

# MANAGEMENT

## INSIDE STORIES

Human resource management has long played a central role at Groupe DANONE. Which is hardly surprising given our well-known commitment to dual success—improving overall performance while maintaining a healthy balance between business success and personal quality of life.

**Fundamental tasks facing human resource professionals start with creating effective organizational structures for growth:** implementing payroll policies that encourage employees to give their all; fostering constructive industrial relations; identifying and recruiting candidates able to rise to the challenges of the business; and organizing training and development opportunities. The ability to meet these challenges makes HR teams a crucial partner at all subsidiaries. But they must also perform the role that Groupe DANONE originally attributed to them—ensuring a healthy balance between profitable business and the well-being of employees. As guardians of DANONE values and

culture, HR officers embody our Group's founding values and conviction that the well-being of people is both the means to and end of growth. This is a commitment they must stand up for, even in the face of conflict or pressure from shorter-term business imperatives. The same commitment is expressed in the daily routine within each production plant, team and subsidiary, currently formalized in the Group's key priorities. These include occupational safety, a policy that aims to halve a workplace accident rate that is still too high (page 66). Another example: efforts to improve the workplace atmosphere Group-wide by making companies the place where everyone does and feels their best (page 62). Another focus is decentralization—

encouraging countries and subsidiaries to network to enhance the responsiveness and informal style that are the hallmarks of Groupe DANONE (page 64). These concerns are perhaps even more visible in new subsidiaries in emerging markets where the prime challenge is less related to finance, marketing and business than to human resources per se. How can we find local staff or qualified expatriates to build a business from next to nothing? How can we adapt our social priorities to different contexts, or incorporate new subsidiaries into a group with global reach while allowing them to remain local businesses? These questions are addressed every day and in themselves sum up the issues at play in DANONE's human resources function (page 69).

# Job motivation: A great place to work?

To attract and retain talent and foster conditions conducive to high performance and self-realization, the HR function has risen to the challenge of making DANONE a great place to work. First step: the decision to assess conditions by conducting a survey every two years, with subsidiaries taking part in comparative local polls. To that end DANONE chose to work even more closely with the American research and management consultancy Great Place to Work® Institute. With offices in numerous countries, it assesses workplace climates and employee well-being through questionnaires that address a wide range of issues (work conditions, equity, respect for staff, relations with management, staff diversity, etc.). It then draws up league tables of the best places to work in each country and continent. In 2006, 22 DANONE subsidiaries worked with Great Place to Work® Institute or were involved in similar surveys with other firms in countries where it did not have offices. In Romania, for example, the Group measured employee satisfaction in 2005 by taking part in polls by the magazine Capital—highly reputed in Romania—and in those of the Hewitt institute in 2006. The aim is that all subsidiaries get involved in such assessments—

not in order to throw the spotlight on those which perform best, but to undertake action plans that will help everyone improve. By committing to constant progress in this way, each subsidiary can move ahead and address its shortcomings. Experience shows that when companies make progress their employees feel pride and their sense of motivation grows. Workplace assessments thus give companies an edge over their competitors. DANONE's ultimate aim is to make its subsidiaries more attractive. By becoming the greatest places to work in each country where the Group does business, they will foster a feeling of pride and sense of belonging among employees.

## Personal views/ Importance of a good workplace atmosphere

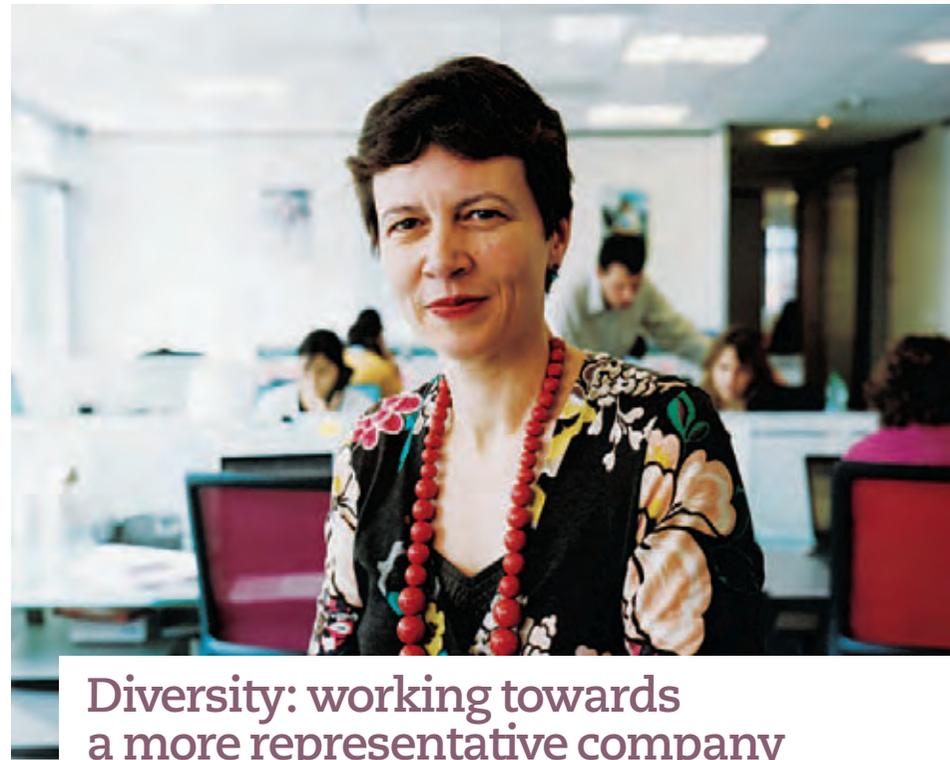
## Between well-being and health

**At Danone UK we launched the “Danone Active Health” plan.**

As part of the plan we organize training sessions on topics like stress management. We also urge employees to adopt healthy diets through lectures and by offering them breakfast with

cereal, fruit, and dairy products every morning—and making sure a basket of fruit is at their disposal. The idea is simple: just as it does for consumers, Danone commits to the health of its employees.

**ANNE-CATHERINE MORADPOUR**, French, HR manager, Danone UK



## Diversity: working towards a more representative company

**Danone Waters France believes that welcoming diversity and allowing it to blossom make the company more dynamic.** In 2006

we signed an agreement with employee representatives on the issue of diversity. The aim was to improve equality in the workplace between men and women and to ensure that people with disabilities, employees of different origins, and the elderly were smoothly

integrated into the company. We have been taking action to promote diversity for two years. At Evian, for example, a training course has been put in place, designed to enhance the career prospects of female factory workers, while people with physical disabilities account for 9% of recruitment since 2005. At the Amphion plant near Evian, sign language classes have helped workers with impaired hearing to fit in.

Greater diversity in teams changes perceptions of things. We become more receptive to a greater variety of profiles. So in Marketing, for example, people with a more diverse range of qualifications help us come at business issues in a less standardized way and to be more in tune with market expectations.

**CÉCILE DIVERSY**, French, Human Resources, Danone Waters France



## Transparency

Surveys carried out at Danone Romania have revealed a lack of information on strategy, career prospects, and salaries. Now that the problem has been identified, corrective measures are in place.

To ensure that employees are aware of business strategy, conventions with non-managerial staff have been organized. We have also communicated the salary grid to employees and by 2008 all will benefit from systems of personal development. These actions will demonstrate that equity within the company is a reality which deserves to be reinforced.

**MIRCEA MATESCU**, Romanian, Human Resources, Danone Romania and the Adriatic Region

**XAVIER LIÑAN**, Spanish, Organization and Development Director

## “It is an opportunity to motivate employees”

Every year since 2003 Danone Spain has taken part in the survey conducted by Great Place to Work® Institute. We are always rated among Spain's top two companies and in 2005 we were actually one of Europe's top five. Every survey is of course an opportunity to improve working conditions, but more importantly to motivate employees, and foster a sense of pride in belonging to Danone Spain.



# Networking for **high** performance

**S**haring knowledge is a key factor in the business performance of large companies and the self-realization of all employees. Since 2002, Groupe DANONE has developed what it calls “the networking attitude”—a mindset that makes it second nature for managers from different subsidiaries to share good practices directly with each other, from one subsidiary to another, rather than going through traditional channels. Networking makes sense because it connects people who have experience of a good practice—givers—with people who need to learn about it—takers. The prime aim is to secure gains in efficiency: networking saves time and reduces risk by focusing on solutions that have already proved themselves in the field. Initially, networking was introduced and developed by organizing events and gatherings designed and staged to provide opportunities for sharing experience

in a relaxed atmosphere. Marketplaces are one example. They mimic real-life markets, with givers of smart ideas “selling” their wares at stalls and trying to talk takers into “buying” them. In 2006 networking entered its next phase. This is the Group’s dual ambition of involving employees and external partners in a networking approach along with the 9,000 managers and of developing new tools for building solutions together.

## Personal views/ The benefits of networking

## Working and building together

**At the Beverages business line convention in Seville, Spain, in June 2006,** I took part in a networking session. There were seven stands where Group subsidiaries presented their projects in progress and we could come up with ideas to improve them. It is worth noting that even if ideas are not taken on board wholesale, they can bring inspiration. Sometimes we get too

involved in a project, and fresh input from someone on the outside can prove very positive in helping to get us thinking again. Last but not least, the networking session was an opportunity to meet colleagues from all over the world and to fill my group address book. That’s part of networking, too.

**FRANKIE SUEN**, China, managing director, Export Division, Beverages, China



## Sharing and deciding

**The biscuits Business line has set itself the objective of cutting its energy consumption by €1 million in 2007.** Against that backdrop we held a networking session devoted to energy saving in November 2006. It took place at the Herentals plant in Belgium. Around 40 managers from the division supply chain took part. They included plant, engineering, and environment managers.

Subsidiaries thus got the chance to introduce projects they were deploying internally and to ask attendees for the benefit of their experience or for new ideas in order to improve them. Countries like France, Italy, Poland, the Czech Republic, Belgium, and Germany presented their projects—ten in all. They included the purchase of new infrared burners which reduce gas consumption by 15% and

the recovery of dissipated energy to heat buildings. The session saw much sharing of ideas and experience. And it resulted in some unanimous decisions being taken. One such decision concerned the oven inspection method designed in France, which will be applied to all the plants in the Biscuit business line.

**PATRICK ROCHER**, French, process and technology director, Biscuits.

**Some figures/** To transmit the networking mindset to all subsidiaries, DANONE gives employees tools such as marketplaces and an intranet that help them connect with each other. In 2006 a total of 191 good practices were presented for deployment (over 600 since 2003) and 1,000 new ideas registered. In addition, over 70 sharing networks are active in every sphere of the Group’s activities.

## Communicating

There is often one or two of us in charge of public relations, “which is very useful to progress in information sharing between subsidiaries. Every six weeks we hold phone conferences and share our experience and compare viewpoints. Through our intranet site we share best practices and understand group positions on some sets of issues. For the launch of Activia in the US, my colleagues’ experience was very valuable.”

**MICHAEL NEUWIRTH**, American, director of public relations, Dannon US.

## Opening

**We organized an Innovation Day with our packaging and raw materials suppliers.** They showed us the solutions they had designed to meet our precise specifications. Sixteen suppliers unveiled their ideas at a marketplace. Of them 120 were demonstrated and 10% brought to market.

**KATARZYNA HUTNA**, Polish, purchasing manager, Danone Poland.



# Safety: a business everybody should mind

**A**t DANONE we naturally consider safety to be a basic, universal human right. As such, it is every employee's business and is not restricted to a group of experts. To continue to improve results which, at times, did not live up to our ambitions, DANONE initiated a safety-specific approach in 2004. Called "Wise", this was first deployed in the Biscuits business line before being extended to Beverages and Fresh Dairy Products. Designed in partnership with the DuPont group, a global pioneer of safety culture, it is defined by a cross-functional approach that seeks primarily to change people's behavior. A full 90% of accidents are caused by inappropriate behavior and could therefore be prevented. For that reason Wise puts management and dialog at the core of Groupe DANONE's safety focus on, as they are the most effective ways of driving progress in the long term.

## MOBILIZING IN THE FIELD

In the course of 2006 all DANONE subsidiaries launched initiatives aimed at changing employee behavior. These included displaying the number of accidents and the number of consecutive accident-free days in production plants; running campaigns promoting basic rules and the importance of protecting oneself in the workplace; safety marketplaces (see page 64) where participants—who included machine operators, supervisors, maintenance

technicians and human resource directors, among others—shared good practices; exhibitions of photographs taken in production facilities to raise awareness of the need to obey safety instructions; and safety information displays at many sites which convey simple but essential ideas. Another priority is communicating the safety message directly. This is the practice, for example, at Bonafont, the Group's Beverage subsidiary in Mexico. At the Toluca plant management, machine operators, and trade unions have formed working groups and drawn up safety standards. Using the Wise approach, managers and their teams meet four times a year to address safety issues and ensure that everyone obeys the rules. When an incident that could degenerate into an accident occurs, communication is once again crucial in preventing the same situation from occurring again: a video simulating the accident which could have happened is thus filmed and screened on the plant's televisions. The aim is first and foremost to raise each employee's awareness of the risks to which he or she is exposed and of the most effective forms of protection.

It is still a little early to measure the impact of the Wise safety policy in Beverages and Fresh Dairy Products. But, in the Biscuits business line, the accident rate fell 37% in 2005 and 11% in 2006. Groupe DANONE was the recipient of a Safety Award at DuPont Leaders Forum of Safety and Performance in 2006. The Group was singled out for the speed and commitment with which its managers rolled out the safety drive. ●

**Mexico/** The Toluca Beverages plant, which employs 250, recorded 560 accident-free days in a row at the end of 2006—a record. Safety is value number one at Toluca, ahead of quality, customer services and competitiveness.



## Key figures

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factories and warehouses have joined the Wise occupational safety drive.

Since the Wise safety procedure went operational in 2004, the workplace accident rate has dropped by 30% (like-to-like).

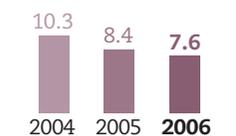
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safety audits were conducted in 2006.

On every site audits were carried out by a DuPont auditor and a DANONE auditor trained by DuPont. (About 20 DANONE auditors have been trained to date.) Auditors draw up assessments built on 12 criteria which make up the safety management system.

The most interesting aspect of this approach, however, is that auditors put forward recommendations for action plans to improve safety. Eighteen months on, a new audit takes place to measure progress made and determine avenues of further improvement.

## The workplace accident rate\*



\* Number of accidents resulting in at least one day of sick leave for every one million hours worked.

# zero

accidents: the only acceptable goal. To achieve that goal, it is important to create a safety-first culture.

# Emerging **countries:** the **human** challenge

**G**roupe DANONE recorded over 90% of its sales in the developed world a scant ten years ago, but by 2006 emerging countries accounted for a full one-third of business. Clearly, our growth strategy has undergone a radical change—that is only just beginning. Our ambition today is to double our geographical spread by moving into 40 additional countries in just a few years. In this, our main challenge is not financial but human: we must identify the talent we need and manage human resources effectively.

## **BUILDING BUSINESS**

Whether DANONE moves into a new country by leveraging a local partnership—the usual practice—or starts a business from scratch, a crucial stage in creating a new subsidiary is finding the right general manager. For this strategic position, DANONE seeks candidates who combine entrepreneurial qualities with a sense of adventure and a sound understanding of the Group, its methods and its competencies. Successful candidates must create and put to work a management team that strikes a balance between expats and local staff. The former bring DANONE know-how with them, passing on our Group's corporate culture and practices. The latter provide indispensable knowledge of the local market and consumer habits. Such recruitments are far from simple—and of decisive strategic importance. Economic and political conditions in some countries can make it difficult to attract the right

expatriates, while young local managers often lack the training to be immediately operational. In addition, they are often relatively few in number, and aggressively recruited by rival companies. If all of a country's managers are already in employment, the shortage becomes very acute.

## **COMMITMENT TO TRAINING**

Such situations prompt new subsidiaries to invest heavily in training, with a dual rationale: on the one hand, training makes new recruits operational more quickly, either through traditional courses or by leveraging our “networking attitude” (page 64), with employees from new subsidiaries “groomed” by managers from other entities. The second purpose is to transmit DANONE culture, and in so doing trigger an attachment to our company that leads to a fierce sense of loyalty.

**Personal views/  
Reports from five countries  
where Groupe DANONE  
is present**

**New frontiers/** The “new frontiers” concept first appeared in 2003 to designate the Group's most powerful potential “growth relays”, i.e., countries with large populations where product consumption is still low and economic growth firm, where there is major scope for nutritional and health-oriented food products, and where DANONE has a sound base. The five new frontiers identified at the time – China, Indonesia, Russia, Mexico, and the USA (for dairy products) today account for 25% of Group sales and they are growing at an annual rate of nearly 20%. More than 35,000 employees work in those countries. In 2006 tomorrow's new frontiers began to take shape in Latin America, North Africa, and Middle East. Business growth is still in its early stages, but the potential is obvious. The Group is investing heavily in these countries to rapidly make them into new engines of growth.

Egypt/

Creating a management committee



I supervised the creation of our management committee. Aside from the financial director and myself, the directors are all Egyptian and were hired in 2006. By the end of the year, our team easily stood comparison with other management committees in the Group.

**CHARLIE CAPPETTI,**  
Dutch, general manager,  
Danone Egypt.

In the field



To launch the Danone brand we went out to meet families to better understand their needs. We made a point of presenting our fresh dairy products as world leaders—the kind of argument that always carries weight in Egypt. We stressed health benefits, but didn't overdo it and used humor. This is not the approach DANONE usually adopts, but it works in Egypt.

**HISHAM EZZ-EL-ARAB,**  
Egyptian, marketing director  
of Danone Egypt.



Complementary competencies

**Fresh Dairy Products' move into Egypt** began in late 2005 with the purchase of a production plant. The first step was to set up a management team that combined the skills of expatriates with those of local managers. The idea was that the former would introduce DANONE know-how and

the latter identify discrepancies between DANONE's culture and that of the company it had taken over. The entire management team was then sent for training in other Group subsidiaries to better understand working practices specific to DANONE.

**Adapting to an international group/** When Jordanian national Ismail Al Qalawi arrived as financial director at Danone Egypt after a long stint in the US, his first task was to bring the new company into line with Group standards. He then had to put together a team, motivate it, and teach it to work to the rules of an international group.

Colombia/

The industrial view

The plant to be built in Colombia will comply with a concept new to DANONE: that of a production facility designed especially for emerging markets. Although these cost around 30% less than the Group's classic plants, there are absolutely no shortcuts when it comes to safety and quality standards. "To cut costs I work mainly with local industrial goods suppliers

and choose equipment with low levels of automation," says Danone Colombia manufacturing director Yvan Moliner. "When I have to deal with a problem, I phone colleagues whom I think may have developed the solution I need in their subsidiaries. Every week I organise two or three such meetings. And the savings in time and money are invaluable."



**MARCELO PALMEIRO,**  
Brazilian, general manager  
of Danone Colombia.

Adapting to act local

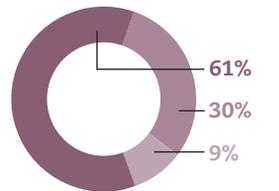
Danone will operate its Colombian plant through a joint venture company created with local partner Alqueria, which leads the Colombian milk and fruit juice markets. The first products are due to come to market by the end of 2007, the strategy being to gradually introduce DANONE flagship products adapted to match Colombian tastes. 2006 saw a host of job interviews since, with the exception of three DANONE expats, managers will be Colombians trained to conduct business the DANONE way.

In emerging markets

8

the number of emerging countries where DANONE has moved in or strengthened its presence since the beginning of 2006: Bangladesh, Colombia, Thailand, Algeria, China, Egypt, Mexico and Argentina.

Breakdown of sales



- Europe
- Emerging countries
- Other countries

Algeria/

Training



We decided to double our budget for training both the managers who were already in place and those who would be joining us. The Group works with local recruitment consultants, of course. But we also urge our managers to network, in other words to "sell" the company around them. In fact, networking is now our prime means of recruitment. Within the company, finally, we undertake many initiatives to transmit the Group's corporate culture because it enables us to attract employees and strengthen their loyalty. It also boosts performance and personal development.

**PAOLO TAFURI**, Italian, general manager, fresh dairy products, Algeria.

A market with strong potential

**2006 was a key year for Danone FDP in Algeria.** The main challenge was to sustain business growth and to manage the rise of the Algerian FDP market which is growing by an average 20% a year. Throughout the year the Algerian subsidiary continued to launch Danone-branded products which gradually replaced those in the old ranges. Results were encouraging in light of the constraints that weigh on business in Algeria: the country began opening up to

market economics and foreign investment only ten years ago, which has led to a legal framework that can stifle business. The job market is still somewhat inflexible, and finding candidates with the right profiles remains difficult because university curricula do not always meet needs. There is no shortage of good technicians, but the country lacks marketing, supply chain, and human resources managers.



**Facts and Figures/ The Algerian market:** 33 million inhabitants / Rising purchasing power: dairy product consumption of 9kg per capita (compared to 33kg in France) Danone Djurduja: sales of around €70 million / Danone 35% market share / 700 employees / Output of 100,000 tons in 2006 compared to 36,000 in 2002 / DANONE and its three business lines have been present in Algeria since 2006/

China/



**ELLEN RUAN**, Chinese, director of human resources DANONE China.

Attract and retain

**It has become essential for us to both attract managers in China and to hold on to them.** Between now and 2020 the Chinese economy will need 75,000 managers every year. Yet today there are only between 3,500 and 5,000 graduates a year. "To retain managers we conduct in-depth analyses with them of the career prospects the Group can offer. We then draw up a career path for the next three years. Then, as we do in other countries in the Asia-Pacific zone, we train the most promising young talent to become directors in 18 months."

Indonesia/

Grooming young talent

**Indonesia is Groupe DANONE's newest frontier.** It is present there in all its three business lines. Although the country posts an economic growth rate of around 5%, unemployment is close to 10%. DANONE's local Beverages subsidiary Aqua is seeking candidates

who are able to work in a company that was originally a family business and now belongs to an international group. In Fresh Dairy Products, we are looking for managers who have experience in the dairy products and can launch the company. The idea is thus

to build up a pool of talented young people who will develop as the business evolves and who will be very closely involved. To train these future managers the ideal solution is to send them to foreign subsidiaries like New Zealand or the United States.

In emerging countries

€695

**million investment in plant.** Increased production capacity for facilities in Mexico and Argentina and a new Biscuits plant built in Algeria.

**In 2006 DANONE drew up a new model for production** in emerging countries. Plants cost around 30-40% less than those which DANONE traditionally builds, while complying with DANONE's quality and safety standards. Plant design factors in production volumes and the cost of manpower in the countries concerned. The aim is to arrive at the level of investment needed to operate a facility at the lowest possible cost for the highest possible safety level. Modular solutions mean that the Group can move a plant elsewhere if necessary or extend it. The first facility to be designed and built in this way will be in Colombia.