



Paris, February 16, 2018

## **2018 compensation for the Chairman and Chief Executive Officer**

At its February 15, 2018 meeting, the Danone Board of Directors, acting on the recommendation of the Nomination and Compensation Committee, determined the annual variable compensation payable to Danone's Chairman and Chief Executive Officer for 2017 as well as all compensation components for 2018.

### **1. Compensation payable in 2018**

#### **1.1. 2018 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 2017 payable in 2018**

In accordance with Article L.225-37-2 of the French Commercial Code, this compensation will only be paid after it has been approved by the Shareholders' Meeting of April 26, 2018.

Emmanuel Faber's annual variable compensation target for 2017 was €1,000,000, equivalent to 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:

	<b>Performance indicators</b>	<b>Portion of target amount</b>	<b>Potential variation of this portion</b>	<b>Possible variation based on the weighting</b>
<b>Economic</b>	Organic sales growth	25%	0% to 200%	0% to 50%
Quantifiable portion, calculated on the basis of Danone's targets	Recurring operating margin growth	25%	0% to 200%	0% to 50%
	Free cash-flow	10%	0% to 200%	0% to 20%
	<b>Total</b>	<b>60%</b>	<b>0% to 200%</b>	<b>0% to 120%</b>
<b>Social and societal</b>				
Reference to Danone's objectives (development of talent and organizations, development of societal and environmental initiatives)	Quality of workplace environment, employee commitment as measured by a comprehensive external survey	10%	0% to 200%	0% to 20%
	Spread of Danone's influence through initiatives in the societal (food revolution) and environmental (climate commitment) areas	10%	0% to 200%	0% to 20%
	<b>Total</b>	<b>20%</b>	<b>0% to 200%</b>	<b>0% to 40%</b>
<b>Managerial</b>				
Reference to the implementation of Danone's strategy (product innovations, market share, expansion into new regions) and the performance of the management teams.	Closing of the WhiteWave acquisition, integration, development of the business and synergies. Implementation of the "Protein" cost reduction plan	10%	0% to 200%	0% to 20%
	Management team's achievements and progress as well as management of the operating activities	10%	0% to 200%	0% to 20%
	<b>Total</b>	<b>20%</b>	<b>0% to 200%</b>	<b>0% to 40%</b>
<b>Total</b>		<b>100%</b>	<b>0% to 200%</b>	<b>0% to 200%</b>

At its February 15, 2018 meeting, the Board of Directors, acting on the recommendation of the Nomination and Compensation Committee, determined the annual variable compensation of Emmanuel Faber as follows:

<b>Indicators</b>	<b>Weight</b>	<b>Percentage achievement</b>	<b>Percentage after weighting</b>	<b>Achievement amount</b>
Economic	60%	125%	75%	€750,000
Social and societal	20%	125%	25%	€250,000
Managerial	20%	100%	20%	€200,000
<b>Total variable compensation 2017</b>	<b>100%</b>	<b>-</b>	<b>120%</b>	<b>€1,200,000</b>

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

<b>Indicators</b>	<b>Weighting</b>	<b>% achievement</b>	<b>Weighting</b>
Sales	25%	60%	15%
Margin	25%	160%	40%
FCF	10%	200%	20%
<b>Total</b>	<b>60%</b>		<b>75%</b>

Regarding the economic portion, which is quantifiable, and following the review of the financial information by the Audit Committee and Board of Directors, the Board of Directors determined the achievement percentage for each of the targets, namely:

- partial achievement of the organic sales growth criterion thanks to 2.5% growth;
- achievement exceeding the recurring operating margin target thanks to a 70 basis point increase;
- maximum achievement of the free cash-flow target thanks to free cash flow totaling €2,083 million.

The Board of Directors determined that the social and societal component was achieved at 125% of the target level, notably in light of Danone's high employee commitment level, which was measured by an external firm surveying all of the company's employees around the world. The survey had an 89% participation rate and the employees' commitment level was eight points higher than that of the FMCG. Meanwhile, regarding the societal component, the Board of Directors assessed Danone's commitments with respect to climate change and noted the recognition of the Science Based Targets initiative (SBTi), consistent with the global measures articulated in the Paris Agreement to prevent global temperatures from rising by more than 2 degrees celsius. This recognition attests to Danone's commitment as it transitions toward a less carbon-intensive economy, notably by working on more sustainable agriculture, whose carbon footprint currently represents 57% of total carbon emissions. In that light, Danone also joined the "4/1,000: Soils for Food Security and Climate" international initiative launched by the French government to promote productive and resilient agriculture, based on sustainable soil management. Danone also joined the RE100 initiative and made a commitment to shift to 100% renewable energy sources for electricity by 2030, with an intermediary step of 50% by 2020.

The Board of Directors also determined that the managerial component was 100% achieved, thanks largely to the closing of the strategic WhiteWave acquisition and the integration of that company, the creation of synergies and the launch of the "Protein" cost-reduction program. Concerning the management teams, the Board pointed in particular to the new streamlined organization of the Executive Committee as part of Danone's new governance.

### 1.3. Multi-year compensation and long-term compensation payable in 2018

#### a) Multi-year compensation in the form of Group Performance Units (GPU)

GPU are granted subject to multi-year performance conditions over three years. GPU were established by the Nomination and Compensation Committee in 2005 in order to align the compensation of corporate officers and managers more closely with Danone's overall medium-term operating and economic performance.

Following a decision by the Board of Directors, GPU can be granted each year to Emmanuel Faber and approximately 1,500 Danone managers.

The GPU granted in 2015 (subject to performance conditions for the years 2015, 2016 and 2017) will give rise to a payment of €29 per unit based on the achievement of various benchmark criteria for the 2015 GPU.

For the record, it should be noted that as of 2017 Emmanuel Faber no longer receives GPU grants following measures taken to reflect the simplification of his compensation structure.

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

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 2014 were subject to two conditions: the first, representing one-third, focused on growth in the operating margin, while the second, representing the other two-thirds, focused on sales growth. The Board of Directors recognized that both conditions had been achieved.

The delivery of 2014 GPS will be carried out in July 2018.

#### **Summary of compensation payable and deliverable in 2018**

<b>Fixed compensation</b>	€1,000,000
<b>Annual variable compensation *</b>	€1,200,000
<b>Multi-year compensation (GPU granted in 2015)</b>	€580,000
<b>Long-term compensation (delivery of 2014 GPS)</b>	36,000 GPS

\*In accordance with Article L. 225-37-2, this compensation will only be paid out following its approval by the Shareholders' Meeting of April 26, 2018.

## 2. 2018 compensation

- **Fixed compensation unchanged at €1,000,000**
- **Annual variable compensation, unchanged for 2018, payable in 2019:**

The target amount of 2018 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 2017, it will consist of three components: a quantifiable economic component, established relative to Danone's own targets; a social and societal component; and a managerial component, weighted as the previous year.

In accordance with French Financial Markets Authority (AMF) recommendation No. 2012-02 of February 9, 2012, the scale of achievement for each of these criteria was established with precision by the Board of Directors, acting on the recommendation of the Nomination and Compensation Committee, but it is not disclosed publicly for reasons of confidentiality.

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 2018. It will also be specified in the 2018 Registration Document.

- **Multi-year compensation and long-term compensation:**

### - Multi-year compensation in the form of Group Performance Units (GPU)

As was the case in 2017, Emmanuel Faber will not be granted any GPU in 2018, reflecting the simplification of his compensation structure.

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

Any grant of GPS in 2018 will depend on a decision by the Board of Directors in July, subject to the authorization by the Shareholders' Meeting to be held on April 26, 2018, 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 1,500 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%.

Meanwhile, the performance conditions attached to these GPS were already determined by the Board of Directors at its February 15, 2018 meeting and are as follows:

- 50% of the GPS would be subject to an external performance condition linked to Danone's net sales growth relative to a panel of peer group companies over three years, namely 2018, 2019 and 2020, and the achievement percentage may vary between 90% for growth equivalent to the median and 110% in case of outperformance exceeding 120% of the median;
- 30% of the GPS would be subject to an internal performance condition linked to free cash flow over three years, i.e. 2018, 2019 and 2020, that could result in variable achievement levels depending on the level of free cash flow between €6 billion (0%) and €6.5 billion (100%).

- For the first time, 20% of the GPS would be subject to an external environmental condition based on the level assigned to Danone by CDP for “Climate Change” program over three years, as follows:
  - 3 years ranked at the Leadership level: 20% of GPS granted;
  - 2 years ranked at the Leadership level: 10% of GPS granted;
  - 1 year or less ranked at the Leadership level: 0% of GPS granted.