

Mondelez Union Network

January 24, 2014



‘Activist investor’ Peltz now on Mondelez Board – what does it mean for workers ?

Mondelez announced on January 21 “that it has added Nelson Peltz, Chief Executive Officer and a founding partner of Trian Fund Management, L.P. ("Trian"), to its Board of Directors. With the addition of Peltz, the Mondelez International Board of Directors expands to 12 members, 11 of whom are independent and all of whom are elected annually. Peltz will also be included in the company's slate of nominees for election to the Board at the 2014 Annual Meeting of Shareholders.

"We believe that Nelson will be a valuable addition to our Board," said Irene Rosenfeld, Chairman and CEO. "We respect his more than 40 years of business and investment experience as well as his expertise helping consumer products companies leverage their brands and improve operating and financial performance. We welcome his input as we deliver superior shareholder returns."

The more things change, the more things stay the same. Peltz’s appointment to the Board marks no new departure from the Mondelez strategy announced in August 2013, when hedge-fund operator Peltz began acquiring large stakes in both companies. At the time he was pushing for a merger of Mondelez and PepsiCo with the goal of creating a single giant snacks company minus the PepsiCo beverages. That effort has stalled, but has probably not been discarded. Peltz will continue to use his position at PepsiCo to push it to sell off the beverages division.

Peltz is not a new presence in the company now called Mondelez. In 2007, his Trian Fund began acquiring what became a 3% stake in Kraft, which he used to push a series of disposals but also the acquisition of Cadbury. When the Cadbury deal was closed, Trian and other hedge funds owned some 30% of the company shares. The \$19.5 billion price paid for Cadbury was over 50% higher than where Cadbury shares traded before Kraft first announced its takeover offer – a superbonanza for investors.

So Peltz cashed out. He is said to have continued to push for the splitting of Kraft into the two pieces we have today. Now he’s back.

Peltz personifies the short-term, impatient mobile investors who drive today’s financial markets and the corporations they control, exercising an influence which extends throughout the financialized “non-financial” sector of manufacturing and services. The ‘About Nelson Peltz’ section of the [Mondelez press release](#) spells it out and it’s only a

small part of the Peltz story. It is a textbook description of managing for short periods to achieve windfalls built on restructuring the companies to position them for acquisition, and then cashing out.

Putting Peltz on the Mondelez Board signals broad investor support for the Mondelez program to deliver a “significant increase in return of capital to shareholders” analyzed in the [IUF presentation](#) to the IUF Global Mondelez Meeting in Eastbourne last December. Peltz claims Mondelez can double operating margins, going beyond even the severe cost-cutting goals announced last year. Apart from closures redundancies, a radical reduction in SKUs an intense squeeze on suppliers, the focus will be on boosting operating margins, i.e. variable costs, i.e. wages and benefits.

Whoever is on the Mondelez Board, unions will have to be organized and mobilized throughout the company to defend terms and conditions and the basic rights which are under attack.



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