



DANONE

**REPORT OF THE
SHAREHOLDERS' MEETING**

JUNE 26, 2020

AT THE HEADQUARTERS

In the context of the Covid-19 pandemic and pursuant to the French Order No. 2020-321 of March 25, 2020, Danone Combined Shareholders' Meeting has been held on June 26th, 2020, behind closed doors, without the shareholders and any person entitled to attend being physically present.

Shareholders had the opportunity to follow this Shareholders' Meeting in its entirety *via* a live webcast on Danone's website, in the section dedicated to the 2020 Shareholders' Meeting available at the following address:

<https://www.danone.com/investor-relations/shareholders/shareholders-meeting.html>.

The webcast of the Shareholders' Meeting is available at the same address.

Given the exceptional sanitary circumstances and in line with the provisions of the French Decree No. 2020-418 of April 10, 2020, the shareholders were invited to cast their vote prior to the Shareholders' Meeting.

The number of shareholders who voted was 6,925 shareholders (Extraordinary Shareholders' Meeting - ESM), of which 3,277 gave proxy to the Chairman of the Meeting and 3,648 voted by correspondence.

The quorum was established with 63.52%.

Two presentations were made during the meeting:

1. a financial presentation on 2019 results and the 2020 outlook by Mrs. Cécile CABANIS, Chief Financial Officer, Technology & Data, Cycles and Procurement; and
2. a strategic presentation on the "Entreprise à Mission" status, by Mr. Emmanuel FABER, Chairman and Chief Executive Officer.

1. Financial presentation on 2019 results and the 2020 outlook

After showing a video on Danone's 2019 highlights, Mrs. Cécile CABANIS began her presentation by noting Danone's 2030 objectives and its progress in its growth model and its overall transformation.

- **Business model:** in 2019, Danone recorded +8.3% growth in recurring Earnings Per Share (EPS);
- **Brand model:** Danone obtained a triple A score by CDP, only 6 companies worldwide obtained this score;
- **Trust model:** more than +86% Danone employees participated in the consultation process for the 2030 goals, showing a very strong employee engagement.

Mrs. Cécile CABANIS then discussed the results and the key performance indicators for 2019, pointing out a significant progress in terms of profitable growth model:

- Net sales were up +2.6% growth on a like-for-like basis to €25.3 billion, with an increasing growth rate throughout the year;
- An improved profitability, with a recurring operating margin at 15.2%, up +76 basis points including an improvement in gross margin;

- A recurring EPS up +8.3% to €3.85;
- A strong balance sheet with a net debt to EBITDA ratio at 2.8x at the end of 2019, one year ahead of plan compared to the objective of less than 3x by 2020;
- A record level of free cash flow at €2.5 billion.

Mrs. Cécile CABANIS indicated that all reporting entities registered growth in 2019 and provided a more detailed summary of each reporting entity's performance.

- **Specialized Nutrition:** sales grew +5.8% on a like-for-like basis in 2019. It was a significant year with the successful integration of Early Life Nutrition and Medical Nutrition. Medical Nutrition posted mid-single digit growth, while Early-Life Nutrition registered close to 10% growth in China and solid growth in the rest of the world, notably in the United States and in the rest of Asia.
- **Essential Dairy and Plant-Based:** the reporting entity posted +1.1% like-for-like sales growth in 2019. The year was marked by a return to growth in Europe thanks to a stabilization of fresh dairy products and the continued growth of Alpro brand. In North America, the top-3 brands delivered strong growth. CIS registered weak performance due to a slowdown in demand while Latin America delivered strong growth and Morocco sales rebounded after the boycott last year. Plant-based sales amounted €1.9 billion in 2019.
- **Waters:** the reporting entity registered +1.5% like-for-like sales growth in 2019. After a difficult summer season due to lower temperatures, Europe returned to growth in the fourth quarter. Emerging markets posted strong growth, driven by Indonesia, Turkey and plain waters in Mexico. The improving performance was also led by a better-valued portfolio and efficiency gains along the value chain.

Mrs. Cécile CABANIS explained that 2019 closed 2020 Danone Plan initiated in 2015. She noted that 2019 was a major step in terms of transformation, both financial with EPS growing more than 50% over the period, and non-financial, with peak of full scope carbon emissions reached by the end of the year and the disclosure of a 'carbon-adjusted' recurring EPS for the first time. Mrs. Cécile CABANIS noted that the end of 2020 Danone Plan started a new chapter, with the announcement of a €2 billion investment plan to accelerate Danone's transformation, out of which €900 million to ensure the circularity of packaging.

Mrs. Cécile CABANIS then looked back at 2020 and the global pandemic context Danone faced. She explained that Danone focused on ensuring the safety and the protection of its employees and overall of its entire ecosystem, being agile and maintaining strong balance sheet. Mrs. Cécile CABANIS indicated that Danone has also protected its shareholders by maintaining the proposed dividend at €2.10 per share, up 8% compared to last year.

Mrs. Cécile CABANIS explained that crisis was not over and that 2020 would be divided into three phases: the start of the lockdown along with a sharp economy slowdown in spring, the current gradual relaxation of the lockdown which will probably continue until the end of the fall and a progressive convalescence of the economy starting from the end of the year.

Finally, Mrs. Cécile CABANIS provided an update on the operational and financial situation of Danone to date. First, she reminded Danone's performance for the first quarter. Sales grew +3.7% on a like-for-like basis driven by growing at-home food consumption in March and

some pantry-loading benefits in Europe and North America in Essential Dairy and Plant-Based and Specialized Nutrition, which registered +4.6% and +7.9% sales growth respectively. In Waters, sales declined by 6.8%, with 40% of the division's sales normally consumed away from home. Mrs. Cécile CABANIS then noted that the second quarter will be marked by lockdown, with half of the world's population in lockdown, including in new geographies such as Latin America and Africa. She explained that, in addition to the impact of the destocking of the pantry loading made at the end of the first quarter, notably in Specialized Nutrition, the full effect of the closure of out-of-home channels will impact significantly Waters sales, which will lead to particularly weak sales in the second quarter. Mrs. Cécile CABANIS added that direct extra-costs incurred along the whole value chain to ensure business continuity will impact the recurring operating margin of the first semester.

To conclude, Mrs. Cécile CABANIS noted that Danone globally won market shares during the crisis. She explained that the resilience of the company, its brands and its ecosystem will let Danone to exit the crisis stronger. She added that the “One Planet. One Health” frame of action was more relevant than ever and that she was proud that Danone proposes to shareholders that the company becomes the first listed company to adopt the “Entreprise à Mission” model.

2. Strategic presentation on the “Entreprise à Mission” status

After showing a video on the “Entreprise à Mission” status, Mr. Emmanuel FABER began by thanking all the people who gave testimony during the films previously broadcasted. He reminded that Danone's ambition to become an “Entreprise à Mission” depends on the upcoming vote of the shareholders.

Mr. Emmanuel FABER then recalled that one year ago, for Danone's 100th anniversary, at the Shareholders' Meeting, he had shared and outlined his convictions on what would be key to Danone's success for its second centenary. He insisted on the risk for a hundred-year-old company to lose the life, to lose its entrepreneurial vision, its ability to adapt and to weather any crisis. He then expressed his wish to see a living business model reinvented, serving a living economy.

M. Emmanuel FABER expressed his conviction of the need for an economy that serves human beings: finance must serve the economy, which in turn must serve people; agriculture must respect and renew the planet's resources, and food needs to improve the health of every individual. He affirmed that the pyramid organization of large international companies is not the model of a living enterprise of tomorrow.

Mr. Emmanuel FABER went on to mention that following the Board of Directors' meeting of May 19th, Danone had shared its will to submit to the shareholders a resolution to change its by-laws to become an “Entreprise à Mission”.

Mr. Emmanuel FABER recalled that between last year's and this year's Shareholders' Meeting, there were, in particular, the crisis we are experiencing and which reminds us that we can only ally ourselves with the living, and also the “PACTE” Law, that has enabled the implementation in France of the “Entreprise à Mission” status. This status makes it possible to go further than the classic economic business models of the 20th century. He outlined that

these two factors explain why the Board of Directors is now proposing to shareholders the adoption of the “Entreprise à Mission” status.

He then thanked Danone’s 100,000 employees who, through the “One Person, One Voice, One Share” program, are now all shareholders of the company. He indicated that the consultation routine had encouraged the management to go further in the transformation of the company’s governance, to make it more participatory, more inclusive.

Mr. Emmanuel Faber then thanked the employees for their incredible work, day in and day out, recalling that the 50% growth in net earnings per share in five years made it possible to announce an acceleration plan on the climate, packaging, regenerative agriculture, and the digital transformation of the company of €2 billion, on February 26th, with the agreement of the Board of Directors. He thanked them for allowing Danone to continue to carry out its mission to bring health through food to as many people as possible, by guaranteeing salaries, employment contracts and health coverage for all employees worldwide. He praised their adaptiveness, energy, solidarity and commitment during the crisis. He also reiterated his confidence and his thanks to the management teams and members of the Board of Directors for their clear-sightedness and boldness, this boldness that is necessary to conduct Danone’s dual economic and social project.

Mr. Emmanuel FABER stated that by placing the dual project within the by-laws, Danone is proposing to its shareholders that these important words, which have founded the company’s culture, be part of its constitution. He welcomed this ambition to move to another business model and recalled its synergy with the ambition to accelerate Danone’s B Corp certification.

Mr. Emmanuel FABER informed of the legal requirement to appoint a Mission Committee in charge of monitoring the evolution of Danone’s mission. This Committee will follow the objectives on health preservation, renewal of the planet’s resources, on building the future with the company’s teams, on the inclusivity of its growth. It will ensure that these objectives are met and reported to the Shareholders’ Meeting next year.

Mr. Emmanuel FABER then announced that the mission committee was made up of around ten world experts and he briefly introduced them:

- Guido BARILLA, Chairman of the Board of Directors of Barilla and member of the Board of Danone.
- Sharan BURROW, General Secretary of the International Trade Union Confederation.
- Ngozi OKONJO IWEALA, economist and expert in international development, African Union Special Envoy for Covid matters, former Managing Director of the World Bank and Finance Minister of Nigeria.
- Emma LAHMER, Danone employee, who represented Danone’s employees at the company’s Board of Directors for several years.
- Pascal LAMY, former Managing Director of the World Trade Organization and President of the Paris Peace Forum.

- Rose MARCARIO, who will also be the Chair of this Mission Committee. She was the President and Chief Executive Officer of Patagonia in the US.
- Hiromichi MIZUNO, board member of the Principles for Responsible Investment, Special Advisor to the Japanese government. For many years, he led the investment of the largest Japanese pension fund.
- David NABARRO, former Special Adviser to the Secretary-General of the United Nations on the 2030 Sustainable Development Goals. He has worked extensively at the United Nations on nutrition issues and is now actively working on the response to Covid.
- Gabriela ILIAN RAMOS, OECD Chief of Staff and Sherpa to the G20, she was recently appointed UNESCO Assistant Director General in charge of Social and Human Sciences.
- Rajiv SHAH, President of the Rockefeller Foundation, previously President of United States Agency for International Development (USAID) under the Obama administration.

Mr. Emmanuel FABER thanked them for their trust, expertise and pragmatism.

Mr. Emmanuel FABER concluded his speech by addressing Danone’s shareholders, whom he thanked for their trust, their questions and for the discussions over the last few months. He recalled that a long time ago at Danone, when preparing for the future, during challenging years such as those of the oil crises, the social policy at Danone was to say that this transformation would be done with and by the men and women of Danone. He added that this transformation of the company would be achieved with and by the shareholders. He said he was confident that the shareholders would support the idea of an “Entreprise à Mission” and thanked them for their support. He expressed his sense of gratitude at a time when so many things tend to divide. He also expressed his joy, should the vote be positive, to begin the first year of Danone’s second centenary with such a new governance.

Mr. Emmanuel FABER concluded his speech by thanking the shareholders in advance.

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Mr. Laurent SACCHI indicated that the Company had received thirteen written questions sent by two shareholders prior to the Shareholders’ Meeting. Answers to the questions not addressed during the Meeting have been published on Danone’s website, in the section dedicated to the 2020 Shareholders’ Meeting available at the following address:

<https://www.danone.com/investor-relations/shareholders/shareholders-meeting.html>.

Mrs. Cécile CABANIS and Mr. Emmanuel FABER replied orally to two written questions during the Shareholders’ Meeting.

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Mr. Laurent SACCHI reminded that, the Shareholders' Meeting being held behind closed doors, the shareholders were invited to vote prior to the Shareholders' Meeting and that the vote was closed on Thursday 25, 2020, the day before the Meeting.

All resolutions presented by the Board of Directors were approved, namely:

Resolutions within the authority of the Ordinary Shareholders' Meeting:

1. Approval of the statutory financial statements for the fiscal year ended December 31, 2019;
2. Approval of the consolidated financial statements for the fiscal year ended December 31, 2019;
3. Allocation of earnings for the fiscal year ended December 31, 2019 and setting of the dividend at €2.10 per share;
4. Renewal of the term of office of Mr. Gregg L. ENGLES as Director;
5. Renewal of the term of office of Mrs. Gaëlle OLIVIER as Director;
6. Renewal of the term of office of Mrs. Isabelle SEILLIER as Director;
7. Renewal of the term of office of Mr. Jean-Michel SEVERINO as Director;
8. Renewal of the term of office of Mr. Lionel ZINSOU-DERLIN as Director;
9. Approval of the information regarding the compensation of the Directors and corporate officers referred to in paragraph I of Article L. 225-37-3 of the French Commercial Code for the 2019 fiscal year;
10. Approval of the components of compensation paid in or awarded for the 2019 fiscal year to Mr. Emmanuel FABER, Chairman and Chief Executive Officer;
11. Approval of the compensation policy for corporate officers for the 2020 fiscal year;
12. Approval of the compensation policy for Directors for the 2020 fiscal year;
13. Authorization granted to the Board of Directors to purchase, retain or transfer Company's shares;

Resolutions within the authority of the Extraordinary Shareholders' Meeting:

14. Delegation of authority to the Board of Directors to increase the share capital to the benefit of a categories of beneficiaries made up of employees working within foreign companies of Danone's group or in international mobility, in the framework of employee shareholding plans, without preferential subscription right of the shareholders;
15. Authorization to the Board of Directors to grant existing or newly issued shares of the Company, without preferential subscription right of the shareholders;
16. Amendment of Article 15.III of the Company's by-laws relating to the designation of Directors representing employees;
17. Amendment of Article 19.III of the Company's by-laws relating to regulated agreements;
18. Amendment of Article 21.I of the Company's by-laws relating to the rules for the appointment of Alternate Statutory Auditors;

- 19. Amendment of Articles 20.I and 27.I of the Company’s by-laws relating to the compensation of Directors and to the competence of the Ordinary Shareholders’ Meeting;
- 20. Amendment of Article 1 and Title IV of the Company’s by-laws in order to adopt the French "société à mission" status;
- 21. Powers to carry out formalities.

When announcing the result of the vote on the 20th resolution relating to the adoption of the “Entreprise à Mission” status, Mr. Emmanuel FABER informed the shareholders on the amendments made to the rules of procedure of the Board of Directors, which are inseparable from the “Entreprise à Mission” status, and were unanimously adopted by the Board in order to prepare the B Corp™ certification of the company:

Article 4.3 on the “raison d’être” (purpose) and mission of the Company: “Consistent with Article 1833 of the French Civil Code, and in furtherance of the Company’s decades of responsible business stewardship that underlie the Company’s purpose (raison d’être) as stated in Section II of Article 1 of the by-laws, and the Company’s model of profitable and sustainable growth into which the objectives stated in Section III of Article 1 of the by-laws are integrated, the Company intends to have a positive and material social, societal and environmental impact when conducting its activities. In this context, the Board of Directors takes into consideration the social, societal and environmental consequences of its decisions on all stakeholders of the Company”.

Article 13 on the approval and amendments of the rules of procedure: “These rules of procedure, except for Section 4.3 and this paragraph, may be amended at any time by a simple decision of the Board of Directors. An amendment of Section 4.3 or this paragraph shall not take effect until (a) a 2/3 majority vote of the shareholders has approved a change in the social, societal and environmental objectives stated in Section III of Article 1 of the by-laws and (b) due consideration by the Board of the consequences of the proposed amendment on the B Corp™ certification objective of the Company, including prior information and consultation with B-Lab.”

Mr. Emmanuel FABER then specified that, with this provision, Danone undertakes that these texts, which will guide the application by the Board of Directors of the evolution of the Company’s by-laws in connection with the adoption of the “Entreprise à Mission” status, will not be amended by the Board on its own initiative, but only after a dual consultation with the shareholders, at a two-thirds majority, and with B-Lab, the independent certification body of B Corp™.

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The presentation of Mrs. Cécile CABANIS to the Shareholders’ Meeting, voting results and the video of the Shareholders’ Meeting are available on Danone’s website at the following address:

<https://www.danone.com/investor-relations/shareholders/shareholders-meeting.html>.

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