

# Group Human Resources Development Policy

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*September 2010*

# I - Our Human Resources Objectives

Sodexo's growth potential is 50 times greater than our current revenue figures. To turn that potential into revenue and earnings and share the benefits with our clients, employees and shareholders, we have set two major, mission-critical objectives:

## **1. Ensure that we have human resources available in quantity, quality and with the right competencies**

Our strategic plans show us how many people we will need and which new skills sets will be required to deliver all of our service solutions to clients and to manage complex contracts such as Private Finance Initiatives (PFI) and international large accounts.

At all levels of the organization, we have to anticipate these needs and devise specific action plans.

## **2. Ensure that we are among the global companies most appreciated by their employees**

We have chosen to make this our objective because we believe that, for our company to be a success, our employees need to be proud to work for Sodexo, be committed to serving our clients and customers and embrace our shared values.

We measure our progress by comparing the results of our country organizations and by benchmarking our company against global enterprises rated most favorably by their employees.

# II - Our main Human Resources Policies

**Objective no. 1 - Ensure that we have human resources available in quantity, quality and with the right competencies.**

## **Chapter 1 - The profile of a Sodexo Senior Executive**

We have found that around the world, no matter what the business environment, the growth of our Group, of our 9 entities, of our country organizations and of our segments is directly proportional to the drive, ambition, courage and skill of our senior executives

They include the members of the Group and Entity Executive Committee, the heads of the Group's Support Functions, the heads of segments in the US and Regions and the heads of Countries . We expect these individuals to demonstrate:

- A full, unequivocal commitment to the Group's fundamental values and principles.
- Exemplary behavior and conduct:
  - A passion for the Group's vocation, businesses and the client segment under their supervision.
  - A willingness to put Sodexo's interests ahead of their own personal ambition.
  - Admit one's mistakes
  - An open mind, an interest in discovering new and innovative products, services and processes and the courage to take risks.
  - An ongoing desire to learn new skills and improve existing ones.
  - The ability to adapt and question oneself.
  - The ability to listen and communicate by making themselves open and available and by demonstrating good personal relations skills.
  - A positive attitude to develop employee well-being and trust.
  - A commitment to fostering equal opportunity at all levels of the organization and to recognize and encourage diversity.

Commitment to our values and exemplarity of behaviors are fundamentals of our Group. They are not negotiable.

- Professionalism in management, as evidenced by:
  - The ability to formulate a vision and a strategy (members of the Group Executive Committee and the managing committees of our nine main units should be able to look at least ten years ahead), share and communicate this vision and strategy to team members and lead them..
  - An obsession for developing and satisfying clients and for nurturing their loyalty.
  - An obsession for developing team members so they can take on higher responsibilities or acquire new competencies.
  - The courage to make sometimes difficult decisions.
  - The courage to identify a successor in order to ensure the company's future growth and his or her own personal development.
  - The ability to manage teams (trusting employees to do the right thing, building effective teams, delegating responsibility, allowing high potentials to emerge and handling difficult situations).
  - Management: A cost-conscious attitude, with a focus on improving purchasing productivity and reducing unnecessary operating expenses.
  - Finance: A commitment to increasing revenue, earnings and cash flow.
- High-level technical skills for the position:
  - The knowledge of countries and their culture.
  - The knowledge of markets, segments and sub-segments.
  - The knowledge of businesses (food services, technical maintenance, cleaning, vouchers, etc.).
  - The knowledge of functions (strategic marketing, commercial marketing, offer marketing, purchasing, human resources, finance, etc.).

A diverse corporate community with a broad base of skills is what makes Sodexo so effective in meeting clients' needs.

## Chapter 2 - Structural guidelines

Our size is strength, but it can also be a weakness. For this reason, we need to create organizations that foster growth; nurture an entrepreneurial spirit at all levels and facilitate the emergence of entrepreneurs. Thus, our structures need to be as flat as possible and our functions must be positioned to support our front-line teams.

The following guidelines have been established to achieve these goals:

- Our organization is built around our clients. Client segmentation and sub-segmentation is a key factor in accelerating the Group's growth. The Group's Chief Executive Officer must approve any structural change within the nine entities if it affects client segmentation or sub-segmentation.
  - In our On-site Service Solutions business, there should be no more than five levels from site manager to country chief executive (or market president in the United States, our largest market).
  - The entities' executive committees meet on a regular basis. These committees should comprise a larger number of operational managers than functional managers, ideally in a proportion of two-thirds to one-third.
  - The structure and definition of decentralized functional positions should be consistent with Group functional positions. The Group functional executive defines these positions with the operational executive in question.
  - Large development projects, such as acquisitions, new service launches or partnerships must be led by a trained executive available on a full or part-time basis.
  - Entities must always take the Group's interests into account in making structural decisions (people and organization). "No executive can be considered as the owner of his or her organization or team members".
  - The Chief Executive Officer submits proposals for Executive Committee appointments and changes to the Nominating Committee for consideration. These proposals are then submitted to the Board of Directors for approval.
  - The Group's Chief Executive Officer must approve any change concerning a member of a Entity Executive Committee.
  - A position should only be filled if it is a good decision for the company "an empty seat is preferable to one filled by the wrong person".
  - The best way to prepare a succession is to make the identified successor the executive's deputy before appointing him or her to the position. We don't want to lose future leaders by promoting them too quickly and setting them up for failure.

## Chapter 3 – Senior executive career planning

A shortage of available and trained human resources is one of the main factors hampering the Group's growth. Determining needs based on strategic plans and looking ten years ahead is a key factor of forward-looking executive management, which must comply with the following principles:

- The number of people and the competencies required should be aligned as closely as possible to front-line and client needs. As part of the three-year development plan, each senior executive in charge of a large entity or country organization should draw up a forecast of human resources sets he or she will need, along with the corresponding action plans.
- Twice a year, the Group's Chief Executive Officer and Chief Human Resources Officer meet with each entity's senior executive to review the entity's succession plan, team member appraisals, list of high potentials and individual career and development plans. The succession plans must indicate an immediate successor in the event the senior executive is unable to serve, as well as a medium-term successor if the two are not the same person.
- The Group's growth strategy allows to offer career development opportunities for the men and women of the Group. For this reason, internal promotion is the preferred method for filling executive positions. To succeed, each country organization should implement a pre-employment strategy for managers, with internships and work-study programs, as this is the best way to train future executives and bring them on board. It also gives future managers an opportunity to see if they are passionate about the business and about Sodexo's vocation.
- The decision to promote or hire an executive should be based on an analysis of the Senior Executive Profile provided in Chapter 1 and the individual's performance at Sodexo or with previous employers. Care should be taken to ensure diversity in promotion and hiring decisions. In the event of an external recruitment, the short list should include both men and women.
- Sodexo looks for diversity and synergies to enrich teams and organization. All applicants are treated equally, without discrimination.
- Newly recruited executives must take part in an induction program in their first three months on the job. As part of this program, the executive must spend time on site and in another country organization and participate in Sodexo World (see page 9).
- In their career plans, executives are encouraged to take assignments in other regions, segments, functions, operations and entities. Mobility should foster skills transfers within the Group and prepare local executives by giving them an international profile.
- In senior executive career planning and succession plan preparation, it is important that the measures envisioned be an advantage for both the executive and the company.
  - All executives are expected to inform the company of the age at which they plan to retire by the time they turn 58.
  - Executives, whose experience is an asset for the company, are offered special assignments. Operational managers may be offered functional positions in the last years of their careers.
  - Contractual arrangements may be found for executives who wish to achieve a better work/life balance, with training or consulting missions, for example.
- All executives have a career review with Group Human Resources every two years to express their personal development needs and aspirations.

- French and English are the Group's official languages. Our objective is that all senior executives joining the Group Executive Committee in the future speak both French and English.
- All newly hired executives are expected to speak English fluently when joining the company. Executives promoted internally are expected to be fluent within three years. If the promoted executive does not speak English (and French for the Group Executive Committee), an intensive, accelerated language program will be set up in the individual's first year on the job.
- One of a senior executive's major responsibilities is to prepare his or her succession and successor and to foster the development and emergence of potential successors in his or her organization.
- All executives are required to conduct annual performance reviews (see attached procedure). The appraisal should measure performance and progress in relation to the previous year and to the competition. Executives need show courage in their appraisals and respond to the reviewed team members' questions and career development requests.

All units and businesses use the same documents for the annual appraisal.

## Chapter 4 - Executive skills enhancement

To achieve our ambition, we must invest in enhancing our team members' skills. The related costs are treated as development expenses.

- Skills can be enhanced by:
  - Holding different positions in different businesses, country organizations and segments.
  - Gradually taking on new responsibilities.
  - Holding operational responsibility for a sector, subsidiary, growing department or new department.
  - Learning from peers or designated mentors selected by the direct supervisor.
  - Participating in project teams or working groups that are not within the executive's direct scope of responsibility but that can benefit from his or her skills and knowledge.
  - Participating in individual training (e-learning or inter-company programs) when additional training is required for high performance in the executive's current position or to prepare for a new position. This type of training is decided during the annual performance review. Group Human Resources validates the training organizations.
  - At present, mandatory collective training includes:
    - ✓ Sodexo World, an induction program for executives of the entities, regions and country organizations.
    - ✓ Fundamentally Sodexo and Climb, two interactive skills-enhancement programs designed to help senior executives embrace the Group's values and fundamental growth principles and make the Group's strategy, policies, procedures and key indicators their own.
- All executives are expected to make themselves available to participate in the appropriate programs. They are also expected to devote part of their time to training team members in their own entity or in other entities as part of sessions organized by Group Senior Leadership.

Country organization chief executives are expected to establish annual training plans that include:

- Mandatory induction programs by category, with sessions at one or several sites.
- Training in the fundamentals of the business for managers.
- Programs to enhance people skills and promote diversity and integration.

## **Chapter 5 – International mobility for senior executives**

The Group encourages international mobility and has established principles and guidelines to be followed by executives, in coordination with the Human Resources departments for each individual case.

International mobility is designed first and foremost to support the company's development needs and to enhance team members' skills. Mobility assignments last between two to five years.

The decentralization of our organizations and our policies for recruiting local team members have contributed to the Group's international success. To become more competitive and adapt more effectively to multicultural and environmental challenges in a global marketplace, we need to speed the transfer of know-how and skills and develop international experience, especially through geographic mobility for our executives and key managers.

- Possessing strong linguistic skills in the host country language and/or English is a key factor in international mobility.
- Preparing the return from a foreign assignment is a critical step that should be planned in advance by the individual's home country.

A document defining the "general principles of international mobility" for team members is accessible on the Group's intranets.

An International Mobility Charter has been defined for Human Resources managers.

### **3. Objective no. 2 - Ensure that we are among the global companies most appreciated by their employees.**

## **Chapter 1 - Engagement surveys**

To achieve a high level of employee engagement, we need to improve our team members' satisfaction and answer their expectations.

Consequently, all entities conduct mandatory engagement surveys for the broadest possible audience. Group Human Resources decides on the survey's questionnaire, frequency and scope and selects the global service provider to carry it out.

In the 2010 survey, Sodexo obtained a score of 55%. Our goal is to lift this to the level achieved by our benchmark competitors. In 2010, these "best places to work" scored 65% or higher. Our engagement surveys have helped us identify the key drivers for improvement.

Our senior executives are responsible for increasing team members' engagement and for comparing their results with the other entities as well as other companies..

They are also responsible for establishing action plans in key identified areas which are often the same in most countries. We need to maintain our good performance on the following drivers: "quality of our strategy", "exemplarity our senior leadership", "development and internal promotion". We need to improve on the following drivers: "recognition and compensation" and "internal communication".

Our executives execute our commitments to team members. The promise stated on our intranets ("Your future, so sodexo") defines Sodexo's rules and behaviors and contributes to our image and reputation as a good employer.

## Chapter 2 - Executive compensation

To continuously improve, we need to make our compensation systems more transparent and increase the remuneration for our top performers. This is the area in which our staff expects the greatest improvement.

Our company is not capital-intensive, but it is highly people-intensive. For this reason, we focus on two objectives in the area of compensation: (i) ensure that our executive compensation packages are competitive in the local market and (ii) maintain the narrowest possible gap between the lowest net salary in the company and executive pay.

Compensation is managed in accordance with the following principles:

- Wage equity and equal opportunity must be ensured for all, with no discrimination on the basis of race, gender, religion, sexual orientation, age, disability, etc.
- The competitiveness of our compensation packages is measured by:
  - Taking into account all short and medium-term monetary and non-monetary components, including retirement benefit plans and stock options.
  - Benchmarking against our competitors and best-in-class service companies in each national market.
- Executive compensation surveys are conducted by a specialized international consulting firm selected by the Group Human Resources Department.
- Salary increases are reviewed and decided once a year, except in the case of promotion or change of position. Increases are validated two levels higher in the organization.
- Executives' annual compensation is based on their job level and comprises:
  - **A fixed component:** Basic salary, dictated by the responsibilities of the job and the executive's abilities.
  - **A variable component:** Annual performance bonus, expressed as a percentage of basic salary.

At target, the bonus is generally within the ranges indicated below:

- ✓ Group Chief Executive Officer: 100%.



- ✓ For other executives, the bonus varies in relation to the position's weighting:
  - Members of the Group Executive Committee: 50% to 80%.
  - Members of the Executive Committees of the nine main entities: 40% to 60%
  - Country Chief Executive Officers: 30% to 50%.

The performance objectives, which are set in the first quarter of the financial year, are both quantitative and qualitative.

A minimum level of achievement is required for partial payment of the bonus (generally 95%). If performance exceeds targets, an exceptional bonus may be paid (generally, a 105% achievement rate leads to 150% of the bonus).

Each year, the Group's Senior Management sets guidelines for the year's objectives.

- Executives' long-term compensation includes:
  - Sodexo stock options, which are granted by Sodexo's Board of Directors to recognize executives' individual performance and their contribution to the company's results, as well as high potentials.
  - Medium-term incentives, generally for achieving three-to-five year objectives. These incentives are designed to reward executives for achieving ambitious plans or objectives. The Group's Chief Executive Officer makes the decision to implement such incentives in accordance with the principles defined by the Sodexo Board of Directors and on the recommendation of the Compensation Committee.

Supplementary retirement benefit plans require prior approval from the Group Human Resources Department.

## Chapter 3 - Internal Communication

Sodexo needs to become an open organization to develop information sharing and internal networks. To this end, we enforce the following principles:

- We encourage employees to express themselves by giving them the opportunity to:
  - Exchange their know-how and innovations.
  - Communicate among themselves to resolve problems that arise in their daily work and get suggestions from their peers.
- Internal communication fosters bottom-up, top-down and entity-to-entity information.
- Public information disclosed by the Group should be accessible to all employees, as directly as possible.
- It is a key responsibility for executives to listen to and communicate with their team members. All executives should receive specific training in this area and use Group documents when making presentations.
- The efficiency of internal communication should be assessed regularly to ensure that it meets team members' needs. A survey initiated by the Group's Internal Communication Department will be conducted every other year.

## III – Procedures for senior executive career planning

### 1. Executive reviews

### 2. External recruitment and internal promotion

### 3. Individual management of executives

### 4. “First 90 Days” report

### 5. International mobility

The components in the “Executive File” are designed to help the Group promote top performers, transfer executives intelligently and create career paths that are positive for both the individual and the company.

#### 1. Executive reviews

The Group’s Chief Executive Officer and Chief Human Resources Officer meet twice a year with the heads of the 9 entities to review each executive.

The same procedure is applied in each region and country.

These executive reviews are designed to:

- Assess the performance, potential, and aspirations of executives in each entity.
- Challenge succession plans, as well as promotions, transfers or recruitment.
- Identify high potentials, i.e., individuals who have the capabilities to rise to the top two levels of management within five to ten years.
- Agree on action plans and monitor their implementation.

All reviews are prepared using the same document.

- Sodexo’s Senior Management manages the Group’s top executives, as defined on page 2, with support from the Group Human Resources Department.
- The Senior Management of the 9 entities manages the other executives and managers in their entities, with support from their Human Resources Departments. The list of high potentials in each entity is transmitted to Group Executive Management.

#### 2. External recruitment and internal promotion

The following information must be provided for all decisions on recruitment, promotion and transfer:

- Job description.
- Performance objectives.
- Profile of the ideal candidate profile.
- Analysis of the selected candidate’s profile (personal qualities and professional skills).
- Analysis of the gap between the ideal candidate profile and the profile of the selected candidate’s profile.

For the recruitment of senior executives, the desired profile will be based on the “Ideal profile of Sodexo Senior Executive” provided in Part I.

- Recruitment decisions are made after in-depth consideration based on a complete recruitment file that includes:
  - A curriculum vitae, a completed application file and any documents detailing the candidate’s previous achievements, performance or appraisals.
  - The job description.
  - Formal interview reports from all individuals involved in the selection process, supplemented when appropriate by references and evaluation tests.
- Publication of job openings should be organized in each country at the most appropriate level. The Group Human Resources Department maintains a careers page on the corporate website to facilitate access to job openings in each country.
- Recruitment notices issued by the country organizations should use the Group Employee Value Proposition (messages and graphic standards) to develop a consistent, powerful and attractive employer image.

The procedure for promoting senior executives and for recruiting externally is still being defined. It will be issued later on.

### **3. Individual management of executives**

#### **3.1. Personal file (executives already within the Group or to be recruited)**

The Group Human Resources Department and the Human Resources Departments of the 9 main entities are responsible for keeping executives’ personal files up to date. These files should include:

- The recruitment file.
- Performance objectives.
- An updated delegation of authority.
- Annual executive performance appraisals (ADC) and reports on the achievement of performance objectives.
- Career interviews conducted by the Group Human Resources Department.
- 360° review reports.
- A performance review in which the executive’s achievements and performance are measured against the Group’s strategic management indicators and, whenever possible, against competition.

#### **3.2. Annual performance appraisal**

The annual review, and particularly the annual executive performance appraisal (ADC), are key tools in the succession planning and the development of executives in our different entities.

The performance appraisal process includes:

- A review of achievements.
- An annual interview, based on:
  - An interview preparation sheet filled out by the executive being appraised and provided to his or her superior before the meeting.
  - An assessment by the executive’s superior.

This process is mandatory across the Group. The standardized forms are available on our intranets. Annual performance interviews are conducted between September and January at the latest, following the close of the financial year.

### **3.3. 360° review**

360° reviews supplement the annual performance appraisals with assessments from the executive's team members and colleagues.

These reviews are conducted for members of the Group Executive Committee, the Group International Committee and their management teams (close to 1,200 people in all).

- The superior receives from the Human Resources manager written reports about his or her team members and they analyze the results together. The superior informs the executive of the results during his or her annual performance appraisal or during a specific meeting.
- An external service provider selected by the Group's Human Resources Department handles the collection of on-line evaluations and produces the result reports.

## **4. "First 90 Days" report**

All new executives are asked to fill out a "First 90 Days" questionnaire in their first 90 days on the job.

The questionnaire is designed to collect newly hired senior executives' ideas, comments and feedback to ensure successful induction and assumption of duties.

The goal is to:

- Get a fresh-eye view on our organization and operations; collect innovative ideas.
- Ensure that our induction process is effective in helping new executives transition into their jobs and get off to a successful start.
- Improve our understanding of new executives' needs and expectations so we can respond appropriately.

The first section of the report, which asks for the executive's first impressions and perceptions of Sodexo, will be shared with the Group Strategy Department to identify new ideas that can help us improve and innovate.

## **5. International mobility**

- Operational executives and Human Resources executives are responsible for opening positions in their organizations for non-local team members and for tracking mobility requests from their own team members.
- The Group Human Resources Department centralizes the announcement of positions open for international mobility assignments. The country organizations relay these announcements.
- The country organizations oversee the selection process and ensure that international applications are handled properly.
- The host country is responsible for defining the salary and establishing the work contract in line with the Group's general principles.

- Mobility support measures are offered in keeping with the guidelines of Sodexo's "international mobility charter".
- A coordinator is available at Group Human Resources to help country Human Resources managers and team members in setting up mobility assignments. The coordinator reports regularly on transfers to measure the Group's overall mobility performance.

## IV - Group Human Resources Performance Indicators

Each year, the Board of Directors and the Group Executive Committee reviews Sodexo's Human Resources indicators to measure performance and validate improvement plans.

The executive committees of the 9 main entities are also expected to review these indicators annually.

- Engagement surveys: Our objective is to match the engagement rate of companies benchmarked as "best employers".
- The employee retention performance indicator needs to be reviewed and analyzed by each entity, business and country organization every six months.

Three major employee categories are tracked:

- All employees.
- Site managers.
- Senior executives.

Our goal is to achieve a retention rate of 90% for site managers and to reduce staff turnover by 1% a year for the workforce as a whole. This represents potential savings of around €18 million a year.

- The internal promotion indicator measures our success in allowing team members to rise through the ranks.

It is tracked for:

- Employees promoted to the position of site manager.
- Site managers promoted to a middle-management position.

- The percentage of women in the Group's executive team:

The goal for 2015 is a percentage of 25%, compared with 18% in 2009.

## IV - Group Human Resources Research and Innovation

To make our human resources and their diversity a true competitive advantage, we need to conduct research on our areas for improvement.

This research focuses on the internal and external factors that have an impact on the particular issue under review. Solutions are studied, proposed and validated through pilot programs.

In 2009, the Group Human Resources Department launched the following investigations on behalf of the Board of Directors and the Group's Chief Executive Officer:

- An investigation into staff turnover in the Group's major host countries, to reduce the cost.

Sodexo's current turnover rate stands at 36%, with around 117,000 employees leaving the Group each year. A 6% reduction to 110,000 would generate annual savings of €35 million.

This research will focus in particular on India and China, where staff turnover is hampering our growth. Tests and pilot programs will be carried out to study the impact of compensation methods and new work organizations on our employees.

- An investigation into ways of improving employee engagement. This involves analyzing our action plans and their contribution to improving engagement, as well continuous benchmarking against other companies.

A dedicated organization with the Group Human Resources Department tracks this research and testing and oversees the extension of measures that obtain positive results.

In addition, a Human Resources exchange group has been set up with other multinational firms from a variety of industries to study and discuss changes in organizational structures and executive compe