

# SHAREHOLDERS' ENGAGEMENT ON GOVERNANCE

November 2022



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- This presentation contains certain forward-looking statements concerning Danone. In some cases, you can identify these forward-looking statements by forward-looking words, such as “estimate”, “expect”, “anticipate”, “project”, “plan”, “intend”, “objective”, “believe”, “forecast”, “guidance”, “outlook”, “foresee”, “likely”, “may”, “should”, “goal”, “target”, “might”, “will”, “could”, “predict”, “continue”, “convinced” and “confident,” the negative or plural of these words and other comparable terminology. Forward looking statements in this document include, but are not limited to, predictions of future activities, operations, direction, performance and results of Danone.
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- All references in this presentation to Like-for-like (LFL) changes and recurring operating margin, correspond to financial indicators not defined in IFRS. Please refer to the financial press releases issued by the Company for further details on IAS29 (Financial reporting in hyperinflationary economies), the definitions and reconciliation with financial statements of financial indicators not defined in IFRS.
- Due to rounding, the sum of values presented in this presentation may differ from totals as reported. Such differences are not material.

# TODAY'S ATTENDEES



**VALÉRIE CHAPOULAUD-FLOQUET** - Lead Independent Director

Since  
April 2022

• **Danone's Board Lead Independent Director**

2014-2019

• **CEO of Remy Cointreau**  
Spirits group

2008-2014

• **LVMH Group**

Successively CEO of Louis Vuitton Taiwan, President of LV South Europe, President and CEO LV North America, President and CEO LV Americas

1984-2008

• **L'Oréal**

Senior positions in Luxury Products Division in Europe, Asia and North America



**Mathilde RODIE**  
Head of Investor Relations



**Sophie BOSQUET**  
Corporate General Counsel



**Laurent SACCHI**  
General Secretary,  
Secretary of the Board

# AGENDA

1. **LATEST FINANCIAL RELEASES**
2. **2021-2023: OVERHAUL OF DANONE'S GOVERNANCE SYSTEM**
3. **BOARD'S WORK AND INVOLVEMENT**
4. **2022 SHAREHOLDERS' MEETING**
5. **KEY TOPICS FOR 2023 AGM**
6. **APPENDIX**

# LATEST FINANCIAL RELEASE

## Q3 2022 RESULTS: BROAD-BASED LFL GROWTH ACROSS GEOGRAPHIES AND CATEGORIES

### RESILIENT QUARTER DESPITE STILL CHALLENGING ENVIRONMENT

- Q3 sales growth: +9.5% on a like-for-like basis
- Making progress on Renew Danone

### 2022 GUIDANCE UPDATED

- 2022 LFL sales growth between +7% and +8%
- 2022 recurring operating margin >12% confirmed

### INITIATION OF A PROCESS TO TRANSFER THE EFFECTIVE CONTROL OF ITS ESSENTIAL DAIRY AND PLANT-BASED BUSINESS IN RUSSIA

As announced on October 14th

### Q3 2022 SALES BREAKDOWN

Europe	+6.0%
North America	+11.2%
China, North Asia & Oceania	+6.8%
Rest of the World	+13.6%



+6.3%



+12.2%

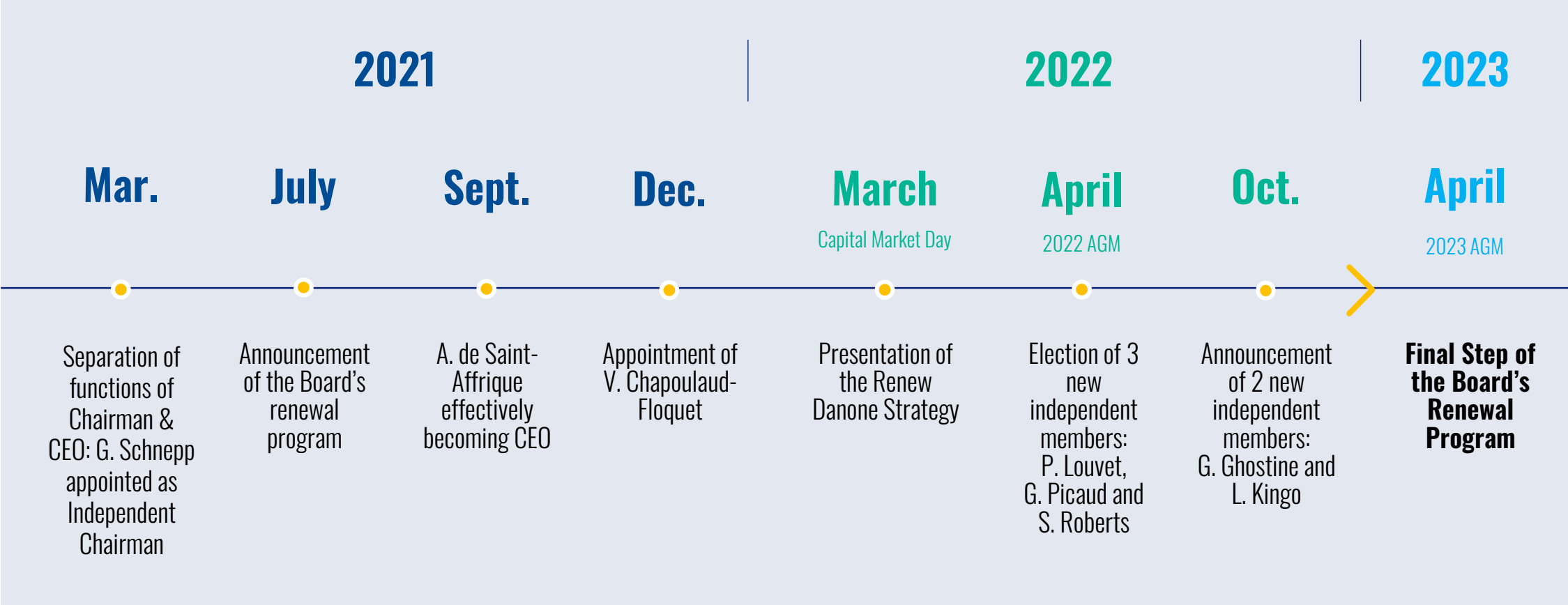


+14.4%

Note: all data in like-for-like

# 2021-2023: OVERHAUL OF DANONE'S GOVERNANCE SYSTEM

## GOVERNANCE AND LEADERSHIP UPDATES



# 2021-2023: OVERHAUL OF DANONE'S GOVERNANCE SYSTEM

## BOARD OF DIRECTORS COMPOSITION RENEWAL PROGRAM: REMINDER

### WHAT?

- Complete renewal (except the Chairman and Directors representing employees) with the objective of constituting a more independent and compact Board of Directors featuring the right blend of FMCG-experience, capabilities and perspectives

### HOW?

- Process for selecting new Directors was led by the Governance Committee, with the involvement of the Chairman, and the assistance of world-renowned recruitment firms to select candidates who meet the criteria set by the Board

### WHY?

- Recruit new talents with strong international experience and sectorial expertise while ensuring the diversity and independence of the Board of Directors
- Clarify the working principles of the Board of Directors within the new framework of separated governance

**THIS PROCESS LED TO THE CONSTITUTION OF A MORE DIVERSE, TIGHTENED,  
AND INDEPENDENT BOARD OF DIRECTORS**

# 2021-2023: OVERHAUL OF DANONE'S GOVERNANCE SYSTEM

## BOARD OF DIRECTORS COMPOSITION AS OF DECEMBER 1<sup>ST</sup>, 2022

<p><b>CHAIRMAN</b></p>  <p>GILLES SCHNEPP</p>	<p><b>LEAD INDEPENDENT DIRECTOR</b></p>  <p>VALÉRIE CHAPOULAUD-FLOQUET</p>	<p><b>GROUP CEO</b></p>  <p>ANTOINE DE SAINT-AFFRIQUE</p>	<p><b>EMPLOYEE REP.</b></p>  <p>FRÉDÉRIC BOUTEBBA</p>
 <p>GILBERT GHOSTINE</p>	 <p>LISE KINGO</p>	 <p>MICHEL LANDEL</p>	 <p>PATRICE LOUVET</p>
 <p>GÉRALDINE PICAUD</p>	 <p>SUSAN ROBERTS</p>	<p><b>EMPLOYEE REP.</b></p>  <p>BETTINA THEISSIG</p>	 <p>SERPIL TIMURAY</p>

**12**  
Board members

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**90%**  
independence

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**50%**  
women

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**50%**  
foreign nationality

 *Independent Director*  
 *Current terms of office due to expire in 2023*

Note: Data as of 1<sup>st</sup> December 2022; Directors representing employees are not taken into account in the determination of the above percentages



# BOARD'S WORK AND INVOLVEMENT

A HIGHLY ENGAGED AND ACTIVE BOARD

**9 BOARD MEETINGS**

**89% attendance rate YTD**

at Board meetings

**13 COMMITTEE BOARD MEETINGS**

**100% attendance rate YTD**

at Committee Board meetings:  
Audit Committee, Governance Committee  
and Engagement Committee

# BOARD'S WORK AND INVOLVEMENT

## A STRONG ON-BOARDING PROGRAM

### NEW DIRECTORS BENEFIT FROM A COMPREHENSIVE INDUCTION PROGRAMME

- **An induction pack**, incl. presentations on the Company's activities, challenges and risks, the Board's rules and various other documents presenting the Group
- **Individual interviews** are held with the Chief Executive Officer, the Chairman, the Lead Independent Director, several incumbent Directors and the Secretary of the Board, covering the culture of the company and its history, the functioning of the Board of Directors and recent developments in governance
- **Meetings are organized with members of the Executive Committee and senior managers of the Company**, in order to allow new Directors to deepen their knowledge of the Group's activities and to familiarize themselves with the Company's internal practices and approach, particularly in terms of social and societal issues, but also of sustainable growth, in particular its status as an Entreprise à Mission and the objectives resulting from this
- **Visits to production sites**, offered to enable them to gain a concrete and operational understanding of Danone's various activities

### THE TRAINING OF DIRECTORS CONTINUES AFTER THEY TAKE OFFICE AND CONSTITUTES AN ONGOING PROCESS

# 2022 SHAREHOLDERS' MEETING

ALL RESOLUTIONS PRESENTED BY THE BOARD OF DIRECTORS VOTED WITH A LARGE MAJORITY

## ALL RESOLUTIONS PRESENTED BY THE BOARD OF DIRECTORS APPROVED WITH A LARGE MAJORITY, INCL.:

- The proposed dividend of €1.94 per share
- All proposed appointments and ratification of Board members  
Antoine de Saint-Affrique, Patrice Louvet, Géraldine Picaud, Susan Roberts and Valérie Chapoulaud-Floquet
- Renewal and appointment of statutory auditors
- Components of compensation paid in 2021 interim co-CEOs (V. PENCHIENATI-BOSETTA and S. GRANT), CEO A. de Saint-Affrique and Chairman G. SCHNEPP
- Compensation policies for Board members, Chairman and CEO for the 2022 fiscal year
- Renewal of customary financial authorizations, including share buy back and capital increases for employees
- Restricted stocks (performance shares and shares not subject to performance conditions)
- Article amendments (age limit and shareholding requirements)

## SHAREHOLDERS PROPOSAL RELATED TO THE HONORARY CHAIR ROLE

- The resolution co-filed by minority shareholders was rejected

# KEY TOPICS FOR 2023 AGM

MAIN RESOLUTIONS TO BE APPROVED

**DIVIDEND**

**BOARD  
COMPOSITION**

**REMUNERATION  
INCL. GPS**

**FINANCIAL  
AUTHORIZATIONS**

# KEY TOPICS FOR 2023 AGM

## COMPENSATION SCHEMES

### VOTED AT 2022 AGM

#### GPS CRITERIA

- New criteria to measure value creation: growth of recurring EPS vs growth of sales (35%)
- Relative TSR compared to a panel of eight historical sectorial peers (35%)
- External environmental performance condition based on CDP's rankings in CDP Climate change, Waters & Forest, weighting for 30%

#### GPS grant

- Shares are delivered at the end of the vesting period of 4 years (since 2013)

### TO BE DISCUSSED AHEAD OF 2023 AGM

#### APPROVAL OF THE GROUP PERFORMANCE SHARES PLAN

- Replacement of the current ESG criterion linked to CDP with a combination of 3 internal criteria: Nature, Social and Health
- Move from 4 years vesting period to 3 years
- Discussion around the peer group/food index for TSR criteria
- Frequency of shareholders approval requirement

# APPENDIX



**DANONE**  
ONE PLANET. ONE HEALTH



# HONORARY CHAIR

## ROLE AND FUNCTIONS

### **RULES OF PROCEDURE OF DANONE'S BOARD OF DIRECTORS (ART. 12)**

- The Board may decide to appoint an Honorary Chairman and Honorary Vice-Chairmen having regard to their personality and their eminent contribution to the Company's development
- If the Honorary Chairman and the Honorary Vice-Chairmen are not Directors, they are entitled to receive the same information as the other Directors and are invited to participate<sup>(\*)</sup> in the Board of Directors meetings in an advisory capacity

<sup>(\*)</sup> as modified on April 26, 2022

### **HONORARY CHAIR ROLE**

- Provides the Board, and more generally, the Company, with insight and with an understanding of the Group's history, its businesses and its culture, based on his experience and deep knowledge of Danone
- This contribution is particularly welcome in the context of the Board renewal program initiated in 2021 throughout 2022 and 2023

# RESPECTIVE ROLES OF THE CHAIRMAN AND THE LEAD INDEPENDENT DIRECTOR

## CHAIRMAN OF THE BOARD

- Preparation, organization, coordination and oversight of the Board's meetings, including setting the agenda for each meeting
- Regular communication and coordination with the General Management
- Exchanges with employees and employee representatives
- Participation to discussions with investors when required

## LEAD INDEPENDENT DIRECTOR

- Chairmanship of the Governance Committee and steering of its work
- Main interlocutor of shareholders and investors on governance-related matters
- Board's assessment process (every year)
- Facilitator of relations and exchanges between Board members
- Animation of non-executive session with independent board members



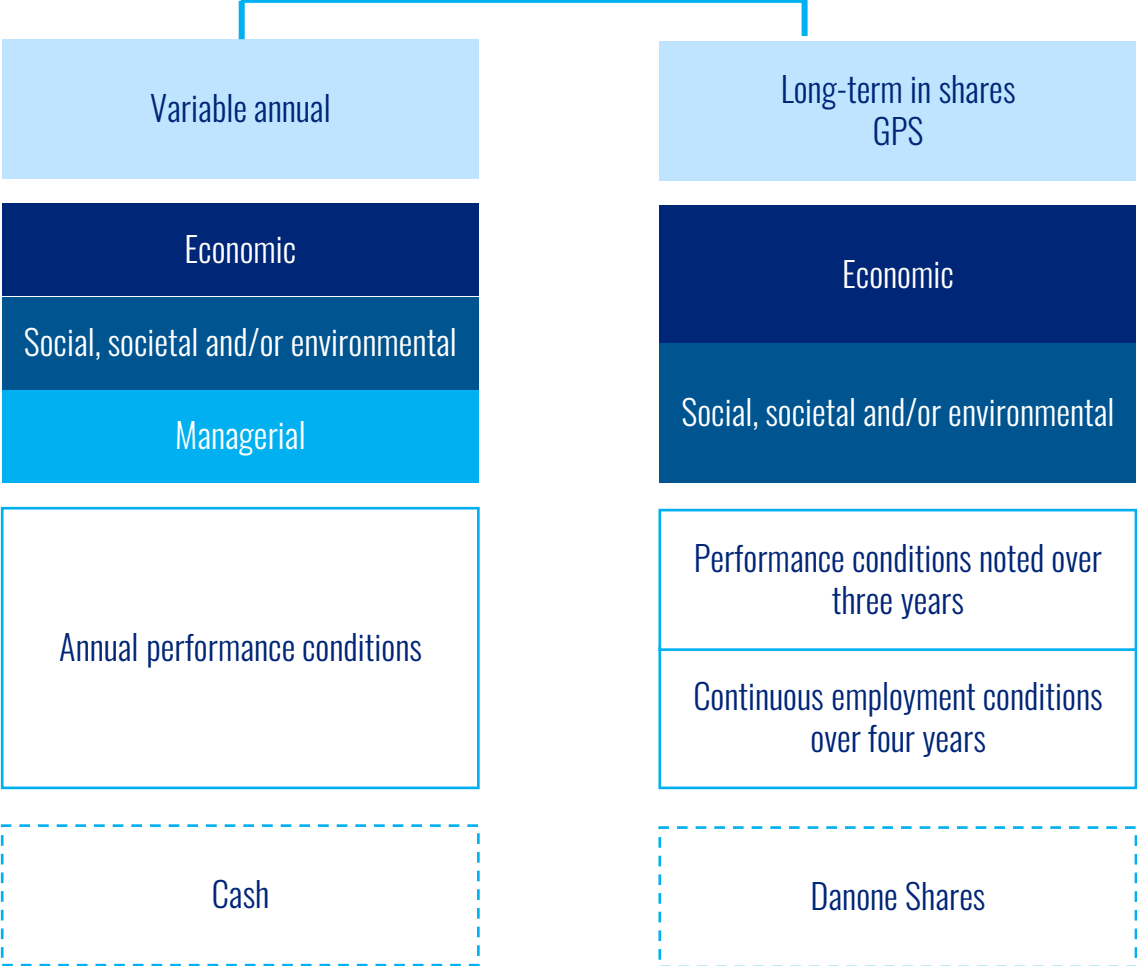
# MANAGEMENT COMPENSATION STRUCTURE

## OVERVIEW OF SHORT-TERM AND LONG-TERM INCENTIVES

### COMPONENTS OF FIXED COMPENSATION



### COMPENSATION COMPONENTS UNDER PERFORMANCE CONDITIONS



# INCENTIVES SUPPORTING SUSTAINABLE VALUE CREATION

## BALANCING ECONOMIC, SOCIAL & SOCIETAL, AND MANAGERIAL CRITERIA

### SHORT-TERM INCENTIVES

#### MIX OF ECONOMIC, SOCIAL AND MANAGERIAL KPIS FOR ANNUAL VARIABLE COMPENSATION

- Economic (60%)
- Social, societal and/or environmental (20%)
- Managerial (20%)

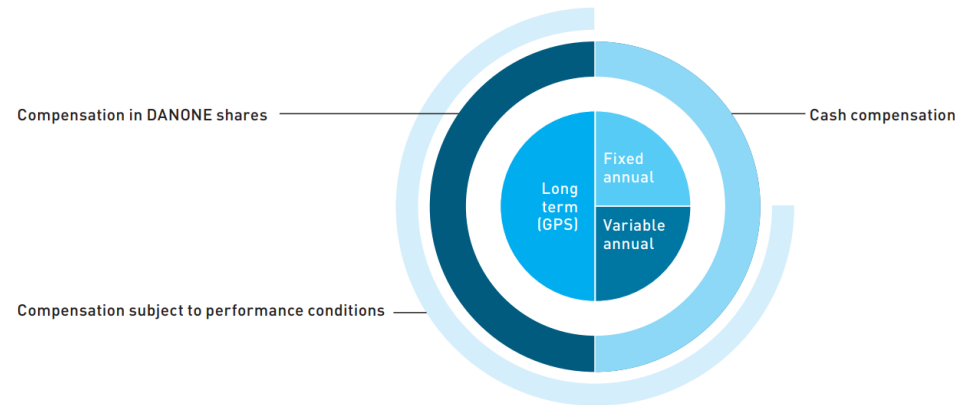
### LONG-TERM INCENTIVES

#### 3 FINANCIAL CRITERIA FOR GRANTS OF LONG-TERM PERFORMANCE SHARES, VESTING AFTER 4 YEARS

- 3-year recurring EPS growth average relative to like-for-like sales growth (35%)
- 3-year total shareholder return (TSR) relative to peers (35%)
- **Sustainability criteria**, weighting for 30% based on CDP ranking for Climate Change, Water and Forests

# COMPENSATION OF ANTOINE DE SAINT-AFFRIQUE, CEO, FOR 2022

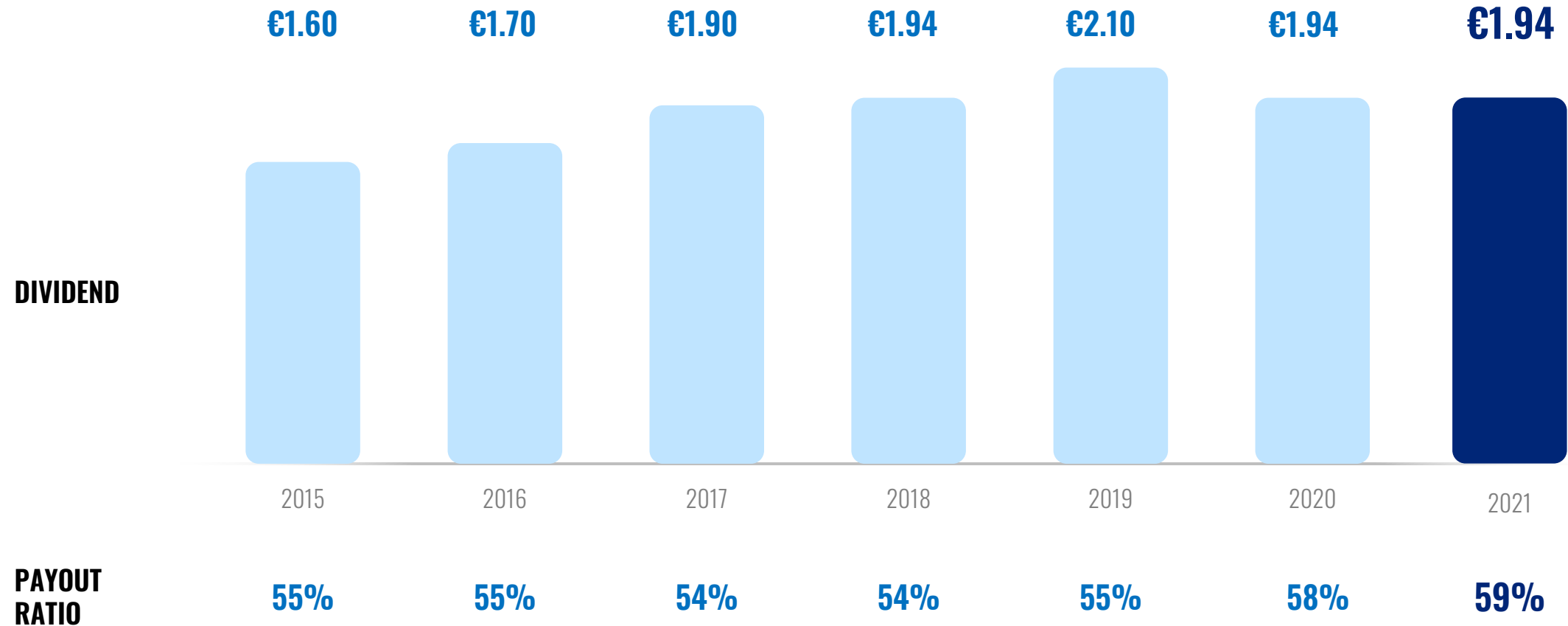
- **DETERMINED BY THE BOARD OF DIRECTORS UPON RECOMMENDATION OF THE GOVERNANCE COMMITTEE, IN LINE WITH THE COMPENSATION POLICY APPROVED BY THE SHAREHOLDERS' MEETING IN APRIL 2022**



- **SAME PERFORMANCE CONDITIONS AND SAME BALANCE BETWEEN FIXED, ANNUAL VARIABLE AND LONG-TERM COMPENSATION - TARGET AND MAXIMUM VARIABLE REMUNERATIONS UNCHANGED:**
  - **Target annual variable compensation:** 100% of fixed compensation (maximum: 200%). As in 2021, it will consist of 3 components with the same weightings: (i) an economic component based on Danone's targets, (ii) a social, societal and/or environmental component, and (iii) a managerial component
  - **Long-term compensation:** performance shares representing 200% of fixed compensation
- **ADDITIONAL ELEMENTS FULLY IN LINE WITH THE RECOMMENDATIONS OF AFEP-MEDEF CODE, INCLUDE:**
  - Benefit in kind in line with group practices, including benefit of accommodation
  - Severance payment: in case of forced departure capped at 2 years' worth of fixed and variable paid compensation, subject to challenging performance condition
  - Non-competition payment: duration of 18 months with payment of 50% of the annual fixed and variable compensation target - being specified that the severance payment and the non-competition payment cannot amount to more than 2 years' worth of paid annual fixed and variable compensation

# 2021 DIVIDEND OF 1.94€ PER SHARE IN CASH

GUIDANCE 2022-2024: STABLE OR GROWING DIVIDEND YEAR ON YEAR



# BECOMING THE FIRST LISTED “ENTREPRISE À MISSION” IN 2020 WITH > 99% SUPPORT FROM SHAREHOLDERS

A CONSISTENT AND EFFICIENT FRAMEWORK TO PROGRESS OUR ESG AGENDA

## 1 PURPOSE (“RAISON D’ÊTRE”)

- Consistent with our historical social and economic project
- Focused on mission to “bring health through food to as many people as possible”
- In line with our One Planet. One Health vision & our B Corp ambition

## 2 ENVIRONMENTAL AND SOCIAL OBJECTIVES (“MISSION”)

- Set of existing long-term KPIs
- In line with our sustainability strategy
- Aligned with UN SDGs

## 3 MISSION COMMITTEE (“COMITÉ DE MISSION”)

- Includes very high-level independent global experts
- Responsible for monitoring the execution of environmental and social objectives in by-laws
- Challenging the company on key sustainability topics
- Meetings at least twice a year with regular touchpoints with the company
- Establishes an annual progress report to the shareholders’ meeting

## 4 INDEPENDENT VERIFICATION THIRD-PARTY

- In charge of the verification of the execution of the of environmental and social objectives in by-laws
- Verification process (audit) every 2 years
- Written opinion annexed to the report from the Mission Committee to the shareholders’ meeting

# THE MISSION COMMITTEE TO MONITOR EXECUTION OF SUSTAINABILITY OBJECTIVES AS ENTREPRISE À MISSION

## INDEPENDENT MEMBERS INCLUDING EXPERTS FROM INTERNATIONAL ORGANIZATIONS



**Pascal LAMY**  
France

Former Managing Director of the World Trade Organization from 2005 to 2013 and previously European Commissioner for Trade, Mr. Lamy currently chairs the Paris Peace Forum and the World Council for Ethics of Tourism.



**Arancha GONZALES**  
Spain

Dean of SciencesPo and former Minister of Foreign Affairs, European Union and Cooperation in the Spanish government. She served as assistant Secretary-General of the United Nations and the Executive Director of the International Trade Centre.



**Emna LAHMER**  
France

Ms. Emna Lahmer is an employee at Danone where she is currently stream leader for indirect purchasing. She served as delegate from the works council at the Board of directors of Danone.



**Hiromichi MIZUNO**  
Japan

Mr. Mizuno currently serves on the board of PRI (Principles for Responsible Investment) and as Special Adviser to the Japanese government on green innovation and finance. On April 2020, he joined the Board of directors of Tesla.



**David NABARRO**  
UK

Mr. David Nabarro is a medical doctor. He previously served as special adviser to the Secretary-General of the United Nations on the 2030 Agenda for Sustainable Development and Climate Change.



**Ron OSWALD**  
USA

Mr. Ron Oswald was elected General Secretary of the International Union of Food Workers in 1997 and served in that capacity until 2017.



**Gabriella Ilian RAMOS**  
Mexico

As of July 1st 2020, Ms. Gabriela Ramos serves as UNESCO Assistant Director General in charge of Social and Human Sciences. She currently serves as OECD Chief of Staff and Sherpa to the G20.



**Jean-Michel SEVERINO**  
France

Mr Sévérino is the Manager of Investisseurs & Partenaires, a B Corp™ certified fund management company specializing in financing African small and medium-sized businesses.



**Rajiv SHAH**  
USA

Mr. Rajiv Shah is a former American government official, physician and health economist. He currently serves as President of the Rockefeller Foundation.

# ENTREPRISE À MISSION

## MISSION COMMITTEE'S MAIN AREAS OF FOCUS

### 2021

- Working sessions on each of the four objectives with internal experts
- First Mission Committee Report published for 2021 Shareholder's meeting
- Launch of 2021–2022 audit verification by the Independent Third Party (PwC)

### 2022

- Setting the mid-to-long term Entreprise à Mission agenda taking into account the publication of the Entreprise à Mission decree and new audit standards that are being defined
- Alignment and articulation with Danone's global strategy
- Close collaboration with internal experts, Independent Third Party and Board members, including Chairman and Chief Executive Officer