

DANONE GROUP
28 JUNE 2021
EXTRAORDINARY CIC

Introduction: a new reorganisation plan

On 30 March 2021, at an extraordinary CIC, Danone Group presented a reorganisation plan called Local First. This project announced a radical organisational change.

At the suggestion of the IUF, the IUF commissioned the AXIA Consultants firm to provide an opinion and assist with the information and consultation procedure.

After the CIC's information meeting and in receipt of the expert report by AXIA and in accordance with the terms of the Works Council Directive (2009/38/EC), here we are at an extraordinary CIC meeting to present an opinion on the Local First plan.

Management justify the project by referring to:

- Increased volatility of market segments and accelerating changes in consumer expectations;
- Financial performance inferior to that of their peers;
- Cumbersome and complex operational methods within the group.

The project aims to introduce a geographically-based and cross-category organisational structure involving Country Business Units (CBUs) supported by shared supranational expert teams within the "Commons".

This project could lead to the elimination of 4,406 jobs. The net impact on the workforce of implementation of the proposed changes will be a reduction of 2,267 jobs, with managers especially affected.

Observations

Although staff representatives understand the need for organisational changes, the financial justification put forward, the extent of the social consequences, the timeline and conditions necessary for the implementation of this project raise the following questions.

- 1. Despite the economic crisis in 2020, Danone's financial performance was better than the average for comparable agrifood industries.**

It does not seem possible to measure the increase in turnover forecast by the project.

We deduce that the Local First project may well result from significant technological changes but is essentially motivated by stock exchange considerations.

We therefore find the enforced elimination and modification of jobs to be unacceptable.

- 2. We should also note that this project comes in the wake of a series of reorganisations of support roles. The frenetic pace of reorganisation weakens the groups and increases employees' exposure to stress and psycho-social risks.**

Although Danone's recent Danone People Surveys of employee opinion noted the need for simplification and autonomy, they also highlighted the organisation's difficulties in prioritising objectives, which makes the work of teams more difficult.

Although Local First responds in part to criticism by reducing decision-making levels, the project does not address the issue of how to prioritise objectives and even aggravates the negative impact on employees by eliminating a significant number of jobs.

This latest major organisational change seems to have been formulated without much preparation. Moreover, we note that the Human Resource (HR) teams, especially affected by the series of reorganisations, seem insufficient and too weak to be able to lead such a wide-ranging reorganisation.

3. **We fear that the externalisation of certain functions in this project will lead to the transfer of jobs to low-cost countries** (e.g. information technology).
4. **Last observation:** In the light of the analysis of the project, of the €700million of savings announced, the project presented to the CIC makes it possible to achieve approximately €380million. The remainder would concern local sales force merger projects and geographical areas where the project would be implemented at a later date.
5. **In the context of these observations, staff representatives would like to express the following fears:**
 - The change to common structures will result in the loss of expertise on specific activities and geographical areas (legal and regulatory);
 - Skilled workers in the Danone workforce, worn-out by the pace of reorganisations, will decide to leave the group, aggravating the problems caused by the loss of expertise;
 - The HR teams currently in place are not strong enough to ensure the efficient implementation of this project in such a short time;
 - Issues related to human rights and international framework agreements with the IUF will become the responsibility of local managers but only the head office will be able to guarantee respect for them;
 - There is a significant impact on blue-collar jobs but there is little provision for providing advice and support for workers.
 - Despite the announcement of the Local First plan, the share price is not increasing thus raising the possibility of further restructuring plans.
 - Given that of the €700million announced to the markets, only 380 million are affected by the project presented to CIC, we express serious fears about the consequences for Danone and its employees if the target of 700 million is not achieved. These fears are reinforced by the fact that the balance concerns local salesforce projects and the future application of Local First in countries where respect for human rights often clashes with poor local standards.

Conclusions

In conclusion, staff representatives are against this project because of the extent of its impact on jobs, the failure to understand the risks associated with some parts of the plan and the lack of resources that will be needed to make the plan a success.

In the context of these concerns, it is our duty to call on management to:

- Extend its timetable for negotiations and project implementation over a longer period;
- Strengthen the HR teams so as to provide adequate supervision of the project;
- Ensure the compatibility and effectiveness of new technologies before introducing them;
- Ensure a regrading and training programme that works well for employees and compensates those who cannot be regraded in accordance with the extent of the detriment suffered;
- Respect the commitments undertaken as part of the Future Skills programme on each site affected by the Local First plan;
- Strengthen arrangements for monitoring and implementation of framework agreements with the IUF and, more generally, human rights issues;
- Create national and international monitoring committees to measure the impact of Local First on employees, notably with regard to the issue of work-related stress.