# INFORMATION ON THE MANAGEMENT BOARD'S COMPENSATION IN 2017 AND 2018

In accordance with the AFEP-MEDEF Corporate Governance Code regarding the publication of the compensation of executive corporate officers, the Supervisory Board of Elis, during its meetings of December 14, 2017 and March 6, 2018, on the recommendations of the Appointments and Compensation Committee, made the following decisions on:

- the assessment of the level of achievement of the 2017 performance conditions for the variable compensation of Xavier Martiré, Chairman of the Management Board, and Louis Guyot and Matthieu Lecharny, members of the Management Board, for the financial year ended December 31, 2017;
- the payment of a bonus related to the Berendsen Acquisition;
- the general principles for the determination of compensation for executive corporate officers for 2018.

## A – ASSESSMENT OF THE LEVEL OF ACHIVEVEMENT OF THE PERFORMANCE CONDITIONS FOR THE VARIABLE COMPENSATION OF THE PRESIDENT AND THE MEMBERS OF THE MANAGEMENT BOARD FOR FINANCIAL YEAR 2017

During its meeting held on March 14, 2017, the Supervisory Board, in accordance with a proposal by the Appointments and Compensation Committee, decided the principles that have governed the determination of the variable compensation for each member of the Management Board, and set, for financial year 2017, the amount of the target variable portion of Xavier Martiré, Chairman of the Management Board, at 100% of his fixed compensation, an amount that could reach 170% in case of outperformance, and for Louis Guyot and Matthieu Lecharny at 40% of their fixed compensation, an amount that could reach 68% in case of outperformance  according to the following criteria :

- financial indicators (70% of the variable portion that can range from 0% to 140% in the event of outperformance): the economic indicators selected, corresponding to the Company's strategic management tools, are the revenue (20%), EBIT (30%), and operating cash flow (20%);

- non-financial indicators (30% maximum of the variable portion) based on strategic and management indicators with a qualitative and quantitative assessment.

In accordance with the article L.225-82-2 of the French commercial Code, the principles and criteria for the determination of the compensation of the Management Board members had been approved by the shareholders at their general meeting of May 19, 2017.

On the recommendation of the Appointments and Compensation committee, the Supervisory Board meeting of March 6, 2018, reviewed the achievement of the performance targets for the 2017 variable compensation of the Chairman and the members of the Management Board, and found that the level of achievement was as follows:

### **FINANCIAL INDICATORS** (common to all members of the Management Board)

| Type of targets | Respective weighting | Performance in 2016 | Justification |
|---|---|---|---|
| Revenue | 20% | 130% | In 2017 the Group's revenue was up by 46.4% at €2,215 million. |

| Type of targets | Respective weighting | Performance in 2016 | Justification |
|---|---|---|---|
| | | | Restated for the acquisition of Berendsen, this performance exceeded budget, which itself was in line with the outlook given to the financial markets (€1.75 billion). Organic growth was 2.4% for the full year, that is a good performance given the dynamics of the underlying markets and base effects. The external growth stood at 43.6%, reflecting the huge momentum generated by the acquisitions made in 2016 and 2017. |
| EBIT | 30% | 193% | In 2017 the Group's EBIT stood at €299 million or 13.5% of revenue. Restated for the acquisition of Berendsen, this performance exceeded budget, which itself was in line with the outlook given to the markets at the beginning of the year. |
| Operating cash flow | 20% | 200% | In 2017 the Group's current operating cash fl ow was €103 million. This indicator measures cash fl ow after capex, changes in WCR and taxes, but before interest. Restated for the acquisition of Berendsen, this performance exceeded budget, which itself was in line with market consensus. |

## **Non-financial indicators** (individualized indicators)

| Type of targets | Respective weighting | Performance in 2016 | Justification |
|---|---|---|---|
| **Xavier Martiré, Chairman of the Management Board** | | | |
| Integration of Indusal | 6% | 6% | The company was integrated in 2017 as planned: headquarters were merged and the new operational and business structure was set up speedily. Synergies were rolled out in accordance with the business plan: four sites were shut down, logistics were reorganized and textile ranges were consolidated. Risk control was stepped up through the introduction of a compliance program |
| Integration of Lavebras | 6% | 6% | Following its acquisition at the end of May 2017, Lavebras was integrated at the end of 2017 in accordance with the established plan. Headquarters were merged and the new operating and business structure was quickly set up. Synergies were rolled out in accordance with the business plan, with the closure of four sites, reorganized logistics and centralized procurement. Risk control was stepped up through the introduction of a compliance program. |
| Customer satisfaction | 6% | 5% | The creation of the Customer Experience Department led to the roll-out of tools for measuring customer satisfaction. The results were highly satisfactory, with a satisfaction rate close to 87% in 2017. |
| Improvement in cash flow generation | 6% | 6% | In the Board's view, the Group has implemented structural measures to improve cash generation, especially:<br>— improved EBITDA;<br>— control over plant and machinery;<br>— the linen program, which exercises firm control over reasons for placing orders; and<br>— procedures for customer collections. |
| Acceleration in innovation and in the search for growth drivers | 6% | 4% | In 2017 the Group pursued a number of initiatives in the area of innovation:<br>- products: RFID pilot programs with hotel customers in Paris, connected hygiene appliances, new hand dryer; or<br>- offers: offers to private individuals through OnMyWay; partnership with Accor Hotels. |

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| **Louis Guyot, member of the Management Board** | | | |
| Quality of financial communications | 10% | 10% | The resources and results in terms of financial communication were outstanding in 2017:<br>— 14 analysts now cover the Group's stock, which is six more than during the IPO. All had given it a 'buy' rating at December 31, 2017;<br>— more than 450 investors were met at roadshows or forums;<br>— feedback points to the high quality of management's communications;<br>— the share price outperformed the SBF120 by 32% despite the dividend paid.<br>Furthermore, in 2017 Louis Guyot was awarded the bronze medal in the Best Investor Relations Awards (CFO category), and the silver medal in the Leaders in Finance Awards (services sector). |

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| | | | Euronext awarded Elis the finance transaction of the year award. |
| Improvement in risk control | 10% | 8% | At its meeting of November 22, 2017, the Audit Committee noted a marked improvement in risk control; internal control is now incorporated into the Group's culture and action plans are in place.<br>In particular, the Group rolled out its compliance program in all sensitive countries and set up prevention procedures provided for in the Sapin 2 Law. |
| Improvement in cash fl ow generation | 10% | 9% | In the Board's view, the Group has implemented structural measures to improve cash generation, especially:<br>— improved EBITDA;<br>— control over plant and machinery;<br>— the linen program, which exercises firm control over reasons for placing orders; and<br>— procedures for customer collections. |
| **Matthieu Lecharny, member of the Management Board** | | | |
| Integration of Indusal | 10% | 9% | The company was integrated in 2017 as planned: headquarters were merged and the new operational and business structure was set up speedily. Synergies were rolled out in accordance with the business plan: four sites were shut down, logistics were reorganized and textile ranges were consolidated. Risk control was stepped up through the introduction of a compliance program. |
| Integration of Lavebras | 10% | 9% | Following its acquisition at the end of May 2017, Lavebras in 2017 was integrated at the end of 2017 in accordance with the established plan. Headquarters were merged and the new operating and business structure was quickly set up. Synergies were rolled out in accordance with the business plan, with the closure of four sites, reorganized logistics and centralized procurement. Risk control was stepped up through the introduction of a compliance program. |
| Strong sales momentum in France | 10% | 6% | Central eastern and south-western regions showed growth rates in line with French growth. Sales were brisk, particularly in flat linen and workwear, which offset the previous year's losses. |

On that basis, at its meeting held on March 6, 2018, the Supervisory Board decided that the amount of the variable compensation for each member of the Management Board would be as follows:

- For **Xavier Martiré**, Chairman of the Management Board, the percentage of targets achieved in respect of the 2017 financial year based on financial indicators was 123.9% of fixed compensation, and those achieve based on non-financial indicators was 27% of fixed compensation, giving a variable compensation level equal to 150.9% of fixed compensation, corresponding to variable compensation of €829,846.
- For **Louis Guyot**, member of the Management Board, the percentage of targets achieved in respect of the 2017 financial year based on financial indicators was 49.6% of fixed compensation, and those achieve based on non-financial indicators was 10.8% of fixed compensation, corresponding to variable compensation of €150,881; and
- For **Matthieu Lecharny**, member of the Management Board, the percentage of targets achieved in respect of the 2017 financial year based on financial indicators was 49.6% of fixed compensation, and those achieve based on non-financial indicators was 9.6% of fixed compensation, giving a variable compensation level equal to 59.2% of fixed compensation corresponding to variable compensation of €147,881.

In accordance with the Article L.225-100 II of the French commercial Code, the elements of fixed, variable and special compensation and benefits of any kind paid or awarded to the Management Board members will be submitted to the approval of the shareholders in the annual general meeting of May 18, 2018, being specified that the payment of variable elements of compensation is subject to the prior approval of the shareholders of those elements.

## B/ BONUS RELATED TO THE ACQUISITION OF BERENDSEN

During its meeting held on 14 December 2017, in accordance with the compensation policy of the executive corporate officers as described in the section 4.5 of the 2016 registration document, the Supervisory Board decided the award of a bonus to Xavier Martiré and to Louis Guyot equal to their fixed compensation for financial year 2017, namely €550,000 for Xavier Martiré and €250,000 for Louis

Guyot to mark the exceptional quality of the transaction's execution, the successfull of which is a significant step for the Group.

In accordance with the Article L.225-100 of the French commercial Code, the elements of fixed, variable and special compensation and benefits of any kind paid or awarded to the Management Board members will be submitted to the approval of the shareholders in the annual general meeting of May 18, 2018., being specified that the payment of special elements of compensation is subject to the prior approval of the shareholders of those elements.

## C/ COMPENSATION POLICY FOR EXECUTIVE CORPORATE OFFICERS FOR 2018

At its meetings of December 14, 2017 and March 6, 2018, the Supervisory Board, on the recommendation of the Appointments and Compensation Committee decided the compensation policy for executive corporate officers for 2018 as follow:

### Fixed compensation

As a result of a study on the compensation of corporate executive officers, the Supervisory Board decided to update the Management Board members' fixed compensation that was unchanged since 2015, in order to take into account of the transformation of the Group since the IPO. The fixed compensation of the Chairman of the Management Board Is fixed at €800,000, that of Louis Guyot at €400,000, and that of Matthieu Lecharny at €300,000.

The Supervisory Board maintained the principle according to which the fixed compensation may only be revised every three years, unless an earlier revision is considered warranted due to special circumstances.

### Variable compensation

At its meetings of December 14, 2017 and March 6, 2018, the Supervisory Board, based on the recommendation of the Appointments and Compensation Committee, established the following principles to determine the target variable compensation based on objectives for the Chairman and the members of the Management Board for financial year 2018:

#### Chairman of the Management Board

The Chairman of the Management Board's target annual variable compensation is maintained at100% of the amount of his fixed compensation and can range from 0% to 170% in the event of outperformance. This is unchanged from 2017. This target-based variable component is based on the following financial and non-financial indicators and in the proportions (unchanged from 2017):

- **financial indicators counting for 70% of the variable component (i.e., 70% of fixed compensation up to a maximum of 140% in the event of outperformance)**: the economic indicators used correspond to the Company's business management tools, namely, revenue (20%), EBIT (30%), and operating cash flow (20%), in line with the budgetary target discussed annually with the Board, said target being itself in line with the forecasts communicated to the market. The Supervisory Board wished to use the same financial criteria as previously, since they are a good reflection of the Company's overall performance in terms of growth, profitability and cash flow;
- **non-financial indicators counting for 30% of the variable component (i.e., 30% maximum of fixed compensation)** and based on strategic and management criteria assessed either qualitatively or quantitatively.

The table below shows the breakdown of financial and non-financial indicators used to determine the annual variable compensation targets of Xavier Martiré for 2018, together with the weighting of each indicator.

| Xavier Martiré | Variable component weighting (at 100%) |
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| **Financial Indicators** | **70%** |
| Revenue compared to budget | 20% |
| EBIT compared to budget | 30% |
| Operating cash flow compared to budget | 20% |
| **Non-financial Indicators** | **30%** |
| Successful integration of Berendsen (Synergies) | 7.5% |
| Build-up in strategiec countries (e.g. United Kingdom, Germany) | 7.5% |
| Development of the Group's CSR policy | 7.5% |
| Innovation as a driver of organic growth | 7.5% |

## Members of the Management Board

At its meeting of December 14, 2017 and March 6, 2018, as a result of the study on the compensation of the Management Board members, the Supervisory Board decided to update of the variable compensation of the Management Board members with the marked given to the significant expansion of the Group's scope and challenges, and the increase in the Management Board's responsibilities in view of the Group's size, especially following the Berendsen Acquisition.

Thus, the Supervisory Board decided to increase the target based variable compensation of Louis Guyot and Matthieu Lecharny to 70% of their fixed compensation, which can range from 0 to 119% in the event of outperformance. This target-based variable component is based on the following financial and non-financial indicators and in the proportions (unchanged from 2017) :

- **financial indicators counting for 70% of the variable component (i.e., 49% of fixed compensation up to a maximum of 98% in the event of outperformance):** as noted above, these indicators are identical to those used to determine the variable component of the Management Board Chairman's compensation as shown above, and are determined based on the same goals;
- **non-financial indicators counting for 30% of the variable component (or a maximum of 21% of the fixed compensation)** are based on strategic and management criteria specific to each Management Board member.

The tables below show the breakdown of financial and non-financial indicators used to determine the respective annual variable compensation of Louis Guyot and Matthieu Lecharny for the 2018 financial year, together with the weighting of each indicator:

| Louis Guyot | Variable component weighting (at 100%) |
|---|---|
| **Financial indicators** | **70%** |
| Revenue compared to budget | 20% |
| EBIT compared to budget | 30% |
| Operating cash flow compared to budget | 20% |
| **Non-financial indicators** | **30%** |
| Deployment of processes and reporting tools across the entire scope | 10% |
| Group financing | 10% |
| Quality of financial communications | 10% |

| Matthieu Lecharny | Variable component weighting |
|---|---|
| **Financial indicators** | **70%** |

| | |
|---|---|
| Revenue compared to budget | 20% |
| EBIT compared to budget | 30% |
| Operating cash flow compared to budget | 20% |
| **Non-financial indicators** | **30%** |
| Increase in consolidation  scope in Spain | 10% |
| M&A in Germany and in Berendsen's countries | 10% |
| Strong sales momentym in Brazil | 10% |

The Supervisory Board believes that the financial and non-financial indicators on which the targets of the variable component of the compensation of the members including the Chairman of the Management Board are based reflect the direct link between the compensation of Management Board members and the changes in the Group's results and overall performance.

## Long-term equity-based compensation

On the recommendation made by the Appointments and Compensation Committee, at its meetings on December 14, 2017 and March 6, 2018, the Supervisory Board maintained the principle of equity-based compensation for each member of the Management Board in the form of performance shares to which is attached a medium-term economic and share-price performance condition in order to align the interests of the shareholders with those of the beneficiaries, and it adopted the following principles:

- the maximum proportion of performance shares that can be granted annually to the members of the Management Board (including the Chairman of the Management Board) is set at 1.25 times their annual compensation (fixed + maximum variable), in accordance with the recommendations of the AFEP-MEDEF Code and in line with market practices noted for SBF 120 companies;
- the vesting of performance shares granted to the Chairman and members of the Management Board is conditioned on the employment of these beneficiaries in the Group for the full vesting period starting from the grant date (except in special circumstances described below), the vesting period being a minimum of three years;
- the vesting of the performance shares granted to the Chairman and members of the Management Board is subject to economic and share-price performance conditions assessed over a period of at least three years. With regard to economic criteria, the Supervisory Board shall use appropriate criteria that can be assessed over time and may, where necessary, be identical to the financial criteria used to determine the annual variable component. With regard to share-price performance, this shall be assessed on the basis of a stable criterion based on the performance of the Elis share's TSR compared to that of the SBF 120;
- the rights granted to the Chairman and members of the Management Board may not exceed 0.55% of the Company's share capital as established at the date of the decision of the Management Board awarding the performance shares in accordance with the 22nd resolultion of the annual shareholders' meeting held on May 27, 2016.

On this basis, upon the authorization granted by the extraordinary shareholders' meeting of May 27, 2016, under the terms of the 22nd resolution, the Supervisory Board of March 6, 2018, confirmed the principle of allocation of performance shares to Xavier Martiré, Louis Guyot and Matthiew Lecharny, determined the conditions of the vesting and the terms of the shares performance plans. By a decision of the Management Board dated 29 Mars 2018, 117 995 shares of performance were awarded to Xavier Martiré, 49 164 to Louis Guyot and 39 331 to Mathieu Lecharny.

The vesting of these shares is subject to the achievement of performance targets provided for the performance shares plan and assessed on a three years period (ie 2018, 2019 and 2020) and conditioned on the employment of the beneficiaries in the Group for the full vesting period.

At the end of the vesting period, each Management Board member has an obligation to retain shares as follows:

- for the Chairman of the Management Board, one-third of the shares vested to be retained until his Company share portfolio reaches a value representing three times the amount of his annual fixed compensation;
- for the other members, one-third of the shares vested to be retained until their Company share portfolios reach a value representing two times the amount of their annual fixed compensation.

## Special compensation

The Supervisory Board has maintained the principle whereby the Chairman and other members of the Management Board may, under certain circumstances, be eligible for special compensation not to exceed the maximum amount of annual monetary compensation (maximum fixed + variable).

At the general meeting of May 18, 2018, the shareholders shall be called to approve the principles and the criteria of the determination of the 2018 compensation of the executive corporate officers under the terms presented below in accordance with Article L.225-82-2 of the French commercial Code.