



## **SHAREHOLDERS' MEETING OF APRIL 26, 2018**

### **Board of Directors' reply to shareholders' written questions**

#### **1. Questions from Mr. Sebastien Groyer, Equinomy**

*“The first question is about the variable compensation of the management, mainly based on your Company's share performance rather than on more fundamental targets, such as the environmental protection, by a performing a complete conversion of your company into a green company. Why should not the major portion of the management's compensation be based on a non-financial and ecological compensation, in favor of the environment?”*

#### **Board's answer:**

The variable compensation of our Chairman and Chief Executive Officer is composed, on the one hand of an annual variable compensation and, on the other hand, of a multi-annual variable compensation.

These two compensation components take into account non-economic indicators:

- Thus, concerning the annual variable compensation, 40% is subject to non-economic indicators, namely social, societal and managerial indicators.

The social and societal condition takes notably into account the development of talents and organizations, as well as the development of social and environmental initiatives. The managerial condition is calculated in particular according to the implementation of Danone's strategy (product innovations, market share, expansion into new regions) and the performance of the management teams.

- Furthermore, the multi-annual variable compensation, composed of Group Performance Shares (« GPS »), is subject to an environmental performance condition weighted 20% in 2018.

It is an external performance condition based on the level assigned to Danone by CDP under its Climate change program over three years. A complete description of this criterion is included on pages 266 and 267 of the 2017 Registration Document.

Danone is one of the first CAC40 companies that integrates environmental criteria for the compensation of its officers.

*“The second question is about the composition of your board, within which directors representing clients are still missing. The Notat-Sénard report for the draft “Pacte” Act proposes to increase the number of directors representing employees within the board, which will be, I hope, adopted. Why would not you take this opportunity to appoint the first director representing your clients?”*

Board’s answer:

Accordingly to the law, Directors of Danone are appointed by its shareholders. Our Directors represent collectively all the shareholders and the corporate interest of Danone.

Moreover, the appointment of a Director representing a client, i.e. international supermarket/hypermarket chains, would clearly create a manifest conflict of interests.

Concerning the listening of the Danone’s consumers, their concern is at the core of the day-to-day decisions of Danone’s management. Along with many other companies in the consumer goods sector, Danone invests heavily every year in specific and frequent studies in order to hear and to understand its consumers’ expectations. Their opinion is therefore taken into account at all stages of development of products, product ranges and, more generally, decisions and strategies, because Danone’s success depends, above all, on its ability to meet its customers’ expectations. The voice of the consumer is therefore heard at all levels within the company, including at the Board, of which all members are well-informed and demanding consumers of Danone’s brands.

2. Questions from Mr. Nicolas Gottry, IPAC (Initiative Pour un Actionnariat Citoyen)

*Danone announced a wide-ranging strategic planning relating to its organic milk supply in France. Furthermore, in 2017, our Group acquired WhiteWave, a U.S. Company well established in the plant-based beverage industry, which meets the ecological requirements and the consumer expectations focused on health. Could you please specify if our Group adopted a development plan for the products relating to proteins of vegetable origins on a global scale? If so, could you please provide us with the broad lines and mid-term objectives?”*

Board’s answer:

Following the acquisition of WhiteWave in 2017, Danone became the leader in the plant-based food and beverage category, through its trademarks Silk, SoDelicious and Vega in the United States, and Alpro and Provamel in Europe.

Danone intends to develop and grow this category throughout the world, responding to an increasing demand for products which are natural, nutritious, and respectful of the environment, and also in response to the growing number of "flexitarians", consumers who wish to diversify their source of protein and for whom plant-based products fill this need.

Mid-term, the geographic development of this category will take place through the acceleration of the expansion of Alpro; firstly in Europe by the continued development of Alpro beyond its four main markets (which are the UK, Germany, the Netherlands and

Belgium), and in particular in France and in Spain; and then beyond Europe, with the support of Danone's worldwide distribution network.

*"Studies regularly indicate discrepancies between the recommendations issued by the World Health Organization (WHO) regarding its Code of Marketing of Breastmilk Substitutes and the companies' practices in the emerging countries. A recent study led by the association Save The Children brought this matter up again. What measures have you taken to follow the recommendations and to improve the compliance with the code developed by the World Health Organization in the emerging countries?"*

Board's answer:

Danone has always advocated the importance of safe and adequate nutrition during the first 1000 days for mothers, babies and infants, by supporting and encouraging breast feeding as the best start in life.

Danone's objective is to respond to the needs of babies and infants at each stage of their development. As leader in the early life nutrition industry, we have a key role to play in promoting responsible and ethical marketing practices towards mothers, caregivers and health workers. Danone recognizes the importance of, and commits to the principles of, the International Code of Marketing of Breast Milk Substitutes and subsequent relevant WHA (World Health Assembly) resolutions.

We support the WHO's global public health recommendation calling for exclusive breast-feeding for the first six months of life and continued breast-feeding up to two years, alongside the introduction of safe and appropriate complementary foods after six months of age. We are committed to ensuring that the practice of breast-feeding is not undermined through marketing material of any of our products.

We have developed and put into place a strict policy on this subject, which we deploy throughout the world. Consequently, Danone today is the only company which does not advertise or promote breast-milk substitutes for babies aged 0 to 6 months, anywhere in the world.

Furthermore, in line with the specific criteria of the FTSE4Good index which covers the marketing of early life nutrition products, we have voluntarily extended our policy, and we have committed to not advertising breast-milk substitutes for babies aged 0 to 12 months in high risk countries.

Therefore, our policy goes above and beyond what is required by certain local regulations. More and more, in these countries, Danone also undertakes not to promote complementary food and drink for babies up to the age of 6 months.

In any case, Danone always complies with laws and regulations when they are more stringent than Danone's marketing policy concerning early life nutrition products; this fact was specifically referred to in the Save the Children report which you mention.

For more information, please see our policy, available on our website [Danone.com/Publications/2016/Danone Policy for the Marketing of Breast-Milk Substitutes](http://Danone.com/Publications/2016/Danone Policy for the Marketing of Breast-Milk Substitutes).