

# REPORT OF THE BOARD OF DIRECTORS ON THE PROPOSED RESOLUTIONS SUBMITTED TO THE COMBINED SHAREHOLDERS' MEETING OF 29 MAY 2020

The Board of Directors convenes the Shareholders of the Company to the Combined Shareholders' Meeting to be held on 29 May 2020, in order to report on the Company's operations during the financial year closed 31 December 2019, and submit the following proposed resolutions for their approval:

## **Approval of the 2019 annual financial statements and allocation of profit (1st to 3rd ordinary resolutions)**

The first items on the agenda relate to the approval of the annual financial statements (**first resolution**) and the consolidated financial statements (**second resolution**).

Ipsen SA's annual financial statements for the year closed 31 December 2019 show a loss of €626,923,254.03.

The consolidated financial statements for the year closed 31 December 2019 show a loss (Group share) of €50,698 thousand of euros.

Detailed comments on the annual and consolidated financial statements are given in the 2019 Universal Registration Document.

The purpose of the **third resolution** is to decide the allocation of the results and set the dividend for the 2019 financial year.

The Board of Directors proposes to the Shareholders' Meeting:

- €54,286,462.42 deducted from the Other Reserves account reducing it from €54,286,462.42 to €0;
- €36,304,859.90 deducted from the Legal Reserve account reducing it from €44,686,312.50 to €8,381,452.60, maintaining the balance equal to 10% of the share capital;
- €29,809,299.76 deducted from the Share premium account reducing it from €29,809,299.76 to €0;
- €506,522,631.95 deducted from the Issue premium account reducing it from €712,060,580.91 to €205,537,948.96.

In addition, upon a proposal by the Board of Directors, the Shareholders' Meeting decides to distribute an amount of €83,814,526 deducted from the Issue premium account reducing it from €205,537,948.96 to €121,723,422.96.

The amount allocated for each share would thus be set at €1.00.

The distribution of €1.00 per share proposed to the Company's shareholders shall be treated for tax purposes as a repayment of a contribution or issue premium within the meaning of Article 112 of the French General Tax Code, and so is not taxable for individual shareholders residing in France, but which must be deducted from the tax cost price of the share.

The ex-date for the total gross amount of €1.00 due for each share would be 3 June 2020 and its payment date 5 June 2020.

In the event of a change in the number of shares giving right to a distribution compared with the

83,814,526 shares comprising the share capital on 31 December 2019, the overall amount of the distribution deducted from the Issue premium account would be adjusted accordingly on the basis of the number of shares having right to a distribution on the ex-date.

In accordance with the provisions of Article 243 bis of the French General Tax Code, the Shareholders' Meeting acknowledges that it was reminded that the dividends distributed and incomes for the three previous financial years were as follows:

| For financial year | Incomes eligible for tax allowance                                   |                        | Incomes not eligible for tax allowance |
|--------------------|--|------------------------|--|
|                    | Dividends  | Other incomes paid out |  |
| 2016               | €71,043,419.90 <sup>(*)</sup><br>i.e., €0.85 per share               | –                      | –                                      |
| 2017               | €83,782,308.00 <sup>(*)</sup><br>i.e., €1.00 per share               | –                      | –                                      |
| 2018               | €83,808,761,00 <sup>(*)</sup><br>i.e., €1.00 per share <sup>**</sup> | –                      | –                                      |

(\*) Including the amount of the unpaid dividend corresponding to treasury shares and allocated to retained earnings.

(\*\*) Distribution of the entire balance of the retained earnings account and reserves in the amount of €40,763,761.64.

## Regulated agreements and commitments (4<sup>th</sup> to 6<sup>th</sup> ordinary resolution)

It is first reminded that only the new agreements and commitments entered into during the last financial year ended shall be submitted to this Shareholders' Meeting.

It should be noted that there are no new agreements and commitments other than the following commitments, each of which is the subject of a specific resolution (**fourth resolution**).

The commitments are the following:

- the commitments taken by the Company to the benefit of Mr Marc de Garidel, Chairman of the Board of Directors, relating to an indemnity that may be granted for termination of his duties and to an individual optional supplementary pension scheme (**fifth resolution**).
- the commitments taken by the Company to the benefit of Mr David Meek, Chief Executive Officer until 31 December 2019, relating to an indemnity that may be granted for the termination of his duties (**sixth resolution**).

They are also presented in the statutory auditors' special report relating thereto, which will be presented to the Meeting and mentioned in the Company's 2019 Universal Registration Document.

## Directors (7<sup>th</sup> to 10<sup>th</sup> ordinary resolutions)

The Board of Directors, upon a recommendation of the Nominations Committee, proposes to the Shareholders' Meeting:

- to ratify the temporary appointment of the company Highrock S.à.r.l as a Director, decided by the Board of Directors at its meeting of 6 January 2020, replacing Mrs Anne Beaufour following her resignation. Consequently, the company Highrock S.à.r.l shall exercise its functions for the remainder of the term of its predecessor, i.e., until the Shareholders' Meeting to be held in 2022 to approve the financial statements for the past financial year (**seventh resolution**).

The company Highrock S.à.r.l, controlled by Mrs Anne Beaufour, is a permanent guest of the Innovation and Development Committee - Specialty Care and of the Innovation and Development Committee – Consumer HealthCare. The company Highrock S.à.r.l, is represented by its permanent representative, Mrs Anne Beaufour.

During the year 2019, Mrs Anne Beaufour was a permanent guest of the Innovation and Development Committee - Specialty Care and of the Innovation and Development Committee – Consumer HealthCare.

Given the involvement in the work of the Company's Board of Directors and the attendance by its permanent representative while a director of the Company during the year 2019 (93% for Board meetings), it is proposed to ratify the appointment of Highrock S.à.r.l.

The Board of Directors, upon the advice of the Nominations Committee and based on the opinion of the Ethics and Governance Committee, considers that Highrock S.à.r.l may not be qualified as an independent member according to the independence criteria set out in the AFEP-MEDEF Code.

Additional information concerning this Director is set out in Appendix 1 of the present convening notice.

- to ratify the temporary appointment of the company Beech Tree S.A. as a Director, decided by the Board of Directors at its meeting of 6 January 2020, replacing Mr Philippe Bonhomme following his resignation. Consequently, the company Beech Tree S.A. shall exercise its functions for the remainder of the term of his predecessor, i.e., until the present Meeting to approve the financial statements for the past financial year (**eighth resolution**) and renew the term of office of the company Beech Tree S.A. as a Director for a term of four years, expiring at the end of the Shareholders' Meeting to be held in 2024 to approve the financial statements for the past financial year (**ninth resolution**).

The company Beech Tree S.A., controlled by Mr Henri Beaufour, is a member of the Audit Committee, the Nominations Committee, the Ethics and Governance Committee and the Innovation and Development Committee – Consumer HealthCare.

The company Beech Tree S.A is represented by its permanent representative.

During the year 2019, Mr Philippe Bonhomme was a member of the Audit Committee, the Nominations Committee, the Ethics and Governance Committee and the Innovation and Development Committee – Consumer HealthCare.

Given the involvement in the work of the Company's Board of Directors and of the specialized Committees and the attendance by its permanent representative while a director of the Company during the 2019 financial year (100% for meetings of the Board and the four Committees of which he was a member), and his professional skills in particular in financial area as requested for the Audit Committee, it is proposed to renew the mandate of Beech Tree S.A. as a Director.

The Board of Directors, upon the advice of the Nominations Committee and based on the opinion of the Ethics and Governance Committee, considers that Beech Tree S.A. may not be qualified as an independent member according to the independence criteria set out in the AFEP-MEDEF Code.

Additional information concerning this Director is set out in Appendix 1 of the present convening notice.

- renew the term of office of Mrs Carol Xueref, as a Director, for a term of four years, expiring at the end of the Shareholders' Meeting to be held in 2024 to approve the financial statements for the past financial year (**tenth resolution**).

Mrs Carol Xueref, Director of Ipsen S.A. since 2012, is the Chairperson of the Nominations Committee, a member of the Ethics and Governance Committee, the Compensation Committee, and the Innovation and Development Committee – Consumer HealthCare.

Given the involvement in the work of the Company's Board of Directors and of the specialized Committees, with an attendance rate of 93% for meetings of the Board of Directors and for the four Committees of which she is a member (more information on attendance rate on all Committees is in the 2019 Universal Registration Document), her knowledge of governance topics and her professional experience, it is proposed to renew the mandate of Mrs Carol Xueref as a Director.

The Board of Directors, upon the advice of the Nominations Committee and based on the opinion of the Ethics and Governance Committee, considers that Mrs Carol Xueref may not be qualified as an independent member according to the independence criteria set out in the AFEP-MEDEF Code.

Additional information concerning this Director is set out in Appendix 1 of the present convening notice.

#### **Information about the Board of Directors:**

The individual attendance rates for all Directors are detailed in the 2019 Universal Registration Document. In the 2019 financial year, the attendance rate at Board meetings was 93%.

If the nomination and renewal proposals are approved:

- The Board's independence rate, as defined in all the criteria of the AFEP-MEDEF Code adopted by the Company, would be maintained at 36%. The Company will therefore continue to comply with the recommendations of this Code regarding the proportion of Independent Directors.
- The proportion of women members of the Council would be maintained at 45.45%, in accordance with the law.
- The average age would be maintained at 58.
- The Board's internationalisation rate would be 50% with 6 nationalities represented.

#### **Compensation of Corporate Officers (11th to 16th ordinary resolutions)**

The Board of Directors proposes to the Shareholders' Meeting (**eleventh to thirteenth resolutions**) to approve, pursuant to Article L.225-37-2 of the French Commercial Code, the compensation policy for the members of the Board of Directors, the Chairman of the Board of Directors, the Chief Executive Officer and/or any other executive officers.

The compensation policy for the members of the Board of Directors, the Chairman of the Board of Directors, the Chief Executive Officer and/or any other executive officers is presented in the Corporate Governance report included in the 2019 Universal Registration Document, section 5.4 and mentioned in Appendix ● of the present report to the Shareholders' Meeting.

#### **Approval of the information relating to the compensation of corporate officers referred to in I of Article L.225-37-3 of the French Commercial Code**

The Board of Directors proposes to the Shareholders' Meeting to approve, pursuant to Article L.225-100 paragraph II of the French Commercial Code, the information relating to the compensation of the corporate officers referred to in I of Article L.225-37-3 of the French Commercial Code, as presented in the Corporate Governance report included in the 2019 Universal Registration Document, section 5.4, and mentioned in Appendix ● of the present report to the Shareholders' Meeting (**fourteenth resolution**).

#### **Approval of the base, variable and exceptional elements making up the total compensation**

## **and benefits of any kind paid during the past financial year or granted for the same financial year to Mr Marc de Garidel, Chairman of the Board of Directors**

The Board of Directors proposes to the Shareholders' Meeting to approve the base, variable and exceptional elements making up the total compensation and benefits of any kind paid during the past financial year or granted for the same financial year in respect of his duties to Mr Marc de Garidel, Chairman of the Board of Directors (**fifteenth resolution**).

The compensation elements are attached to the present report (Appendix ●).

## **Approval of the base, variable and exceptional elements making up the total compensation and the benefits of any kind paid during the past financial year or granted for the same financial year to Mr David Meek, Chief Executive Officer until 31 December 2019**

The Board of Directors proposes to the Shareholders' Meeting to approve the base, variable and exceptional elements making up the total compensation and the benefits of any kind paid during the past financial year or granted for the same financial year in respect of his duties to Mr David Meek, Chief Executive Officer until 31 December 2019. (**sixteenth resolution**).

The compensation elements are attached to the present report (Appendix ●).

## **Repurchasing by the Company of its own shares (17<sup>th</sup> ordinary resolution)**

### **Authorization to be given to the Board of Directors to allow the Company to repurchase its own shares pursuant to the provisions of Article L.225-209 of the French Commercial Code**

Pursuant to the **seventeenth resolution**, the Board of Directors, with the ability to subdelegate, proposes to the Shareholders' Meeting to purchase, on one or several occasions as it shall see fit, Company shares within the limit of 10% of the number of shares comprising the share capital, adjusted, if applicable, to take into account any share capital increases or reductions that may occur during the period covered by the programme.

This authorization would terminate the authorization given to the Board of Directors by the Shareholders' Meeting held on 28 May 2019 in its twelfth ordinary resolution.

The acquisitions may be carried out in order to:

- stimulate the secondary market or ensure the liquidity of the Ipsen shares through the activities of an investment service provider in the form of a liquidity agreement compliant with the practices allowed under the regulations, it being specified that within this framework, the number of shares used to calculate the above-mentioned limit corresponds to the number of shares purchased, decreased by the number of shares sold
- retain the purchased shares and subsequently deliver them within the context of an exchange or a payment related to possible external growth transactions
- ensure the hedging of stock option plans and/or free share plans (or similar plans) in favour of group employees and/or corporate officers as well as all allocations of shares under a Company or group savings plan (or a similar plan), as part of the sharing of the Company's profits and/or all other forms of allocation of shares to group employees and/or corporate officers
- ensure the coverage of negotiable securities giving rights to the allocation of Company shares in accordance with the regulations in force
- possibly cancel acquired shares, subject to the authorization granted by the Shareholders' Meeting held on 28 May 2019 in its thirteenth extraordinary resolution.

These share purchases, sales, transfers or exchanges may be carried out by all means, including

through the acquisition or sale of blocks of securities, and at any times as the Board should see fit.

The Company would reserve the right to use options or derivative instruments in accordance with applicable regulations.

The Board of Directors may not, without prior authorization of the Shareholders' Meeting, make use of this authorization in the period of a public offer initiated by a third party for the Company's shares and until the end of the offer period.

The Board of Directors proposes to the Shareholders' Meeting to set the maximum purchase price at €200 per share. Consequently, the maximum amount of the transaction would be set at €1,676,290,400.

The Shareholders' Meeting would grant all powers to the Board of Directors to carry out these transactions.

Detailed information on share repurchase operations carried out in 2019 can be found in the 2019 Universal Registration Document.

## **Free grants of shares (18<sup>th</sup> extraordinary resolution)**

**Authorization to be given to the Board of Directors to carry out free grants of existing shares and/or to be issued to salaried staff members and/or certain corporate officers of the Company or affiliated companies or economic interest groups, waiver given by shareholders of their preferential subscription rights, duration of the authorization, ceiling, duration of acquisition, in particular in the case of disability, and, if applicable, holding periods**

In order to enable an attractive employee share ownership policy such as to ensure the development of the Company, it is proposed to renew the authorization to carry out free grants of existing shares and/or to be issued to salaried staff members of the Company and affiliated companies or economic interest groups and/or certain corporate officers.

It is hereby requested to authorize the Board of Directors, for a period of 26 months to grant, pursuant to Article L.225-197-1 of the French Commercial Code, new free shares resulting from a capital increase by capitalization of reserves, premiums or profit, and/or with existing shares (**eighteenth resolution**).

The persons benefiting from these free shares may be:

- salaried staff members of the Company or companies or economic interest groups that are directly or indirectly affiliated to it under the meaning of Article L.225-197-2 of the French Commercial Code;
- and/or company officers who meet the conditions defined by Article L.225-197-1 of the French Commercial Code.

The total number of free shares thus allocated shall not exceed 3% of the share capital at the date of the present Shareholders' Meeting, it being specified that will count towards this upper limit the total number of shares to which the options that could be granted by the Board of Directors pursuant to twenty-first extraordinary resolution approved by the Combined Shareholders' Meeting held on 28 May 2019 may give entitlement.

To this ceiling will be added, as appropriate, the nominal value of the capital increase necessary to preserve the rights of beneficiaries of free share grants in the event of an adjustment of the allocated rights following operations on the Company's capital during the acquisition period.

The total number of free shares that may be granted to the executive corporate officers shall not

exceed 20% of this envelope and the final acquisition of these free shares will be subject to performance conditions set by the Board of Directors.

The allocation of shares to beneficiaries would be final at the end of a vesting period, the duration of which will be determined by the Board of Directors, which may not be less than two years, it being specified, however, that the vesting period for executive corporate officers may not be less than three years.

The performance shares grants elements are detailed in Appendix ● of this report.

The Shareholders' Meeting would authorize the Board of Directors to provide or not a holding period at the end of the vesting period.

Exceptionally, the final acquisition shall occur before the end of the vesting period in the event of the beneficiary's disability corresponding to a classification in the second or the third categories defined by Article L.341-4 of the French Social Security Code.

This authorization would entail the waiver by shareholders of their preferential subscription rights to the new shares issued by the means of the capitalization of reserves, premiums and profits.

In consequence, the Board would dispose, within the limits fixed above, of all powers to

- set the conditions and, if applicable, the allocation criteria and performance conditions for the shares
- determine the identity of the beneficiaries of the free allocations among the people fulfilling the conditions set out above as well as the number of shares to be allocated to each of them
- if applicable,
  - check whether there are sufficient reserves and, for each allocation, transfer to an unavailable reserve account the sums required to pay up the new shares to be allocated
  - decide, in due course, the capital increase or increases by capitalization of reserves, premiums or profits related to the issuance of the new free shares
  - acquire the necessary shares under the share repurchase programme and transfer them to the plan if granting existing shares
  - determine the impacts on the rights of beneficiaries, of transactions affecting the share capital or likely to affect the value of the allocated and acquired shares during the vesting period and, consequently, change or adjust, if necessary, the number of shares allocated in order to safeguard the rights of beneficiaries
  - take all useful measures to ensure compliance with the conservation obligation, if any, required of beneficiaries
- and, more generally, do everything needed to implement this authorization in accordance with the legislation in force.

This authorization would cancel and supersede, where appropriate, up to the unused portion, any previous authorization having the same purpose.

## **Articles of Associations amendments (19th to 24th extraordinary resolutions)**

It is proposed to amend Article 12 of the Articles of Associations, relating to the threshold triggering the obligation to appoint a second Director representing the employees on the Board of Directors

subsequent to its being reduced from 12 to 8 Board members pursuant to French Law No 2019-486 of 22 May 2019 (**nineteenth resolution**).

It is also proposed to amend the Article 16.2 of the Articles of Associations, in accordance with the option provided for in Article L. 225-37 of the French Commercial Code, as amended by Law No 2019-744 of 19 July 2019, to enable the members of the Board of Directors to take the decisions falling within its own attributions restrictively listed by the regulations by means of a written consultation (**twentieth resolution**).

This option could be used for the following decisions:

- temporary appointment of Board members
- authorization of sureties, endorsements and guarantees given by the company
- decision to amend the Articles of Association to bring them into compliance with legal and regulatory provisions, as delegated by the shareholders' meeting
- convening the shareholders' meeting
- transfer the Company's registered office within the same department.

It is also proposed to amend the third paragraph of Article 10 of the Articles of Association, in order to apply the legal assimilation rules to the statutory thresholds. Thus, for the determination of the capital and voting rights thresholds the crossing of which is to be declared in application of article 10 of the Articles of Association, the assimilation rules provided for in Article L.233-9 of the French Commercial Code (**twenty-first resolution**).

It is proposed to amend the Articles 12 and 13 of the Articles of Association with respect to the provisions of Article L. 225-25 of the French Commercial Code, as amended by Law No 2008-776 of 4 August 2008 to waive the statutory obligation for each director to own at least one (1) share of the company, it being specified that the internal rules of the Board of Directors set the minimum number of shares that each Director must hold during his or her term of office (**twenty-second resolution**).

The **twenty-third** and **twenty-fourth** resolutions provide for a change to articles 17.2 and 21.1 of the Articles of Association relating to the respective powers of the Board of Directors and the Shareholders' Meeting.

The purpose of the **twenty-third** resolution is to modify article 17.2 of the Articles of Association in order to provide for a list of significant matters for which prior approval by the Board of Directors is required.

The purpose of the **twenty-fourth** resolution is to modify article 21.1 of the Articles of Association to provide for the prior approval of the ordinary Shareholders' Meeting for the disposal of major assets as defined by position-recommendation 2015-05 issued by the *French Autorité des marchés financiers*.

These changes are proposed in connection with the shareholders' agreement dated 19 December 2019, entered into by and between Highrock S.à.r.l., Beech Tree S.A. and Altawin SA, whose main terms have been made publicly available in a notice issued by the *French Autorité des marchés financiers* dated 31 December 2019 (Avis AMF No 219C2985).

## **Harmonisation of the Articles of Association (25th resolution)**

It is proposed to the Shareholders' Meeting to harmonise the Articles of Association with the applicable legislative and regulatory provisions

### **1) Concerning the procedure for identifying shareholders:**

It is proposed to bring Article 10.2 of the Articles of Association into line with the provisions of Article L. 228-2 of the French Commercial Code, as amended by Law No 2019-486 of 22 May 2019, relating to the growth and transformation of companies, which amended the procedure for identifying shareholders.

## **2) Concerning the remuneration allocated to Directors:**

It is proposed to bring Article 19 of the Articles of Association into line with the provisions of Articles L. 225-45 and L. 225-46 of the French Commercial Code as amended by:

- Law No 2019-486 of 22 May 2019, which abolished the notion of directors' fees
- Order 2019-1234 of 27 November 2019, which introduced a legal mechanism relating to the compensation of corporate officers of companies listed on a regulated market.

## **3) Concerning the counting of votes at the Shareholders' Meeting to determine the majority:**

It is proposed to bring Articles 26.2 and 26.3 of the Articles of Association into line with the provisions of Articles L. 225-98 and L. 225-96 of the French Commercial Code, as amended by Law No 2019-744 of 19 July 2019, which excluded abstentions from votes cast when determining the majority for general meetings.

## **Textual references applicable in the event of codification changes (26th resolution)**

It is proposed that the Shareholders' Meeting take note of the fact that the textual references mentioned in all of the resolutions of this meeting as well as in the sixteenth and seventeenth resolutions of the Shareholders' Meeting of 28 May 2019 refer to the legal and regulatory provisions applicable on the date of their establishment and that in the event of a change in the codification thereof, they shall be replaced by the textual references corresponding to the new codification.

## **Powers to carry out formalities (27th resolution)**

The Board of Directors proposes to the Shareholders' Meeting to grant, pursuant to the **twenty-seventh resolution**, powers necessary for the performance of legal formalities in connection with the present Meeting.

*The Board of Directors*