,904	Capital increase for the payment of the dividend in shares	3,368,976.00	171,046,576.00	684,186,304
June 7, 2018	868,896	Capital increase reserved for employee members of a company savings plan	217,224.00	171,263,800.00	685,055,200
May 16, 2019	1,018,400	Capital increase reserved for employee members of a company savings plan	254,600.00	171,518,400.00	686,073,600
July 24, 2019	27,355	Capital increase reserved for employees of foreign companies	6,838.75	171,525,238.75	686,100,955
September 26, 2019	19,851	Capital increase reserved for employees of foreign companies	4,962.75	171,530,201.50	686,120,806
Share capital as of December 31, 2019				**171,530,201.50**	**686, 120,806**

SHARES CONSTITUTING THE SHARE CAPITAL

Shares are fully paid-up, are all of the same class and have a nominal value of €0.25. Each share gives the right to ownership of a proportion of the Company's assets, profits and liquidation surplus, based on the percentage of share capital that it represents.

7.2 TREASURY SHARES HELD BY THE COMPANY AND ITS SUBSIDIARIES

This section 7.2 describes the share buyback program set up in accordance with Articles 241-2 and *seq.* of the General Regulations of the French Financial Markets Authority.

AUTHORIZATION GRANTED TO THE COMPANY TO BUY BACK ITS OWN SHARES

Existing authorization

The Shareholders' Meeting of April 25, 2019 authorized the Board of Directors, for an 18-month period, to buy back a number of shares representing a maximum of 10% of the Company's share capital at a maximum purchase price of €85 per share. This authorization superseded the authorization previously granted by the Shareholders' Meeting of April 26, 2018.

This authorization was not used during fiscal year 2019 (see section *Transactions on Company shares in 2019 and situation as of December 31, 2019* hereinafter).

Authorization subject to approval by the Shareholders' Meeting

The Board of Directors will submit a new authorization, valid for 18 months, to the Shareholders' Meeting to be held on April 28, 2020 to repurchase up to 10% of the total number of shares comprising the share capital of the Company (*i.e.* for information purposes, 68,612,080 shares as of December 31, 2019, 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 28, 2020, the Company's buyback of its own shares would be executed for the purpose of:

- the allocation of shares with respect to the exercise of stock-options by employees and/or corporate officers of the Company and of companies or economic interest groups related to it, pursuant to applicable statutory and regulatory provisions;
- the implementation of any plan for the allocation of Group performance shares, or without performance conditions in the case of global employee share ownership plans, to employees and/or corporate officers of the Company and of companies or economic interest groups related to it, pursuant to applicable

statutory and regulatory provisions, either directly or through entities acting on their behalf;

- the sale of shares to employees (either directly or through an employee savings mutual fund) within the context of employee shareholding plans or company savings plans;
- the delivery of shares upon the exercise of rights attached to securities giving access to the Company's share capital;
- the later delivery of shares as payment or for exchange in the context of external growth transactions;
- the cancellation of shares within the maximum legal limit; and/or
- supporting the market for shares in connection with a liquidity contract entered into with an investment service provider, in accordance with the market practice permitted by the French Financial Markets Authority.

Share buybacks may be carried out, in whole or in part, by acquisition, sale, exchange or transfer, on one or more occasions, by any means on any stock markets, including multilateral trading facilities (MTF), through a systematic internalizer or over the counter, including by acquisition or disposal of blocks of shares (without limiting the portion of the share repurchase program that may be completed this way). These means include the use of any financial contract or derivative instrument (including in particular any future or any option), except the sale of put options, in accordance with applicable regulations.

These transactions may be carried out at any time during an 18-month period beginning April 28, 2020 (with the exception of periods of public tender offers on the Company's shares) within the limits allowed by the applicable regulations.

AUTHORIZATION TO CANCEL SHARES AND REDUCE THE SHARE CAPITAL FOLLOWING THE BUYBACK BY THE COMPANY OF ITS OWN SHARES

The Shareholders' Meeting of April 25, 2019 authorized the Board of Directors, for a period of 24 months, to cancel shares acquired in the context of a share buyback program, within a limit of 10% of the existing share capital as of the day of the Meeting. This authorization was not used in 2019.

TRANSACTIONS ON COMPANY SHARES IN 2019 AND SITUATION AS OF DECEMBER 31, 2019

(number of shares)	**Situation as of December 31, 2018**	**Buybacks**	**Sales /Transfers**	**Delivery of shares**	**Situation as of December 31, 2019**
Acquisitions	**30,769,360**	–	–	–	**30,769,360**
Employee shareholding plans	**1,232,625**	–	–	(532,451)	**700,174**
Share cancelations	**-**	–	–	–	**-**
Treasury shares	**32,001,985**	–	–	(532,451)	**31,469,534**
Shares held by Danone Spain	**5,780,005**	–	–	–	**5,780,005**
Shares held by the Group	**37,781,990**	**–**	**–**	**(532,451)**	**37,249,539**

Treasury shares held by the Company as of December 31, 2019

	As of December 31, 2019
Number of DANONE shares	**31,469,534**
Percentage of share capital	*4.59%*
Value of DANONE shares held by the Company *(in euros)*	
Par value	7,867,384
Gross value	1,603,189,472

Market value of DANONE shares held by Danone and its consolidated subsidiaries

	As of December 31, 2019
Number of DANONE shares	**37,249,539**
Closing price *(in euros)*	73.90
Value of DANONE shares held by the Group *(in euros)*	
At the closing price	2,752,740,932

7.3 AUTHORIZATIONS TO ISSUE SECURITIES GIVING ACCESS TO THE SHARE CAPITAL

SUMMARY OF FINANCIAL AUTHORIZATIONS IN EFFECT AS OF DECEMBER 31, 2019

Maximum amounts of share capital authorized *(nominal issuance amount)*		**Authorization type**	**Individual maximum amounts authorized** *(nominal amount or percentage)*	**Use in 2019**	**Available balance as of December 31, 2019** *(nominal amount or percentage)*
Maximum amount applicable to all dilutive and non-dilutive issuances: €60 million (approx. 35% [a] of the share capital)	Maximum amount applicable to non-dilutive issuances: €60 million (approx. 35% [a] of the share capital)	Capital increase with preferential subscription rights for shareholders	€60 million (approximately 35% [a] of the share capital)[b]	–	€60 million
	Maximum amount applicable to dilutive issuances: €17 million (or approximately 9.9% [a] of the share capital)	Capital increase without preferential rights but with a priority period for shareholders	€17 million (approximately 9.9% [a] of the share capital) [b]	–	€17 million
		Overallotment (as a % of initial issuance)	15% [b]	–	–
		Public exchange offer initiated by the Company	€17 million (approximately 9.9% [a] of the share capital) [b]	–	€17 million
		Contributions in kind	10% of the share capital	–	10% of share capital
		Capital increase reserved for employee members of a company savings plan	€3.4 million (approximately 2% [a] of the share capital)	€254,600	€3.4 million [c]
		Capital increase reserve for employees of foreign companies	€1.7 million (approximately 1% of the share capital) attributable to the 2.0% maximum limit authorized for capital increases reserved for employees participating in a company savings plan	€11,801.50	€1.7 million
		Grants of Group performance shares (GPS)	0.2% of the share capital at the close of the Shareholders' Meeting	578,923 shares granted (approximately 0.1% of share capital)	0.1% of share capital at the close of the Shareholders' Meeting
–	–	Incorporation of reserves, earnings, additional paid-in capital and other amounts	€42 million (approximately 24.5% [a] of share capital)		€42 million

(a) The percentage of share capital is calculated for indicative purposes only, based on share capital as of December 31, 2019 (unless otherwise stated).

(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, 2019 and implemented in May 2019 used the authorization granted by the Shareholders' Meeting held on April 27, 2017 (and not the authorization granted by the Shareholders' Meeting held on April 25, 2019). The new capital increase reserved for employee members of a Company savings plan, approved by the Board of February 25, 2020 and to be completed in May 2020, will be deducted from the maximum amount of €3.4 million approved Shareholders' Meeting of April 25, 2019.

These authorizations were approved by the Shareholders' Meeting of April 25, 2019, for a period of 26 months, *i.e.* until June 25, 2021, with the exceptions of (i) the grant of Group performance shares approved by the Shareholders' Meeting of April 25, 2019 and expired on December 31, 2019 and (ii) the authorization to implement capital increases reserved for employees of foreign companies approved by the Shareholders' Meeting of April 25, 2019 for a period of 18 months, *i.e.* until October 25, 2020.

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.

Moreover, since 2019 Danone also carries out capital increases reserved for employees of foreign companies, under the authorization granted by the Shareholders' Meeting ("One Person, One Voice, One Share" program).

In 2019, these different capital increases reserved for employees represented a total amount of €54,622,803.90 (and a nominal amount of €266,401.50).

The Board of Directors of February 25, 2020 decided to implement a new capital increase reserved for employee members of a Company savings plan for a maximum total amount of subscription of €80 million (*i.e.* 1,378,597 shares). In addition, a new capital increase reserved for employees of foreign companies may be approved, subject to the approval of the Shareholders' Meeting of April 28, 2020.

FINANCIAL AUTHORIZATIONS SUBJECT TO APPROVAL BY THE SHAREHOLDERS' MEETING

The Shareholders' Meeting of April 28, 2020 will be asked to renew authorizations for issuances, based on the following conditions:

			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 28, 2020	October 28, 2020	€1.7 million (approximately 1% [a] of the share capital) attributable to the 2% maximum limit authorized for capital increases reserved for employees participating in a company savings plan	–
Allocation of Group performance shares	April 28, 2020	December 31, 2020	0.2% of share capital at the close of the Shareholders' Meeting, attributable to the common maximum limit of €17 million along with the aforementioned dilutive issues	–

(a) The percentage of share capital is calculated for indicative purposes only, based on share capital as of December 31, 2019.

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 25, 2020, 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, 2019, the total outstanding principal amount on bonds issued by the Company (Danone's only bond issuer) was €14,137 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 dividend pay-out policy, defined by the Board of Directors, is based on an analysis that takes into account the history of dividend payments, the Company's financial position and results, and the dividend pay-out practices of Danone's business sector.

DIVIDEND PAID IN RESPECT OF 2019 FISCAL YEAR

A dividend of €2.10 per share will be proposed to the Shareholders' Meeting of April 28, 2020 on shares eligible to receive the dividend as of January 1, 2019. If this dividend is approved, the ex-dividend date will be May 11, 2020 and the payment date will be May 13, 2020.

DIVIDENDS PAID IN RESPECT OF THE PREVIOUS THREE FISCAL YEARS PRIOR TO 2019

Dividend relating to the fiscal year	Dividend per share *(in € per share)*	Dividend approved *(in € millions)*	Dividend paid [(a)] *(in € millions)*
2016	1.70	1,115	275 [(b)]
2017	1.90	1,274	428 [(b)]
2018	1.94	1,329	1,266

(a) Treasury shares held directly by the Company do not carry the right to receive a dividend. However, the Company's shares held by its Danone Spain subsidiary carry the right to receive a dividend.

(b) The Shareholders' Meetings of April 27, 2017 and April 26, 2018 decided that each shareholder could choose to receive payment of the dividend in cash or in DANONE shares. The amount of the dividend paid in cash corresponds to the dividend paid to those shareholders who did not opt for payment in shares.

DIVIDENDS FORFEITED TO THE FRENCH STATE

By law, dividends that have not been claimed within five years revert to the French State.

7.6 SHAREHOLDERS' MEETING, VOTING RIGHTS

PARTICIPATION IN SHAREHOLDERS' MEETINGS

Shareholders' Meetings are convened and deliberate in the conditions set out by law. They are held at in the city where the registered office is located or at any other place specified in the Notice of Meeting.

The Shareholders' Meeting is composed of all shareholders, regardless of the number of shares owned, except in the case of forfeiture in accordance with applicable laws and regulations, and upon presentation of proof of identity and ownership of the shares on the terms stipulated by regulations.

Shareholders may choose one of the following four methods to participate in Shareholders' Meetings:

- attend the meeting in person by requesting an admission card;
- vote by correspondence;
- give a proxy to the Chairman of the Shareholders' Meeting; or
- give a proxy to any individual or legal entity of their choice.

The details concerning the participation at Shareholders' meetings as provided by laws and regulations can be found in the Notice of Meeting available on the Danone website: www.danone.com (Section Investors/Shareholders/Shareholders' meeting).

The Company's by-laws permit shareholders to participate in Shareholders' Meetings using electronic means, and a dedicated website has been specially created to that effect.

Moreover, the Board of Directors may decide that the vote occurring during the Shareholders' Meeting may be expressed by videoconference or any telecommunications method that makes it possible to identify the shareholders, subject to applicable legal and regulatory provisions.

VOTING RIGHTS

Double voting rights

The Extraordinary Shareholders' Meeting of October 18, 1935 decided to include in the Company's by-laws, the grant of double voting rights, under the conditions provided by law, in relation to the portion of the share capital that they represent, to all fully paid-up shares for which evidence is provided that they have been registered in the name of the same shareholder for at least two years, as well as – in the event of a capital increase through capitalization of reserves, earnings or additional paid-in capital – to registered bonus shares granted to a shareholder in consideration of existing shares in respect of which he enjoys said rights. This statutory double voting right has been maintained since its creation in 1935 and coexists, in the same conditions, with the one created by the law 2014-384 of March 29, 2014, known as the "Florange Act", since neither Danone's Board of Directors nor its shareholders proposed its elimination when the legal double voting right was instituted for companies whose shares are admitted for trading on a regulated market.

Double voting rights cease in the event of a transfer or conversion into bearer shares, unless otherwise provided for by law. A double voting right may moreover be terminated by an Extraordinary Shareholders' Meeting's decision and after ratification by the special shareholders' meeting gathering all double voting right beneficiaries. A merger with another company shall not affect double voting rights, which can be exercised within the absorbing company if its by-laws have instituted this procedure.

Limitation on voting rights at Shareholders' Meetings

Principle of limitations on voting rights

The Extraordinary Shareholders' Meeting of September 30, 1992 decided to introduce into Danone's by-laws a clause limiting the voting rights, considering the weak participation rate of shareholders at Meetings. The purpose of the clause is to avoid having a shareholder exercise undue influence or even realize a "stealth" takeover of the Company. Hence, the by-laws provide that, at Shareholders' Meetings, no shareholder may cast more than 6% of the total number of voting rights attached to the Company's shares in his or her own right or through proxy (*mandataire*), in respect of single voting rights attached to shares which he or she holds directly and indirectly and of powers which have been granted to him or her. Nevertheless, if, additionally, he or she enjoys double voting rights in a personal capacity and/or in the capacity of agent, the limit set above may be exceeded by taking into account only the extra voting rights resulting therefrom. In such a case, the total voting rights that he or she represents shall not exceed 12% of the total number of voting rights attached to the Company's shares.

In accordance with Article 26.II of the Company's by-laws, this limitation applies when:

- the total number of voting rights taken into account is calculated as of the date of the Shareholders' Meeting and is brought to the attention of shareholders at the opening of the Shareholders' Meeting;
- the number of voting rights held directly and indirectly refers particularly to those attached to shares held personally by a shareholder, shares held by a corporation he or she controls within the meaning of Article L. 233-3 of the French Commercial Code and shares assimilated with shares held, as defined by the provisions of Articles L. 233-7 and *seq.* of the French Commercial Code;
- in respect of voting rights used by the Chairman of the Shareholders' Meeting, those attached to shares for which a proxy form has been returned to the Company without naming a proxy and which, individually, do not violate the applicable limitations, are not taken into account.

This limitation of voting rights at Shareholders' Meetings has been implemented by the Company in respect of the MFS group since 2013 (see section 7.8 *Share ownership structure of the Company as of December 31, 2019 and significant changes over the past three years* for more information on the interest held by MFS in the Company's share capital).

Exceptions to limitations on voting rights

In accordance with Article 26.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 25, 2019 was 59.80%.

7.7 CROSSING OF THRESHOLDS, SHARES AND SHARE SALES

CROSSING OF THRESHOLDS

A shareholder is legally required to inform the Company and the French Financial Markets Authority whenever any of the following thresholds are crossed in either direction, within four trading days of when the threshold is crossed: 5%, 10%, 15%, 20%, 25%, 30%, one-third, 50%, two-thirds, 90% or 95% of the Company's share capital or voting rights (Article L. 233-7 of the French Commercial Code). In addition, any individual or legal entity that comes to acquire or ceases to hold in any manner whatsoever, within the meaning of Articles L. 233-7 and *seq.* of the French Commercial Code, a fraction equivalent to 0.5% of the voting rights or a multiple thereof must, within five trading days of crossing such threshold, notify the Company of the total number of shares or securities giving future access to the capital and the total number of voting rights that said individual or entity holds alone, or indirectly, or in concert, by registered mail with return receipt to the Company's registered office. If the threshold is crossed as a result of a purchase or sale in the open market, the notification period of five trading days begins with the date of trade and not the date of delivery.

In the event of failure to comply with this notification requirement, at the request of any holder or holders of 5% or more of the voting rights, the voting rights in excess of the fraction that should have been reported may not be exercised or delegated by the non-complying shareholder at any Shareholders' Meeting held during a period of two years as from the date on which the shareholder makes the corrective notification.

PURCHASES AND SALES OF COMPANY SHARES

There is no clause in the Company's by-laws giving preferential rights for the purchase or sale of Company shares.

7.8 SHARE OWNERSHIP STRUCTURE OF THE COMPANY AS OF DECEMBER 31, 2019 AND SIGNIFICANT CHANGES OVER THE PAST THREE YEARS

SHARE OWNERSHIP STRUCTURE AS OF DECEMBER 31, 2019

It should be noted that double voting rights are granted to all fully paid-up shares held in registered form in the name of the same shareholder for at least two years (see section 7.6 *Shareholders' Meeting, voting rights*).

Shareholders having disclosed shareholdings exceeding 1.5% of voting rights in the Company (based on reported crossings of statutory thresholds received by the Company)

Shareholders	Number of shares held	% of share capital	Number of gross voting rights	% of gross voting rights [a]	Number of net voting rights	% of net voting rights [b]
MFS [c]	50,550,484	7.4%	43,618,088	6.1%	43,618,088	6.4%
BlackRock	39,411,681	5.7%	39,411,681	5.5%	39,411,681	5.8%
Amundi Asset Management	23,227,264	3.4%	23,227,264	3.2%	23,227,264	3.4%
First Eagle Investment Management	16,455,341	2.4%	16,455,341	2.3%	16,455,341	2.4%
Norges Bank	13,209,935	1.9%	13,209,935	1.8%	13,209,935	1.9%
Groupe CDC	10,866,611	1.6%	10,866,611	1.5%	10,866,611	1.6%
Lyxor	10,151,692	1.5%	10,151,692	1.4%	10,151,692	1.5%
Groupe Sofina	8,838,293	1.3%	17,272,845	2.4%	17,272,845	2.5%
Employee shareholders –"*Fonds Danone*" company investment fund	8,666,386	1.3%	16,856,696	2.4%	16,856,696	2.5%
Treasury shares held by the Company	31,469,534	4.6%	31,469,534	4.4%	–	–
Treasury shares held by Danone Spain subsidiary	5,780,005	0.8%	5,780,005	0.8%	–	–
Other	467,493,580	68.1%	487,059,756	68.1%	487,059,756	71.8%
Total	**686,120,806**	**100.0%**	**715,388,448**	**100.0%**	**678,138,909**	**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.* 29,267,642 shares as of December 31, 2019).
(b) The number of net voting rights (or voting rights "exercisable in a Shareholders' Meeting") is calculated excluding shares stripped of voting rights.
(c) The voting rights of MFS group were capped at 6% at the Shareholders' Meeting of April 25, 2019 in accordance with Article 26.II of the by-laws of the Company (see section 7.6 *Shareholders' Meeting, voting rights* above for details on limitations on voting rights at Shareholders' Meetings).

As of December 31, 2019, the portion of the Company's share capital held by shareholders in registered form on the Company share register (*nominatif pur*) and in registered form on the books of a financial intermediary (*nominatif administré*) and pledged was not material.

To the Company's knowledge, on the basis of threshold crossing disclosures made to the French Financial Markets Authority, no shareholder other than MFS and BlackRock held a stake of more than 5% in the Company's share capital or voting rights as of December 31, 2019.

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

	2019			2018			2017		
Shareholders	**Number of shares**	**% of total shares**	**% of net voting rights** [(a)]	**Number of shares**	**% of net voting rights**	**% of net voting rights** [(a)]	**Number of shares**	**% of total shares**	**% of net voting rights** [(a)]
MFS	50,550,484	7.4%	6.4%	53,523,938	7.8%	6.7%	59,943,156	8.9%	7.8%
BlackRock	39,411,681	5.7%	5.8%	37,997,485	5.5%	5.6%	40,773,191	6.1%	6.1%
Amundi Asset Management	23,227,264	3.4%	3.4%	24,930,152	3.6%	3.7%	14,909,453	2.2%	2.0%
First Eagle Investment Management	16,455,341	2.4%	2.4%	16,991,351	2.5%	2.5%	16,296,614	2.4%	2.4%
Norges Bank	13,209,935	1.9%	1.9%	11,933,570	1.7%	1.8%	11,954,907	1.8%	1.8%
Groupe CDC	10,866,611	1.6%	1.6%	11,235,862	1.6%	1.6%	11,262,220	1.7%	1.7%
Lyxor	10,151,692	1.5%	1.5%	11,770,974	1.7%	1.7%	12,770,814	1.9%	1.9%
Groupe Sofina	8,838,293	1.3%	2.5%	14,163,293	2.1%	4.1%	14,292,198	2.1%	4.2%
Employee shareholders – "*Fonds Danone*" investment fund	8,666,386	1.3%	2.5%	8,897,524	1.3%	2.5%	8,530,765	1.3%	2.5%
Treasury shares held by the Company	31,469,534	4.6%	–	32,001,985	4.7%	–	32,526,992	4.8%	–
Treasury shares held by Danone Spain subsidiary	5,780,005	0.8%	–	5,780,005	0.8%	–	5,780,005	0.9%	–
Other	467,493,580	68.1%	71.8%	455,829,061	66.5%	69.9%	441,670,085	65.9%	69.6%
Total	**686,120,806**	**100%**	**100%**	**685,055,200**	**100%**	**100%**	**670,710,400**	**100%**	**100%**

(a) This percentage excludes treasury shares held by the Company and its subsidiaries, which have been stripped of voting rights.

Ownership interest held by MFS

In the fiscal years 2017 to 2019, the ownership interest held by Massachusetts Financial Services ("MFS") in the Company's share capital has fallen to 7.4% of the share capital as of December 31, 2019.

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, 2019, MFS informed the Company that it held 50,550,484 DANONE shares (approximately 7.4% of the share capital), including 43,618,088 shares (approximately 6.4% of the share capital) for which MFS exercises voting rights and 6,932,396 shares (approximately 1.1% of the share capital) for which MFS clients have retained voting rights.

Ownership interest held by BlackRock

In the fiscal years 2017 to 2019, the BlackRock group increased its ownership interest in the Company's share capital over the 5% threshold to approximately 5.7% of the Company's shares as of December 31, 2019.

Other significant changes during the past three fiscal years

In May 2018, J.P. Morgan Securities disclosed several crossings in both directions of the 5% threshold for share ownership or voting rights (see disclosures No. 218C0834, No. 218C0856, No. 218C0873). As of December 31, 2018, J.P. Morgan Securities indicated that it held less than 0.5% of the Company's shares.

With the exception of the aforementioned disclosures by J.P. Morgan Securities, no disclosures regarding the crossing of statutory thresholds pertaining to the Company's share capital or voting rights were published by the French Financial Markets Authority in fiscal year 2019.

To the best of the Company's knowledge, no other significant changes in the Company's shareholding structure have taken place during the past three fiscal years.

Employee shareholding

As of December 31, 2019, to the Company's knowledge, the number of the Company's shares held directly or indirectly by employees of the Company and of companies related to it, and, in particular, those that are subject to collective management or conditions prohibiting their disposal, either within the framework of a French company savings plan (*Plan d'Épargne Entreprise*) or through French company investment funds (*Fonds Communs de Placement Entreprise – FCPE*) (the "*Fonds Danone*" company investment fund and the company investment funds of other Danone subsidiaries), or also within the framework of the "One Person, One Voice, One Share" program, was 10,011,896, *i.e.* 1.46% of the Company's share capital, including the 8,666,386 shares (1.3% of the share capital) held by the "*Fonds Danone*" *FCPE*.

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 2019 of identifiable holders of bearer shares

		As a percentage of the share capital
Institutional investors		**77%**
of which,	*United States*	43%
	France	19%
	United Kingdom	10%
	Switzerland	6%
	Germany	5%
	Rest of Europe	14%
	Rest of World	5%
Individual investors and "*Fonds Danone*" FCPE		**10%**
Treasury shares		**5%**
Other		**7%**
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: FR 0000120644; ticker "BN"). The Company's shares also had a secondary listing on the Swiss Stock Exchange (SWX Suisse Exchange) but this secondary listing ended on February 18, 2020 upon the Company's request.

Danone also maintains a sponsored Level 1 program of American Depositary Receipts (ADR), which are traded over-the-counter through the OTCQX platform under the symbol DANOY (each ADR representing one-fifth of a DANONE share). OTCQX is an information platform for companies already listed on a qualified international stock exchange. It enables international companies to better access U.S. investors and to distribute information in the U.S. markets without the complexity and cost of an U.S. exchange listing.

DANONE shares are included in the CAC 40 and Eurostoxx 50 indexes.

7.10 FACTORS THAT MIGHT HAVE AN IMPACT IN THE EVENT OF A PUBLIC TENDER OFFER

In accordance with Article L. 225-37-5 of the French Commercial Code, factors that might have an impact in the event of a tender offer:

(i) Structure of the Company's share capital

See section 7.8 *Share ownership structure of the Company as of December 31, 2019 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, 2019 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 April 29, 2014 concerning the appointment of the Directors representing employees (see section 6.1 *Governance bodies*), there are no specific rules applicable to the appointment and replacement of members of the Board of Directors or to amendments of the by-laws.

(viii) Powers of the Board of Directors in the event of a public tender offer

Pursuant to the resolution approved by shareholders at the April 25, 2019 Shareholders' Meeting, the Board of Directors is prohibited from implementing the Company share buyback program during a public tender offer involving the Company's shares. The Shareholders' Meeting of April 28, 2020 will be asked to renew this prohibition.

Moreover, in accordance with the decision of the Shareholders' Meeting of April 25, 2019, 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 managers and grants of Group performance shares) during periods when the Company's shares are the subject of a public tender offer.

(ix) Main agreements signed by the Company that are amended or terminated in the event of a change of control of the Company

- Danone granted put options to certain non-controlling shareholders of its subsidiaries relating to their shares, which may be exercised during a public tender offer. The amount of such options is set out in Note 4.5 of the Notes to the consolidated financial statements.
- Certain joint-ventures agreements provide the possibility for the partner to purchase Danone's participation in the joint-venture in the event of a change of control of the Company. Hence, in 2005, the Company and the Arcor group signed an agreement governing relations between Danone and Arcor within the joint venture named Bagley Latino America, 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 Latino America 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 Évian in France, Danone has very longstanding and privileged relations with local municipalities in which these springs are located. It is difficult for the Company to assess with certainty the impact on these contracts of any change in its control.
- The Group performance units (GPU) and Group performance shares (GPS) plans, that were put in place by the Company for the benefit of certain employees and its corporate officers, include specific provisions in the event of a change of control of the Company resulting from a public tender offer on the Company's securities, described in section 6.4 *Detailed information on long-term compensation plans*.

- Danone's syndicated facility agreement includes a change of control provision, which offers the lending banks an early redemption right in the event of a change of control of the Company, if it is accompanied by a downgrade of its rating by the rating agencies to sub-investment grade. It represents a principal amount of €2 billion.
- The Company's EMTN bond issuance program, its U.S. bond issuances in June 2012 and November 2016 and certain bilateral bank credit facility also include a similar mechanism in the event of a change of control of the Company (see Note 11.3 of the Notes to the consolidated financial statements).

(x) Agreements providing for indemnities to be paid to employees and corporate officers of the Company in the event that they resign, or their employment is terminated without cause or if their employment ends due to a public tender offer

See section 6.3 *Compensation and benefits of governance bodies*.

7.11 CHANGE OF CONTROL

To the Company's knowledge, no agreement exists which, if implemented, could, at a future date, lead to a change of control of the Company.

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Cross-reference table for the provisions of Annexes 1 and 2 of the 2019/980 Delegated Regulation of the European Commission	288
Cross-reference table for the Management Report of the Company and Danone Group	290

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

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, 3.5*
5.1.2	*Development of new products and/or services*	*2.2, 2.3*
5.2	Principal markets	2.1, 2.3, 3.2
5.3	Important events in the development of the business	2.1 to 2.4, 3.1, 3.5
5.4	Strategy and objectives	2.2, 2.3
5.5	Dependence of the issuer with regards to patents, licences, 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*
5.7.3	*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**	
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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 3.4, 3.6*
7.1.2	*Likely future evolution and activities in the field of research and development*	*2.4, 3.1, 3.5*
7.2	Operating results	
7.2.1	*Significant factors materially influencing the operating income*	*2.3, 2.6, 3.2, 3.5, 4.1*
7.2.2	*Evolution of net sales*	*2.1, 3.2, 4.1*
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8.3	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
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10.1	Most significant trends since the end of the last fiscal year	3.5
10.2	Events that are reasonably likely to have a material effect on the issuer's prospects	3.5
Section 11	**Profit forecasts or estimates**	
11.1	Profit forecast or estimate	3.5
11.2	Principal hypothesis underlying the profit forecast or estimate	3.5

Universal Registration Document		Sections
11.3	Statement on the preparation of the profit forecast or estimate	3.5
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	6.3
Section 14	**Board practices**	
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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	N/A
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
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18.1	Historical financial information	
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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, 2019*
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*	*5.7, 6.6*
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18.4.1	*Pro forma financial information*	*N/A*
18.5	Dividend policy	
18.5.1	*Description of the issuer's policy on dividend*	*7.5*
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Section 19	**Additional information**	
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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*
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CROSS-REFERENCE TABLE FOR THE MANAGEMENT REPORT OF THE COMPANY AND DANONE GROUP

The cross-reference table hereinafter enables to identify the main information of the Management Report of the Company and Danone Group required by the French Commercial Code.

Information required	Reference text	Sections
Situation and activity		
Analysis of changes in business, results and the financial situation during the last fiscal year	L. 225-100-1, I 1° of the French Commercial Code	3.1 to 3.4, 4.1, 4.2
Key financial and non-financial performance indicators	L. 225-100-1, I 2° of the French Commercial Code	Section "Key financial figures"
Main risks and uncertainties	L. 225-100-1, I 3° of the French Commercial Code	2.6
Financial risks resulting from the effects of the climate change and measures undertaken by the Company	L. 225-100-1, I 4° of the French Commercial Code	2.6, 5.3
Internal control and risk management procedures	L. 225-100-1, I 5° of the French Commercial Code	2.7
Company's objectives, hedging policy and exposure to price, credit, liquidity and cash flows risks	L. 225-100-1, I 6° of the French Commercial Code	4.1, 4.2
Research and development activities	L. 232-1, II and L. 233-26 of the French Commercial Code	3.1, 2.4
Major events occurred since the close of the fiscal year	L. 232-1, II and L. 233-26 of the French Commercial Code	3.5
Company and Group foreseeable trends and outlook	L. 232-1, II and L. 233-26 of the French Commercial Code	3.5
Acquisition of significant equity interests or control in companies headquartered in France	L. 233-6 paragraph 1 of the French Commercial Code	N/A
Activities of the Company's subsidiaries	L. 233-6 paragraph 2 of the French Commercial Code	2.1, 2.3, 3.1, 3.2
Table on the Company's financial results over the last five years	R. 225-102 of the French Commercial Code	4.2
Information relating to suppliers and clients' terms of payment	L. 441-14 and D. 441-4 of the French Commercial Code	4.3
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Compensation policy for directors	L. 225-37-2 of the French Commercial Code	6.3
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FINANCIAL COMMUNICATION CALENDAR 2020

February 26, 2020
2019 Full-Year Results

Avril 21, 2020
2020 First-Quarter Sales

Avril 28, 2020
2020 Shareholders' Meeting

July 30, 2020
2020 First-Half Results

October 20, 2020
2020 Third-Quarter Sales

ABOUT DANONE (WWW.DANONE.COM)

Dedicated to bringing health through food to as many people as possible, Danone is a leading global food & beverage company building on health-focused and fast-growing categories in 3 businesses: Essential Dairy & Plant-Based, Waters and Specialized Nutrition. Danone aims to inspire healthier and more sustainable eating and drinking practices, in line with its "One Planet. One Health" vision which reflects a strong belief that the health of people and that of the planet are interconnected. To accelerate the food revolution and create superior, sustainable, profitable value for all its stakeholders, Danone has defined nine 2030 Goals, aligned with the Sustainable Development Goals (SDGs) of the United Nations. Danone commits to operating in an efficient, responsible and inclusive manner, as reflected by its ambition to become one of the first multinationals certified as B Corp™. With more than 100,000 employees, and products sold in over 120 markets, Danone generated €25.3 billion in sales in 2019. 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, Mizone, Oikos, Prostokvashino, Silk, Vega*).
Danone is committed to leading the battle against climate change by putting climate actions even more at the core of its growth model, joining people's fight for climate and nature with the power of its brands. Danone is one of only 6 companies worldwide with a "triple A" score by CDP in recognition of its leading environmental efforts to tackle climate change, fight deforestation and protect water cycles.
Listed on Euronext Paris and on the OTCQX market via an ADR (American Depositary Receipt) program, Danone is a component stock of leading sustainability indexes including the Dow Jones Sustainability Indexes, Vigeo Eiris, Sustainalytics, the Ethibel Sustainability Index, MSCI Global Sustainability, MSCI Global SRI Indexes, the FTSE4Good Index and Bloomberg Gender Equality Index.

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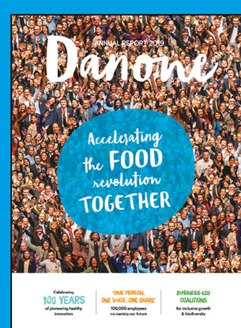

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