

Sodexo China

IFM Quarterly

DOING OUR BIT TO IMPROVE R&D

Productivity

ENABLING R&D

Innovation

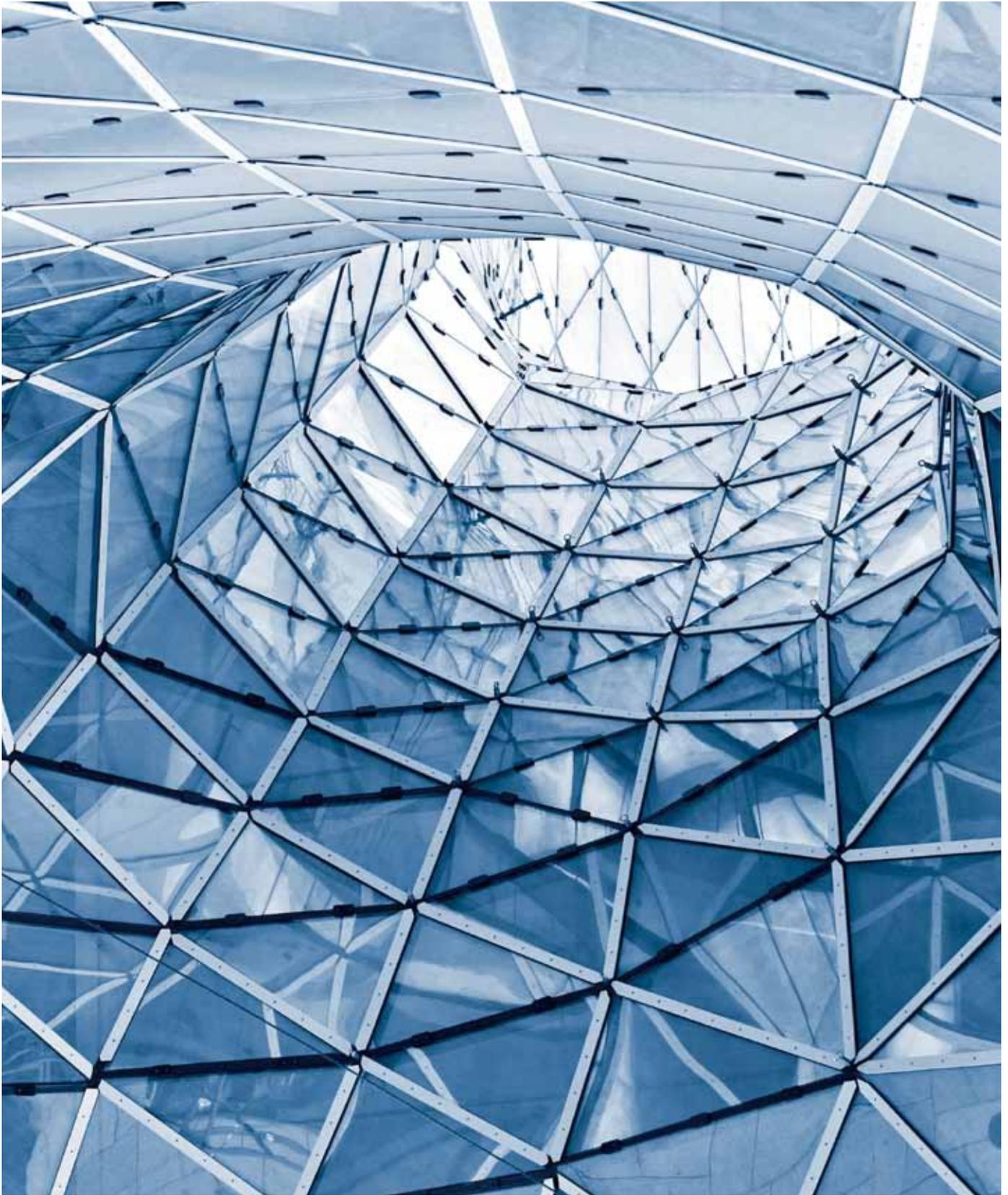
Pioneering High-Tech In-Patient Foodservices at a Leading National Hospital - P7

Facilities Management: Service Elevators - P10

Top 10 Ways to Look Ahead in the Workplace in 2014 - P11

Summer 2014


QUALITY OF LIFE SERVICES



“There is no new thing under the sun.”

– Ecclesiastes 1, Holy Bible



DOING OUR BIT TO IMPROVE R&D PRODUCTIVITY

Dr. Tanya PEASE

Laboratory Services Program Manager, Sodexo China

Innovation is not easy. Making innovation productive has emerged as a universal challenge for the pharmaceutical industry, riddled as it is with problems of expired patents, a cash-strapped healthcare system, increasingly demanding regulations, etc.

Ten years ago, international pharmaceutical companies turned their gaze to China, a virgin territory with a rich scientific talent pool and market demand, and started to build research and development (R&D) facilities here. Today, most of the top 20 international players have set up R&D centers in China; the tagline, "Innovating in China, for China and the world" can be seen frequently in newspapers and points to the positioning of China as a new global center of innovation.

Innovation is not a stand-alone game. Shanghai-based Zhangjiang Pharmaceutical Valley seeks to integrate the commercial, R&D, and manufacturing functionalities into a complete industry chain, in keeping with the strategy adopted by pharmaceutical giants. By doing so, the "valley" has attracted investment not only in R&D centers of local and global players, but also in manufacturing centers, commercial buildings, research institutions, and related services. **Improving R&D productivity, as the starting point of the chain, is critical to making the whole strategy work.**

Productivity improvement is in essence increased and better outcomes and/or less input. As a previous academic researcher now working within a facilities-management service company, I am not in a position to comment on how to increase the market value of pharmaceutical R&D. However, I would like to share some ideas on, and experiences with, reducing overall operating expenses without compromising market values.

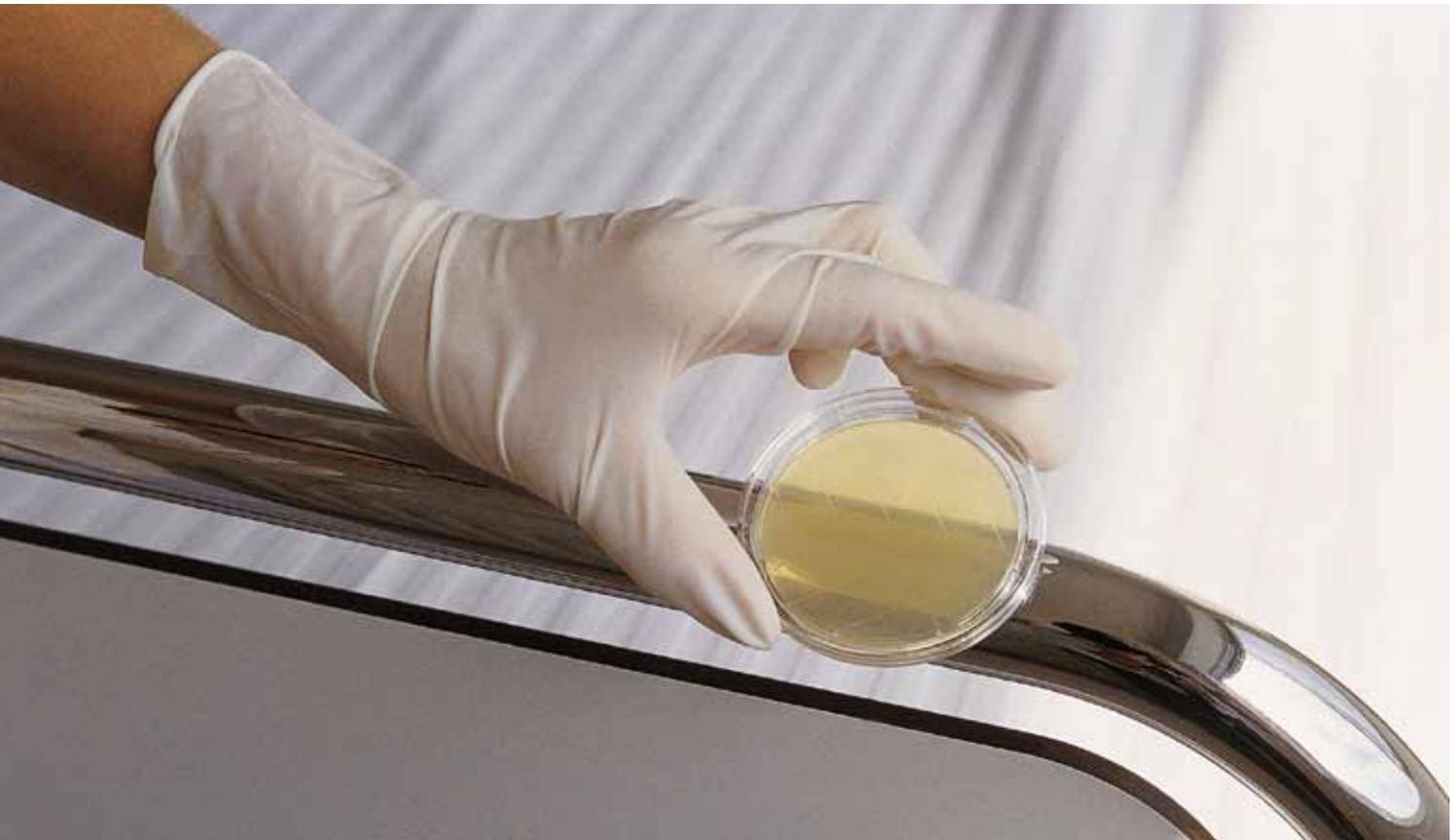
Improving R&D productivity, as the starting point of the chain, is critical to making the whole strategy work.

Every business has its core and non-core activities. An R&D environment is no different. Within a pharmaceutical R&D facility, scientists work on a broad spectrum of studies, e.g. new molecule synthesis and drug efficacy testing. These value-added tasks are the core business of R&D. However, for R&D activities to be efficient and compliant, many supporting non-core daily activities have to be undertaken "behind the scenes", for example, decontamination and cleaning, waste management, chemical management, media preparation, asset management, etc. These daily routines require labor hours and incur costs.

The current macro-economic environment in China is quite challenging from a cost-saving perspective. But we still believe that **focusing on core activities can generate considerable opportunities to lower R&D expenses**. Outsourcing laboratory and other supporting services is a way to enable scientists to focus on their research, analysis, discovery and diagnostics, thereby optimizing their personal productivity and performance, or in other words, making their lives easier.

Through innovation and performance, we have demonstrated that the **optimization of people, processes, and infrastructure in a laboratory environment can yield cost savings**.

Our evaluation of the Laboratory Logistics processes at one of our pharmaceutical client sites yielded exciting results - how process optimization can impact the business by introducing 5S workplace control, KANBAN control and process re-engineering. In 6 months, we achieved 50% reduction in lab consumables spent across the whole site and 10% reduction in consumable wastage; released 4.68 m² of extra laboratory space per laboratory on average; increased scientists' productivity by 27,000 minutes per month; and improved the cash flow through further negotiation with suppliers.



An efficient, optimized operational model can increase the service delivery output and result in real business benefits.

For example, our strategic laboratory asset management in the UK has been shown to reduce costs by

15-40 %

whilst improving instrument uptime.

The positive outcomes of this project strongly demonstrate that by outsourcing Laboratory Services, pharmaceutical companies can not only increase the labor hours their scientists spend on the core work, but can provide savings in operational expenses. Although outsourcing leads to cost savings, the impact is not limited to savings, but potentially added value to the business.

In order to achieve this, there are three underlying principles in the delivery of Laboratory Services to R&D facilities:

Compliance – Services are based on a robust operating framework in order to guarantee regulatory compliance and risk management.

Innovation – Sustainability strategies enable the creation of advanced, bespoke solutions designed around the needs of R&D core activities.

Performance – Trained and multi-skilled operations teams drive efficient and effective outputs, which become competitive advantages for business.



Enabling Research & Development Innovation - P5

What did Sodexo do to ensure the scientists at the new, world-class Lilly China R&D center in Shanghai to focus on innovation?

Pioneering High-Tech In-Patient Foodservices at a Leading National Hospital - P6

How did Shanghai First People's Hospital initiate China's first advanced IT solution for in-patient meals with Sodexo to improve the life quality and organizational performance?

ENABLING RESEARCH & DEVELOPMENT INNOVATION

Vanessa LIU

Integrated Facilities Management Manager, Sodexo China

Lilly China Research and Development Center (LCRDC)

When one of the world's top pharmaceutical companies looked for a trusted facilities partner to ensure that scientists at their new, world-class R&D center in Shanghai would be enabled to focus on their core business of innovation, they turned to Sodexo.

The Lilly China Research and Development Center needed to be fully operational for their scientific staffs per the requirements of both Lilly and the property owner by the end of May 2012 – merely three and a half months away.



Bringing Global Pharmaceutical Expertise to China

Our multi-disciplinary team of experts sat down with Lilly and identified their primary needs of security, safety and integrated management of non-core assets. From there, we created a wholly customized Integrated Work Management System, a data-driven but still flexible centralized workflow that addressed up to all of its apparatus data collection and maintenance tasks specific to the LCRDC.

With our stringent standards on providing the highest quality of services for all employees, we made sure to take into consideration the smallest of details, such as providing training to security guards so the help desk can be available to scientists for 24hours/7days even when receptionists are off duty.

Drawing on Sodexo's global expertise from working with the world's top pharmaceutical companies, we brought in engineers from our UK laboratory services team to Shanghai to ensure that standardized protocols and best global practices were implemented and embraced at the center. Our global consultants continue to assist the LCRDC's on-site laboratory services operations team to this day, so that the most updated best practices are applied to free up more time for scientists to do their work.

We also created a business continuity plan in case of emergencies that was successfully tested one year after moving into the center. The property management company informed Sodexo that power had to be cut off for a full day, which would seriously disrupt the scientists' sensitive lab work as well as pose a security threat. However, the plan had taken this potentially disastrous situation into account, so no work was interrupted and all the surveillance systems were fully operational.



A Solid Lever for Efficient Global Audit Results

Compliance with internal, external, local and international regulations is vital for any R&D facility. With Sodexo at its helm, the LCRDC site was considered compliant after three global audits in just two years after it began operations.

The LCRDC site passed Lilly's global 4-year Health, Safety & Environment (HSE) audit in just one and a half years after the site setting, as well as the global Good Research Practice (GRP) audit in a little over a year, and the global Information Security Audit (ISA) in less than two years. There are over 1000 instruments in the center. Their proper maintenance, installation, debugging and data reporting rely on the Sodexo Laboratory Services team. With risk mitigating functionality, our tailor-made Integrated Work Management System can meet the requirements of GRP's fourth rule.

Improving Quality of Life for LCRDC Employees

After the LCRDC's first year, Andrew Dahlem, Lilly Global Research Operation Vice President presented the COO Special Recognition Reward to the Sodexo on-site team in honor of their effective, high quality service.

Today, scientists and staff from LCRDC report their overall satisfaction rate to be 93%. When reporting on specific integral service lines, such as mechanical and engineering services, lab services, security and helpdesk, their satisfaction rates ranged from 91% to 98%.

We're proud of our contribution to Lilly's scientists' quality of life and helping them do what they do best: creating innovative, cutting-edge medicine that saves lives.

“Thanks for your onsite team's dedicated efforts, which are conducive to the success of Lilly's scientific activities. Your professional service solutions and quick response to our requests increase our operating efficiency. Through continued partnership, Lilly and Sodexo can strategically respond to evolving needs and continue to enable innovative science at LCRDC.”

Jay Bensinger, Chief Operating Officer, Lilly China R&D Center

PIONEERING HIGH-TECH IN-PATIENT FOODSERVICES AT A LEADING NATIONAL HOSPITAL

Gabriel GUO

Regional Director, Health Care & Seniors, Sodexo China

Shanghai First People's Hospital

As one of the nation's premier hospitals with a distinguished history dating back to 1864, Shanghai First People's Hospital's mission has always been to deliver the best healthcare to their patients.

In today's world, this no longer means only treating patients, but also protecting their dignity and creating an environment that provides comfort and psychological well-being to help along their recovery. Hot, nutritious meals tailored to specific dietary needs delivered at a timely manner that satisfies patients – this is an important part of such environments.

At Shanghai First People's Hospital's south branch, dining is compulsory for about 900 in-patients a day. Maintaining the highest efficiency rates while ensuring the very best user experience for consumer satisfaction is a daily challenge.



Initiating China's First Advanced IT Solution for In-Patient Meals

Sodexo, the foodservices partner of Shanghai's First People's Hospital south branch since 2006, perceived the gap in the China market to adequately meet this challenge. During the mid-2000s, most in-patients meals in Chinese hospitals were still being manually recorded, and there were hardly any IT solutions available.

Therefore Sodexo's Greater China team created one to meet the unique needs of the country's in-patients while drawing upon Sodexo's sophisticated software system used in the North American market.

The system consists of three integrated, real-time synchronized parts: the Hospital Information System (HIS), a smart tablet PAD and back office management. This means everyone involved is always on the same page.

Doctors, clinical dietitians, distribution staff and purchasers can all stay ahead of their in-patients' most up-to-date medical and dietary history, access their physical parameters, reduce service fault rate and improve service efficiency. This enables clinical dietitians and cooks to proactively design more customized, nutritious diets and the operations team to estimate and purchase orders more accurately from our award-winning raw food supply chain, which leads to healthier in-patients and less food waste.

Additionally, in-patients are empowered to take an active role in this daily routine. The clinical dietitians teaches in-patients about nutritional diets to enable them to live a healthier lifestyle, and distribution staff offers those able to eat normal food the lightweight, user-friendly PADs



as virtual menus with photos of actual meals that they can scroll through and choose themselves.

All the data – nutrient intake, specialized diets, ordering preference – are recorded and if the in-patient requests, they can get a nutrition analysis report and professional dietary advice upon discharge.

To guarantee the system's successful applicability and genuine practical value, Sodexo took more than a year identifying all the human-centered, logistical and management needs in this complex process.

The forward-thinking management of Shanghai First People's Hospital south branch decided to pilot this new system.

Improving Quality of Life and Organizational Performance

In both third party and internal surveys of in-patient meals, both patients' and employees' satisfaction rates have shown to exceed 85%. One such in-patient showed her appreciation with our food services directly: "The dishes are very tasty. Every day, the clinical dietician shares some knowledge with me and the caring staff sterilizes the dining table [for safety]."

Wang Xingpeng, Director of the hospital has frequently praised Sodexo's advanced management concept as it has greatly improved the efficiency of the ordering, and "enriched the dishes' variety and taste." And, after 8 years

of cooperation, he declares: "Now, it feels like we're not just a client and a service provider, but family members."

Clearly, this relationship works. In 2013, the Shanghai First People's Hospital was ranked first by the Shanghai Municipal Health Bureau in a patient satisfaction survey of all health providers in Shanghai.

But we don't rest on our laurels. Our IT solution will continually advance as we focus on progressive development, creative innovation, and shared processes and technology among our global markets. Because at the end of the day, our goal is simple: healthier and happier in-patients.



Facilities Management: Service Elevators - P10

Big outsourcing firms find that escaping the crowd is not so easy. This unseen but sprawling industry has combined revenues up to \$1 trillion a year.

Top 10 Ways to Look Ahead in the Workplace in 2014 - P11

Most senior executives spend less than 20% of their time talking with their colleagues about the future to build a collective view. How is your company planning for the future workplace?

FACILITIES MANAGEMENT SERVICE ELEVATORS

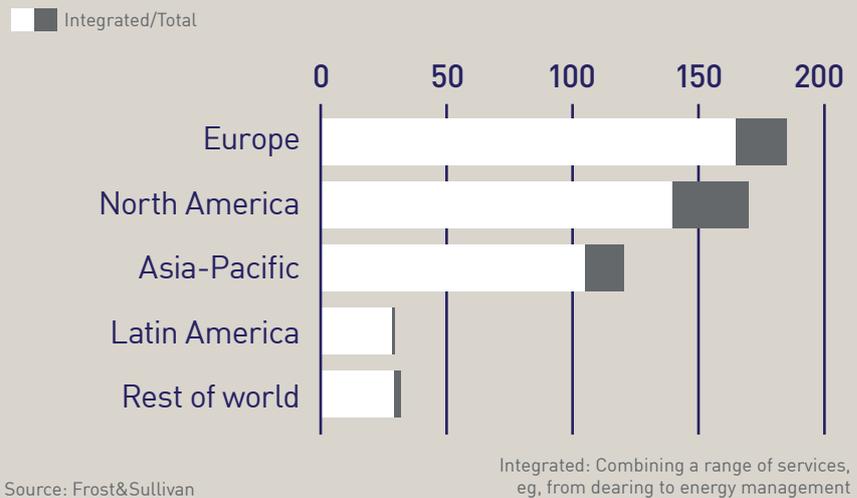
Big outsourcing firms find that escaping the crowd is not so easy

* from the Economist (March 15, 2014), slightly abridged

It is a sprawling, unseen, unglamorous industry that is hard to define and harder still to measure. Outsourced facilities-management firms clean offices, guard premises, feed students, manage heating and lighting, move prisoners from cell to workshop, and so on, for customers who prefer to focus on their core activities.

Have mop, will travel

Revenues from outsourced services, 2012, \$bn



Employing millions, outsourcing firms have combined revenues that some put as high as \$1 trillion a year. The market is most established in Europe and North America, though it is on the rise in Asia too (see chart). Now the structure of the business is changing, as firms that used to specialise in one sort of outsourced service increasingly aim to be all things to all men, and trip over each other in the process.

Demand for “integrated” facilities-management services is increasing at around 7% a year, according to Frost & Sullivan, a research firm—faster than the growth rate for providing single services. ISS, a Danish cleaning firm, has been chasing such do-it-all deals in recent years, such as one it struck

in 2012 to take care of Barclays’ worldwide offices. Non-cleaning services accounted for around ISS’s larger main rival, Sodexo, sees the market in much the same light. The family-controlled French firm was originally known for running canteens in offices, hospitals and schools, diversifying into lucrative luncheon vouchers and employee benefits. It grew big in the 1980s as more businesses joined the outsourcing trend and bigger still when governments, beginning with Britain’s, started setting up public-private partnerships to build and run facilities. When “soft” services like catering and cleaning showed signs of becoming commodities, Sodexo expanded into “hard” services such as building maintenance and energy management. Acquisitions came thick

and fast, helping Sodexo increase its foreign operations too.

Today, with turnover in the year to August 2013 of €18.4 billion (\$25 billion) and around 430,000 people on its payroll in 80 countries, Sodexo is not only the second-largest supplier of outsourced catering services but also one of the world’s biggest providers of integrated facilities management. Non-food services have risen to around 27% of revenues, from 18% in 2005. Sodexo is continuing to move up the value chain, prepping laboratory instruments for Johnson & Johnson, for instance, and maintaining body scanners in hospitals. Sodexo’s boss, Michel Landel, says that by taking over services previously run in-house, it typically cuts customers’ costs by 10-20%.

Sodexo and ISS are not alone in broadening the range of services they offer. GDF Suez, a French utility with long experience of helping customers manage energy consumption, bought the facilities-management arm of Balfour Beatty, a British construction firm, in 2013. "We're the opposite of Sodexo," says Jérôme Tolot of GDF Suez: "They started in soft services and are increasingly moving into hard services. We started in technical services and are increasingly into soft." Likewise Vinci, a French firm that builds and runs infrastructure projects around the world, entered a new realm when it bought Faceo, a provider of soft services, in 2010. International property agents such as CBRE and Jones Lang LaSalle are also touting themselves as all-purpose facilities managers.

So having moved into more sophisticated services to escape the commoditised businesses of serving cups of coffee or swabbing floors, Sodexo and ISS once again find themselves in crowded markets. Both are cutting costs and dropping unprofitable contracts to boost performance.

But in the longer term they will need to do more than that. Per Anker Jensen of the Technical University of Denmark says that, as in other crowded industries, the survivors in the outsourcing game will have to do better than just offer the keenest prices: they will need to be innovators, constantly coming up with useful new services that their clients never realised they needed.

Front

TOP 10 WAYS TO LOOK AHEAD IN THE WORKPLACE IN 2014

* from 2014 Workplace Trends Report by Sodexo USA

1

Workplace experience design

With today's employee seeking a more meaningful employment value proposition, the need to create contemporary experience environments is rising. As such, companies must shift their way of thinking from cost to value. This change will create employee experiences that ultimately create stronger bonds between employee and employer. As companies compete to attract, retain and motivate top talent, it is time to actively design employee experiences.

2

Designing-in wellbeing

Our overall health and wellbeing is greatly affected by the health of the buildings where we live and work. Truly health centered buildings take into account the different ways employees perceive and cope with environmental stressors. New building concepts "design-out" potential hazards such as poor air quality and "design-in" wellbeing benefits such as natural light.

3

The double-edged sword

While communication technology can provide flexibility, increase employee productivity and positively impact work relationships, it also has the potential to negatively affect employee well-being and job performance. Forward-thinking organizations are reevaluating their technology-related work practices to maximize the value technology can bring to the workplace.

4

Constructing “smarter” buildings

Today’s smart buildings merge technology and energy to support remote monitoring, virtual energy management and information access. As concern about energy usage and environmental impact increases, corporate, health care, education and government sectors must consider facility automation in building construction and operation in the years to come.

5

A little friendly competition

When done right, “Gamification”, or the idea of using game mechanics outside of a purely gaming context, can stimulate competition among co-workers and increase employee engagement. The key to creating a game that drives business success is ensuring that it resonates with the players, fits the business culture and has measurable results. Game on!

6

Cross-cultural understanding and management

Being a manager in today’s workplace often means managing a diverse workforce or crossing time zones to manage multiple locations in multiple countries. As the world continues to become a smaller place, success depends on the ability to understand, appreciate and integrate a multiplicity of varied backgrounds, communications styles and cultural norms.

7

VOI is the new ROI

As organizations increase the use of rewards and recognition programs, a fundamental question arises: how should employees be evaluated? Although value has traditionally been measured by ROI (Return on Investment), progressive thinkers are looking at the long-term, intangible assets that VOI (Value on Investment) measures. While we can’t put a price on improved communication or collaborative relationships – the value these performance factors create is immeasurable.

8

Reducing health care costs by promoting and protecting worker health

As US health care costs continue to rise due to chronic disease and work injuries, experts turn to health management strategies to regulate the problem. When policies, programs and practices strategically integrate initiatives that promote and protect worker health, the economic and social burden will, in turn, be minimized. These initiatives only deliver on their promise when supported by long-term visioning, leadership commitment, accountability systems and systematic management.

9

The future of work

The corporations, societies and environments in which we work are changing – and so must our jobs and the way we think about careers. Jobs of the future must be retrofitted, blended or be designed around solving an existing problem. Retrofitted jobs apply new trends to current positions while blended jobs connect two unrelated fields to create a hybrid career. In problem areas, jobs are created to directly resolve issues.

10

30 jobs of the future and how to create them

A dozen “futurists” put their heads together to identify 30 emerging job titles to stimulate thoughts about the future and the jobs that may be needed in the decades ahead. Some food for fodder: “Digital archeologist”, “Energy harvester”, “Green career coach”, “Personal brand manager”, “Plant psychologist”.

**How is your company planning
for the future workplace?**

DID YOU KNOW

Sodexo News



In the first six months of fiscal 2014, Sodexo Group's operating profit (excluding exceptional items) at constant exchange rates increased by 11.4%.

In February 2014, Standard & Poor's raised Sodexo's rating from BBB+ to A-.



In April 2014, Sodexo Greater China has been named among 2013's "Top 20 Collective Catering Enterprises in China" by the China Cuisine Association.

In January 2014, Sodexo SAIC GM (Wuhan) site was honored as an "Excellent Outsourcing Project" of Shanghai General Motors in 2013.



In April 2014, the Sodexo Abbott on-site team received the Distinguished Contribution Award as the only winner among the 30+ service providers.

In April and May 2014, Sodexo conducted annually Servathon activity to eliminate hunger and malnutrition. More than 33,000 Sodexo employees in 36 countries raised funds and put together 815,000 meals, volunteering more than 82,100 hours to help their local communities.



Key Indicators

Human Resources



In 2014, Beijing, Tianjin, Zhejiang and Ningxia made adjustments to their allowances for workers operating in high temperature environments. In Beijing, the minimum allowances for work -- both outdoor and indoor -- in high temperatures were increased from RMB 120 to RMB 180 per month and from RMB 90 to RMB 120, respectively.

The minimum salary in Shanghai was raised from RMB 1,620 to RMB 1,820; and the minimum hourly wage from RMB 14 to RMB 17, effective from April 1st, 2014.

The average annual wage per capita in Beijing was RMB 69,521, and the average monthly salary RMB 5,793, reflecting an increase of 10.9% over the previous year.

Consumer Price Index



+2.3% year-on-year growth in June 2014

Food Costs



+3.7% year-on-year growth in June, 2014
(grain +3.2%, egg +13.1%, fruit +19.8%, aquatic product +4%)

THIS IS HOW HUALI MAKES OFFICES FEEL LIKE HOME

Efficient technical
maintenance is essential
to the comfort of employees.

The Sodexo logo features the word "sodexo" in a blue, lowercase, sans-serif font. A red swoosh underline is positioned beneath the letters "o" and "d". A blue five-pointed star is located above the letter "o".

sodexo

QUALITY OF LIFE SERVICES

Sodexo China IFM Quarterly-Summer 2014

All rights reserved by Sodexo.

Reproduction or usage of any content in any form or way without written permission by copyrighter is strictly prohibited.

Building 11, No. 28 Danba Road, Putuo District, Shanghai 200062, China

☎ +86 21 2325 6008 ✉ China.Communication@sodexo.com

www.sodexo.cn

