

# RELEASE

## INFORMATION ON THE COMPENSATION OF THE CHAIRWOMAN OF THE BOARD AND OF THE CHIEF EXECUTIVE OFFICER OF THE COMPANY

Issy-les-Moulineaux, November 9, 2020

In accordance with the recommendations of the AFEP-MEDEF corporate governance code, below are the compensation components paid or awarded to Sodexo's Chairwoman of the Board and its Chief Executive Officer for Fiscal 2020 as well as the related compensation policies for Fiscal 2021.

This information was approved by the Board of Directors on October 28, 2020 based on the recommendation of the Compensation Committee and will be subject to shareholder approval at the Annual Shareholders' Meeting to be held on January 12, 2021.

### **Compensation components paid or awarded for Fiscal 2020 to the Chairwoman of the Board and to the Chief Executive Officer**

Given the unprecedented sanitary crisis caused by the Covid-19 pandemic and as more fully described below, the Board of Directors reduced the fixed compensation of the Chairwoman and the fixed and variable compensation of the Chief Executive Officer.

The amounts not paid for the fixed and variable compensation to the Chairwoman of the Board and the Chief Executive Officer financed the creation of the Sodexo Employee Relief Program in April 2020 to help address some of the social and economic consequences of the Covid-19 pandemic.

- **Compensation of the Chairwoman of the Board**

In accordance with the compensation policy for the Chairwoman of the Board, which was approved by the Annual Shareholders' Meeting of January 21, 2020, Sophie Bellon's compensation for Fiscal 2020 was comprised of annual fixed compensation, collective health and benefit plans and the use of a Company car.

#### ***Annual fixed compensation***

The Fiscal 2020 compensation policy defined fixed compensation of 675,000 euro.

However, given the unprecedented sanitary crisis caused by the Covid-19 pandemic, the Board of Directors reduced the fixed compensation of the Chairwoman of the Board by 50% for the second half of Fiscal 2020. Sophie Bellon fully agreed with this decision, which allowed her to express her solidarity with the employees of the Group.

Therefore, fixed compensation paid to Sophie Bellon for Fiscal 2020 was 506,250 euro.

#### ***Other***

The Chairwoman of the Board benefited from collective health and benefit plans as well as the use of a Company car during Fiscal 2020.

- **Chief Executive Officer's compensation**

In accordance with the Chief Executive Officer's compensation policy approved by the Annual Shareholders' Meeting of January 21, 2020, Denis Machuel's compensation for Fiscal 2020 primarily comprised annual fixed and variable, and long-term compensation.

***Annual fixed compensation***

The Fiscal 2020 compensation policy defined fixed compensation of 900,000 euro.

However, given the unprecedented sanitary crisis caused by the Covid-19 pandemic, the Board of Directors decided to reduce the fixed compensation of the Chief Executive Officer by 50% for the second half of Fiscal 2020, a decision which was fully supported by Denis Machuel and which allowed him to express his solidarity with the Group's employees.

Therefore, fixed compensation paid to Denis Machuel for Fiscal 2020 was 675,000 euro.

***Annual variable compensation***

The variable compensation provided in the compensation policy for Fiscal 2020 was based on a target amount representing 100% of Denis Machuel's fixed compensation at target and up to 150% if the targets were exceeded.

At its meeting on October 28, 2020, the Board of Directors determined the achievement of the performance targets as indicated below:

		Weighting of targets	Maximum in % of target	Achievement rate	Corresponding amount (in euro)
70% based on financial targets	Organic growth	20%	175%	0%	0
	Underlying operating profit margin (excluding exchange rate impacts)	20%	175%	0%	0
	Growth in Group net income	10%	175%	0%	0
	Free cash flow	20%	175%	0%	0
	<b>Total financial targets</b>	<b>70%</b>	<b>175%</b>	<b>0%</b>	<b>0</b>
30% based on non-financial targets	Health and safety target	10%	100%	100%	90,000
	Talent management	10%	100%	75%	67,500
	Dow Jones Sustainability Index, industry leader position	10%	100%	100%	90,000
	<b>Total non-financial targets</b>	<b>30%</b>	<b>100%</b>	<b>91.6%</b>	<b>247,500</b>
<b>Total variable compensation for Fiscal 2020</b>		<b>100%</b>	<b>150%</b>	<b>27.5%</b>	<b>247,500</b>

Financial performance in Fiscal 2020 was deeply impacted by the sanitary crisis. The level of attainment of the objectives was 27.5 %; hence, variable compensation would have been 247,500 euro. However, given the unprecedented sanitary crisis caused by the Covid-19 pandemic, the Board of Directors decided to suppress the variable compensation for Fiscal 2020, a decision which was fully supported by Denis Machuel and which allowed him to express his solidarity with the Group's employees.

### ***Performance share grant***

In accordance with the compensation policy for Fiscal 2020 and due to the decision made by the Board of Directors to reduce the vesting period from four to three years, no performance shares were granted to the Chief Executive Officer during Fiscal 2020.

### ***Supplemental pension plan***

In Fiscal 2020, the Company proposed replacing the defined benefit supplemental pension plan governed by articles 39 of the French General Tax Code and L.137-11-1 of the French Social Security Code and for which the acquired rights were frozen as of December 31, 2019, with a plan governed by article L.137-11-2 of the French Social Security Code, which would have similar characteristics.

This proposal was included in the compensation policy approved by the shareholders at the January 21, 2020 Annual Shareholders Meeting.

However, the proposed new plan was not implemented in Fiscal 2020 because the French government circular concerning the financing of the plan had not yet been issued. Indeed, the Board of Directors considers that the absence of related employee benefit plan liabilities on the Company's balance sheet remains uncertain.

In any case, even if the plan had been implemented, the Chief Executive Officer would not have acquired any rights under the proposed plan during Fiscal 2020, because the performance criteria of achieving at least 80% of his annual variable compensation was not met.

#### ***Other***

The Chief Executive Officer benefited during Fiscal 2020 from collective health and benefit plans, the use of a Company car and an employment insurance policy.

### **Compensation policy for Fiscal 2021 for the Chairwoman of the Board and for the Chief Executive Officer**

- **Compensation policy for the Chairwoman of the Board**

#### ***Annual fixed compensation***

A review of Chairwoman of the Board's fixed compensation was due to be carried out in Fiscal 2020 at the time of her reappointment. However, given the unprecedented sanitary crisis caused by the Covid-19 pandemic, and acting on the recommendation of the Compensation Committee, the Board of Directors decided to freeze the Chairwoman's annual fixed compensation for Fiscal 2021.

Therefore, the fixed compensation of the Chairwoman of the Board will be 675,000 euro, unchanged since the annual Shareholders' Meeting held on January 28, 2018.

#### ***Other***

The compensation policy for Fiscal 2021 also provides that the Chairwoman of the Board will continue to benefit from collective health and benefit plans as well as the use of a Company car.

- **Compensation policy for the Chief Executive Officer**

#### ***Annual fixed compensation***

The Chief Executive Officer's fixed compensation will be 900,000 euro, unchanged since his appointment on January 23, 2018.

#### ***Annual variable compensation***

The variable compensation will be based on target amounts representing 100% of his fixed compensation at target and up to 150% if the targets are exceeded.

The variable compensation is based mainly on financial criteria, as follows:

- 70% is contingent upon targets based on the Group's financial performance for the fiscal year, including organic revenue growth, underlying operating profit margin, Group net income and free cash flow generation;
- 30% is contingent upon non-financial, primarily quantitative, targets (including occupational health and safety, talent management and Sodexo's ranking in the Dow Jones Sustainability Index).

The financial performance targets are determined in a specific manner by reference to the budget pre-approved by the Board of Directors. The achievement rates will be disclosed on a criterion-by-criterion basis once the Board of Directors has assessed whether the performance targets have been reached.

Exceptionally and given the unprecedented sanitary crisis caused by the Covid-19 pandemic, the Board of Directors decided to establish the budget for Fiscal 2021 for each of the first and second halves of the year in line with the financial objectives communicated to the market. Thus, the financial performance targets were set in October 2020 for the first half and will be set in March 2021 for the second half.

The achievement rate for the Chief Executive Officer's variable compensation will be measured at two points in time: following publication of the half-year interim results for Fiscal 2021 and following publication of the annual results for Fiscal 2021.

If the financial performance targets communicated for the first half are achieved, the variable compensation earned under these targets will be considered as achieved.

In any case, there will be no acceleration of his payment which remains subject to shareholder approval at the Annual Shareholders Meeting held to approve the Fiscal 2021 financial statements.

### ***Performance share grant***

As in previous years, the Board of Directors has capped the value of the performance shares granted to the Chief Executive Officer at 150% of his total annual compensation (including fixed compensation and annual variable compensation at targets). In addition, the performance shares granted to him may not represent more than 5% of the total number of restricted and performance shares granted by the Board of Directors in any given fiscal year.

From this year, the delivery of performance shares is subject to a three-year continued presence condition and to performance conditions. The criteria chosen are intended to measure overall performance and are directly related to the Group's main strategic objectives, with the following weightings:

- financial performance: 50%;
- stock market performance: 30%;
- corporate responsibility performance, including diversity and environmental targets: 20%.

### ***Supplemental pension plan***

As mentioned above, in Fiscal 2020, the Company proposed to the January 21, 2020 Annual Shareholders Meeting, to replace the defined benefit supplemental pension plan governed by articles 39 of the French General Tax Code and L.137-11-1 of the French Social Security Code and for which the acquired rights were frozen as of December 31, 2019, with a plan governed by article L.137-11-2 of the French Social Security Code, which would have similar characteristics.

The Compensation Committee took note of the vote by the January 21, 2020 Annual Shareholders Meeting on the twelfth resolution on the supplemental pension plan of the Chief Executive Officer as well as comments from investors.

The proposed new plan has not been implemented during Fiscal 2020 as the French Social Security Department circular concerning the financing of such plans has not yet been published. The Board of Directors will only authorize this plan if the circular provides that such plans do not result in the recognition of employee benefit plan liabilities on the Company's balance sheet.

If the French Social Security Department circular allowing finalization of the plan governed by article L.137-11-2 of the French Social Security Code is not published during Fiscal 2021, an exceptional grant of restricted shares will be made to the Chief Executive Officer. This grant will be subject to the condition of achieving a rate of at least 80% of his annual variable compensation targets. The amount of this grant would

be capped at the retirement plan contribution which would have been made in accordance with article L.137-11-2 of the French Social Security Code, had the plan been implemented. The restricted shares grant would vest and be subject to a presence condition over three years. The value of the restricted shares grant would be calculated at the close of the Annual Shareholders Meeting to be held to adopt the financial statements of Fiscal 2021, on the basis of the average of the twenty closing share prices preceding the grant date.

The exceptional grant would also be made if the circular did not preclude the recognition of employee benefit plan liabilities on the Company's balance sheet.

This exceptional grant would also be applicable to those members of the Executive Committee included in the supplemental pension plan.

## **Other**

The compensation policy for Fiscal 2021 also provides that the Chief Executive Officer will continue to benefit from a non-compete indemnity (under the conditions previously voted by the Annual Shareholders Meeting), collective health and benefit plans, the use of a Company car and an employment insurance policy.

## **About Sodexo**

Founded in Marseille in 1966 by Pierre Bellon, Sodexo is the global leader in services that improve Quality of Life, an essential factor in individual and organizational performance. Operating in 64 countries, Sodexo serves 100 million consumers each day through its unique combination of On-site Services, Benefits and Rewards Services and Personal and Home Services. Sodexo provides clients an integrated offering developed over more than 50 years of experience: from foodservices, reception, maintenance and cleaning, to facilities and equipment management; from services and programs fostering employees' engagement to solutions that simplify and optimize their mobility and expenses management, to in-home assistance, child care centers and concierge services. Sodexo's success and performance are founded on its independence, its sustainable business model and its ability to continuously develop and engage its 420,000 employees throughout the world.

Sodexo is included in the CAC Next 20, ESG 80, FTSE 4 Good and DJSI indices.

### **Key figures**

**19.3 billion** euro in Fiscal 2020 consolidated revenues

**420,000** employees as at August 31, 2020

**N°1** France-based private employer worldwide

**64** countries

**100 million** consumers served daily

**10.49 billion** euro in market capitalization (as at November 9, 2020)

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