

Sustainable Development of Thai Capital Market

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Enhancing board leadership to achieve sustainable
growth and create long term corporate values

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Governance

- Governance is dynamic : it defines the relationship between the company's management, the Board, its shareholders and its stakeholders.
 - From creating immediate financial value for shareholders...
 - ... to the creation of comprehensive and sustainable values for stakeholders.
- Financial performance is accompanied by social and environmental performance.



GOVERNANCE THAT ADDS VALUE

At Danone, governance is an integral part of our corporate structure and operations — a long-term commitment rooted in shared responsibility. It organises the relationships between the various company bodies. Governance includes all of the procedures, rules and structures that are used to ensure the transparency of the company's operations and the balance of power between shareholders, Directors, executives, employees, suppliers and customers.

Governance is vital to sound management and its role is strategic, ensuring not only regulatory compliance but also the vitality of the business model, its vision and its ambitions. For Danone, governance is based on the implementation of an effective decision-making process, on steering involving all of the company's stakeholders and on a system of assessment.

It is structured around three basic principles:

- efficient corporate governance through an expert, independent and diverse Board of Directors,
- health and nutrition governance that reflects Danone's priorities and ambitions in these areas, and
- social governance that firmly places Danone's social and societal responsibility at the heart of its management and strategy.

Relationship between directors and stakeholders

- Directors must equally contribute to sharing the value between all stakeholders who sometimes have conflicting interests.
- Conflicts can arise between directors and management when selecting investment opportunities.



GOVERNANCE SHARED WITH STAKEHOLDERS

COMPANY CULTURE

CO-CREATION

STAKEHOLDER DIALOGUE

The challenge of stakeholder dialogue is to add shared value that benefits the company and its partners alike. This approach goes beyond simple dialogue to include the “co-creation” of solutions. This co-creation involves specific projects depending on local circumstances. The governance of these projects falls under the responsibility of the Board of Directors, the Social Responsibility Committee and various social innovation Funds.



Danone's societal approach is characterised by the systematic search for added value for shareholders and stakeholders. Each year, Danone reviews the progress broadly inspired by the dual economic and social project, whose societal dimension has been growing for several years. Danone requests approval for actions undertaken in order to incorporate into its strategy the challenges related to access to water and nutritional solutions adapted to the most underprivileged populations, its contribution to local community development and its commitment to involving local players in its activities through the use of dedicated funds. Within this framework, three Funds have been created: the Danone Ecosystem Fund, the danone.communities mutual fund (SICAV) and the Livelihoods Fund. They have their own governance bodies, with most members of their respective Boards of Directors coming from outside the company. The strategic direction of these Funds, their financing and their monitoring are all governed by the company's Social Innovation Committee.

An effective and balanced Board

Directors should share their own perspectives, challenge each other, and ultimately engage in a rich dialogue with the intention of moving the business forward, and when necessary, having the courage to oppose to others.

- Balance of power inside the Board.
- Complementarity and diversity of directors: professional experience but also gender.
- Independent directors with the « ability to challenge » beyond the criteria.

Board and strategy

- The strategy is built through interaction of the Board.
- Need constructive dialogue with Management in order for the Board to contribute to development of the strategy.
- Provide an outside-in perspective, challenging the company's thinking based on what the Board is seeing emerge in other companies.
- Seeking out new opportunities that arise and assessing the uncertainty (potential upside and potential downside) of developing the company's future.

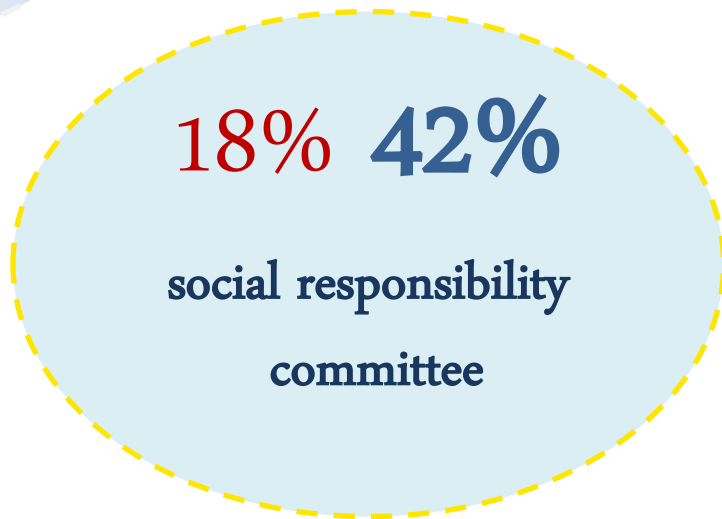
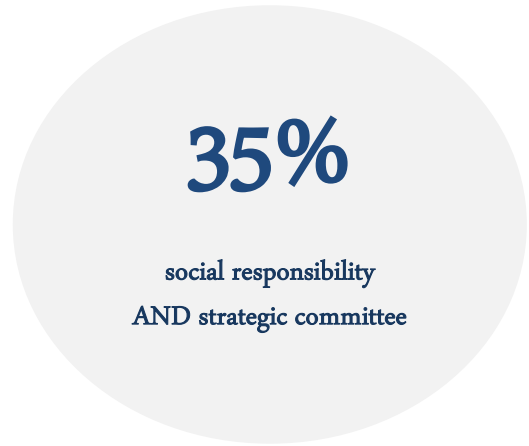
L'ORÉAL



“ The quality of governance is underpinned by the extremely strong commitment of the board members of the company. The Board provides the General Management with invaluable support for strategic decision-making. The balance of power is ensured by the clear definition of each one's remit. ”

JEAN-PAUL AGON CHAIRMAN AND CEO OF L'ORÉAL

Strategic and social responsibility committees



2012
2015

120 French top blue chip companies

The Strategy and Social Responsibility Committee

The powers and operation of the Strategy and Social Responsibility Committee are outlined in the Board's Rules of Procedure, the provisions of which are restated below.

Assignment of the Strategy and Social Responsibility Committee

The mission of the Strategy and Social Responsibility Committee is to assist the Board of Directors in its decisions on strategic directions for the Company's business, and in particular to:

- examine all significant projects concerning the Group's development and strategic positioning, in particular projects for strategic partnerships and significant investments or divestments;
- examine draft annual budgets submitted to the Board of Directors. For this purpose, the Strategy and Social Responsibility Committee may hear from Company managers on the assumptions used to draw up or amend these budgets;
- assess consistency between Group strategy and the CSR principles espoused by the Group and ensure that management conducts an analysis of internal or external factors related to CSR stakes (risks and opportunities) which have an influence on the Group, such as regulations, third-party expectations and sectorial comparisons;
- evaluate the adequacy of the resources available to the Group for the successful implementation of its CSR strategy, in view of the objectives pursued;
- take cognizance of the main findings and observations of the independent third-party body, assess them and examine the related management action plans.

Executive compensation

- A large portion of executive compensation should depend on value creation for long-term shareholders.
- Say on pay: shareholders vote on the executives' compensation
 - adequacy of the compensation and value creation for shareholders.
- Stock options and performance shares: align the interests of executives and shareholders.

Companies having the best governance rating



- Separation of power between Chairman and CEO.
- Board diversity: gender and nationalities.
- Board assessments with analysis of the individual directors contribution.
- Transparency on methodology and areas for improvement in Board assessment.

From 2015 annual study on 120 French top blue chip companies