



Paris, February 19, 2021

## **2021 compensation for the Chairman and Chief Executive Officer**

At its February 18, 2021, meeting, the Danone Board of Directors, acting on the recommendation of the Governance Committee, determined the annual variable compensation payable to Danone's Chairman and Chief Executive Officer for 2020 as well as all the compensation components for 2021.

### **1. Compensation payable in 2021**

#### **1.1. 2021 fixed compensation**

Emmanuel Faber's total fixed compensation amounts to €1,000,000. This amount was determined in September 2014 and has not changed since then.

#### **1.2. Annual variable compensation for 2020 payable in 2021**

In accordance with Article L.22-10-34 II of the French Commercial Code (former Article L.225-100 III of the said Code), this compensation will only be paid after it has been approved by the Shareholders' Meeting of April 29, 2021.

Emmanuel Faber's annual variable compensation target for 2020 fiscal year was €1,000,000, *i.e.* 100% of his annual fixed compensation.

This annual variable compensation was capped at 200% of annual fixed compensation, with no guaranteed minimum or floor.

This annual variable compensation was calculated using predetermined performance conditions based on the criteria in the following table:

	Performance indicators	Portion of target amount	Possible variation based on the weighting
<b>Economic</b> 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%
	<b>Total</b>	<b>60%</b>	<b>0% to 120%</b>
<b>Social, societal and environmental</b> Reference to Danone's social, societal and environmental targets	Employees engagement	10%	0% to 20%
	Fulfillment of climate ambitions	10%	0% to 20%
	<b>Total</b>	<b>20%</b>	<b>0% to 40%</b>
<b>Managerial</b> Reference to specific annual targets	Organizational leadership	20%	0% to 40%
	<b>Total</b>	<b>20%</b>	<b>0% to 40%</b>
<b>Total</b>		<b>100%</b>	<b>0% to 200%</b>

At its February 18, 2021, meeting, upon recommendation of the Governance Committee, the Board of Directors determined the level of achievement of the variable compensation of Emmanuel Faber as follows:

Indicators	Weighting	Percentages fulfillment	Percentage after weighting	Fulfillment amount (in euros)
Economic	60%	16.6%	10%	€100,000
Social, societal and environmental	20%	100%	20%	€200,000
Managerial	20%	100%	20%	€200,000
<b>Total</b>	<b>100%</b>	-	<b>50%</b>	<b>€500,000</b>

The specific fulfillment percentages for the economic portion are presented below:

Indicators	Weighting	Percentages fulfillment	Weighted result
Growth	25%	0%	0%
Recurring operating margin	25%	0%	0%
Free cash flow	10%	100%	10%
<b>Total</b>	<b>60%</b>	-	<b>10%</b>

Regarding the quantifiable economic component, following the review of financial information by the Audit Committee and Board of Directors, the Board determined the fulfillment level for each of the targets, namely:

- Growth: nonfulfillment of this target in light of the 1.5% like-for-like decline in sales;
- Recurring operating margin: nonfulfillment of this target as the level achieved was 14%, below the target of a margin above 15% set at the beginning of the year 2020;
- Free cash flow: fulfillment of 100% of this target due to the free cash flow generation of €2.1 billion.

Regarding the social, societal and environmental portion, detail of percentages is presented below:

Indicators	Weighting	Percentages fulfillment	Weighted result
Employees engagement	10%	100%	10%
Fulfillment of climate ambitions	10%	100%	10%
<b>Total</b>	<b>20%</b>	<b>-</b>	<b>20%</b>

For the social, societal and environmental component, following discussion, the Board set a performance level of 100% of the target in light of the following:

- the rate of employee engagement measured in the Danone People Survey in 2020 conducted by an outside firm was 91% (percentage of employees recommending Danone as a good place to work). This rate of engagement is 11 points higher than in the FMCG sector. Progress was also made in inclusive diversity, in particular the representation of women in senior and middle management positions, inclusive talent development and parental policy. In January 2021, the Bloomberg Gender-Equality Index thus included Danone on the list of companies committed to support gender equality;
- Danone was once again recognized as a leader in environmental performance. In 2020, it was awarded a “Triple A” score from CDP for the second year in a row, having made the A list in climate change, forests and water security. This score reflects the actions the company has taken to build a low-carbon economy, protect natural resources and increase its brands’ transparency. Danone’s greenhouse gas emissions for scopes 1, 2 and 3 combined fell by 1 million tons, of which approximately 50% due to the company’s regenerative agriculture actions (thereby confirming, as previously announced, that Danone reached its carbon peak in 2019).

The specific fulfillment percentages for the managerial portion are presented below:

Indicators	Weighting	Percentages fulfillment	Weighted result
Organizational leadership	20%	100%	20%
<b>Total</b>	<b>20%</b>	<b>-</b>	<b>20%</b>

The managerial component was assessed mainly with regard to Danone’s leadership during the health crisis. With Danone having secured the continuity of the entire supply chain worldwide, proven its agility in a volatile environment, kept all of its distributor customers

satisfied, and instituted strict health protocols that allowed it to achieve strong workplace safety results, the Board of Directors, on the recommendation of the Governance Committee, therefore considered the managerial component to be 100% achieved. The Board also took into consideration the adoption of “*entreprise à mission*” status, which was approved by more than 99% of Danone’s shareholders at the Shareholders’ Meeting on June 26, 2020.

Therefore, the fixed and variable annual compensation due to the Chairman and Chief Executive Officer in 2020 amounts to €1,350,000, *i.e.* a reduction of one-third compared to that of 2019 (€2,025,000).

### **1.3. Long-term compensation payable in 2021**

GPS are Company shares subject to long-term performance conditions based on internal performance criteria linked to Danone’s own targets as well as comparisons of Danone’s performance relative to a panel of historical peers. GPS grants are subject to an annual resolution submitted to shareholders for approval.

GPS granted in 2017 were subject to two performance conditions. The first one, up to 50%, focused on sales growth on a like-for-like basis over 3 years. The second one, up to 50%, focused on the attainment of a free cash flow level of more than €6 billion over the same period. The Board of Directors recognized that 90% of the condition relating to sales growth and 100% of the condition relating to free cash flow had been achieved.

The delivery of 2017 GPS will be carried out in July 2021 for 95% of the allocation.

#### **Summary of compensation payable and deliverable in 2021**

<b>Fixed compensation</b>	€1,000,000
<b>Annual variable compensation <sup>(1)</sup> (for 2020)</b>	€500,000
<b>Long-term compensation (delivery of 2017 GPS)</b>	33,270 GPS

<sup>(1)</sup> In accordance with Article L.22-10-34 II of the French Commercial Code, this compensation will only be paid out following its approval by the Shareholders’ Meeting of April 29, 2021.

## **2. Compensation for the fiscal year 2021**

- **Fixed compensation unchanged at €1,000,000.**
- **Annual variable compensation, unchanged for the 2021 fiscal year, payable in 2022:**

The target amount of 2021 annual variable compensation for the Chairman and Chief Executive Officer, the components and the maximum percentage of this compensation were renewed with no changes. As in 2020, it will be based on three components: a quantifiable economic component, established in accordance with Danone’s objectives; a measurable social, societal and/or environmental component; and a qualitative managerial component, weighted as the previous year.

In accordance with the French Financial Markets Authority (AMF) recommendation n° 2012-02 of February 9, 2012, the scale of fulfillment for each of these components was established with precision by the Board of Directors, acting on the recommendation of the Governance Committee, but which is not disclosed publicly for confidentiality reasons.

In accordance with the recommendations of the AFEP-MEDEF Code, the grant of this variable compensation subject to performance conditions will be covered in a separate disclosure following the end of 2021. It will also be specified in the 2021 Universal Registration Document.

- **Long-term compensation:**

- Long-term cash compensation in the form of Group Performance Units (GPU)

As was the case in 2020, it is not considered to grant to Emmanuel Faber any GPU in 2021, reflecting the simplification of his compensation structure.

- Long-term shares compensation in the form of Group Performance Shares (GPS)

Any grant of GPS in 2021 will be decided by the Board of Directors in July, subject to the prior authorization by the Shareholders' Meeting to be held on April 29, 2021 and will be disclosed in a special release following the Board's meeting. GPS are granted to the Chairman and Chief Executive Officer and to around 1,600 Danone managers. Any GPS granted at such time would represent approximately 50% of the Chairman and Chief Executive Officer's overall nominal compensation but would not exceed 60%.

Furthermore, the performance conditions attached to these GPS were already determined by the Board of Directors at its February 18, 2021, meeting and are as follows:

- for 50% an external performance condition relating to the average growth of Danone's consolidated sales on a like-for-like basis over a three-year period (2021, 2022 and 2023) with respect to the median on the average growth in sales of a panel of Danone's historical peers consisting of eight international groups in the food and beverage industry (Unilever, Nestlé, PepsiCo, The Coca-Cola Company, The Kraft Heinz Company, Mondelez International, General Mills and Kellogg Company). As in 2020, this performance is based on a linear progressive scale:
  - no allocation if Danone's performance is below the median of the panel;
  - allocation of 75% of the shares subject to the performance condition if Danone's performance is equal to the median of the panel; and
  - beyond, a variable allocation up to 110% if Danone's outperformance reaches 120% above the panel's median.
- for 30% a specific condition for the Chairman and Chief Executive Officer and the other members of the Executive Committee relating to the positioning of the relative overall performance of the Danone share (TSR – Total Shareholder Return) compared to the median of the panel of Danone's historical peers over the fiscal years 2021, 2022 and 2023:
  - no allocation if Danone's performance is below the median of the panel;
  - 75% for achieving the median,
  - then a linear progressive scale up to 100% at 110% of the median and above.

It is specified that this condition is specific to the Chairman and Chief Executive Officer and the members of the Executive Committee, a condition based on the Free Cash Flow being applied to the other beneficiaries of GPS;

- for 20% an external environmental performance condition based on Danone's ranking established by CDP each year in 2022, 2023 and 2024, for the fiscal years 2021, 2022 and 2023, for the three CDP lists, namely:
  - the “Climate Change” program;
  - the “Water” program; and
  - the “Forests” program ;

based on the following scale:

<b>Scores awarded to Danone by CDP</b>	<ul style="list-style-type: none"> <li>• Climate Change program: A score each year;</li> <li>and</li> <li>• Water program: A score at least 2 years;</li> <li>and</li> <li>• Forests program: A score at least 2 years</li> </ul>	<ul style="list-style-type: none"> <li>• Climate Change program: A score each year;</li> <li>and</li> <li>• Water program: A score at least 1 year;</li> <li>and</li> <li>• Forests program: A score at least 1 year</li> </ul>	In all other cases
<b>Definitive grant of GPS</b>	100%	50%	0%