

Bellon S.A.

**Statutory Auditors' report
on the consolidated financial statements**

(Year ended August 31, 2023)

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Statutory Auditors' report on the consolidated financial statements

(Year ended August 31, 2023)

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users. This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

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17-19, place de la Résistance
92130 Issy-les-Moulineaux

To the Annual General Meeting of BELLON S.A.,

OPINION

In compliance with the assignment entrusted to us by the Annual General Meeting, we have audited the accompanying consolidated financial statements of Bellon S.A. for the year ended August 31, 2023.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at August 31, 2023 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

BASIS OF THE AUDIT OPINION

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules provided for in the French Commercial Code (*code de commerce*) and the French Code of Ethics (*code de déontologie*) for Statutory Auditors for the period from September 1, 2022 to the date of our report.

JUSTIFICATION OF ASSESSMENTS

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*code de commerce*) relating to the justification of our assessments, we inform you of the following assessments that, in our professional judgement, were the most significant in our audit of the consolidated financial statements:

- Goodwill is tested for impairment in accordance with the methods described in Note 6.4 to the consolidated financial statements.

We examined the methods used to carry out these impairment tests and the method used to assess the value in use based on projected future discounted cash flows after tax. We also examined the documentation prepared for this purpose, assessed the consistency of the data used, in particular with regard to the assumptions made for drawing up the business plans, and verified that Note 6.4 to the consolidated financial statements provides appropriate disclosures.

- Bellon S.A. records provisions to cover risks relating to tax disputes, as described in Note 10.2 to the consolidated financial statements.

Our work consisted primarily in:

- holding meetings with the Group's tax department and local managements to assess the latest status of inspections in progress and tax adjustments notified by the tax authorities, and to monitor developments in any disputes in progress;
- consulting the recent decisions and correspondence of the Group's companies with the tax authorities, and gaining an understanding of the correspondence between the relevant companies and their tax advisers;
- conducting a critical review of the estimates and positions adopted by Management.

The matters mentioned above are based on estimates and underlying assumptions, which are inherently uncertain. As specified in Note 2.2 to the consolidated financial statements, actual amounts could differ significantly from these estimates if assumptions or circumstances change.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed. We do not provide a separate opinion on specific items of the consolidated financial statements.

SPECIFIC VERIFICATIONS

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the Executive Board's management report.

Bellon S.A.

Statutory Auditors' report on the consolidated financial statements

Year ended August 31, 2023 – Page 5

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the Group management report includes the consolidated non-financial information statement required under Article L.225-102-1 of the French Commercial Code. However, in accordance with Article L.823-10 of the French Commercial Code, we have not verified the fair presentation and consistency with the consolidated financial statements of the information given in that statement.

In accordance with French law, we report to you that your Chairman of the Executive Board has not appointed an independent third party responsible for verifying this statement in accordance with Article L.225-102-1 of this Code.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE RELATING TO THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for preparing consolidated financial statements giving a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

These consolidated financial statements have been approved by the Executive Board.

RESPONSIBILITIES OF THE STATUTORY AUDITORS RELATING TO THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit.

They also:

- identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;

Bellon S.A.

Statutory Auditors' report on the consolidated financial statements

Year ended August 31, 2023 – Page 6

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management and the related disclosures in the notes to the consolidated financial statements;
- assess the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Paris-La Défense, March 5, 2024

The Statutory Auditors

ERNST & YOUNG Audit

KPMG S.A.

Gilles Cohen

Grégoire Menou

Bellon Group: Consolidated financial statements

4.1	Consolidated financial statements	2
4.1.1	Consolidated income statement	2
4.1.2	Consolidated statement of comprehensive income	3
4.1.3	Consolidated statement of financial position	4
4.1.4	Consolidated cash flow statement	6
4.1.5	Consolidated statement of changes in shareholders' equity	7
4.2	Notes to the consolidated financial statements	8

Consolidated financial statements

1.1 Consolidated income statement

(in millions euros)	NOTES	FISCAL 2023	FISCAL 2022 ⁽¹⁾
Revenues	4.1	23,680	21,102
Cost of sales	4.2	(20,248)	(18,087)
Gross profit		3,432	3,015
Selling, General and Administrative costs	4.2	(2,165)	(1,993)
Share of profit of companies accounted for using the equity method that directly contribute to the Group's business	8	9	7
Underlying operating profit	4.1	1,275	1,029
Other operating income	4.2	4	153
Other operating expenses	4.2	(290)	(158)
Operating profit		989	1,023
Financial income	12.1	142	57
Financial expenses	12.1	(218)	(124)
Share of profit of other companies accounted for using the equity method	8	3	1
Profit for the year before tax		916	958
Income tax expense	9.2	(261)	(264)
Net profit for the year		655	693
Of which:			
Profit attributable to non-controlling interests		419	440
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		236	253

(1) Including a reclassification of 23 million euros from revenue to financial income. See note 4.1.1

1.2 Consolidated statement of comprehensive income

(in millions euro)	NOTES	FISCAL 2023	FISCAL 2022
NET PROFIT FOR THE YEAR		655	693
Components of other comprehensive income that may be reclassified subsequently to profit or loss		(398)	714
Change in fair value of cash flow hedge instruments	12.5 and 11.1	—	—
Change in fair value of cash flow hedge instruments reclassified to profit or loss	12.5 and 11.1	—	—
Currency translation adjustment	11.1	(398)	725
Currency translation adjustment reclassified to profit or loss	11.1	—	(11)
Tax on components of other comprehensive income that may be reclassified subsequently to profit or loss	11.1	—	—
Share of other components of comprehensive income (loss) of companies accounted for using the equity method, net of tax	11.1 and 8	—	—
Components of other comprehensive income that will not be reclassified subsequently to profit or loss		(56)	69
Remeasurement of defined benefit plan obligation	5.1 and 11.1	(104)	87
Change in fair value of financial assets revalued through other comprehensive income	12.3 and 11.1	16	5
Tax on components of other comprehensive income that will not be reclassified subsequently to profit or loss	11.1	32	(23)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), AFTER TAX		(454)	784
COMPREHENSIVE INCOME		201	1,477
Of which:			
Attributable to equity holders of the parent		66	546
Attributable to non-controlling interests		135	931

1.3 Consolidated statement of financial position

Assets

(In millions euro)	NOTES	AUGUST 31, 2023	AUGUST 31, 2022
Goodwill	6.1	6,408	6,817
Other intangible assets	6.2	668	678
Property, plant and equipment	6.3	529	510
Right-of-use assets relating to leases	7.2	834	895
Client investments	4.4	687	667
Investments in companies accounted for using the equity method	8	67	73
Non-current financial assets	12.3 and 12.5	381	484
Other non-current assets		82	172
Deferred tax assets	9.3	219	154
NON-CURRENT ASSETS		9,875	10,450
Financial assets	12.3 and 12.5	76	58
Inventories		346	352
Income tax receivable	4.3	128	171
Trade and other current operating assets	4.3	4,948	5,068
Restricted cash and financial assets related to the Benefits & Rewards Services activity	12.3	1,320	1,257
Cash and cash equivalents	12.2	3,284	3,247
Assets held for sale or for distribution		351	5
CURRENT ASSETS		10,453	10,157
TOTAL ASSETS		20,328	20,608

Shareholders' equity and liabilities

(in millions euro)	NOTES	AUGUST 31, 2023	AUGUST 31, 2022
Share capital		—	—
Additional paid-in capital		285	285
Reserves and retained earnings		1,190	1,151
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		1,475	1,436
NON-CONTROLLING INTERESTS		2,325	2,426
SHAREHOLDERS' EQUITY	11.1	3,800	3,862
Long-term borrowings	12.4 and 12.5	5,173	5,764
Long-term lease liabilities	7.1	720	759
Employee benefits	5.1	272	282
Other non-current liabilities	4.3	174	197
Non-current provisions	10.1	118	115
Deferred tax liabilities	9.3	198	161
NON-CURRENT LIABILITIES		6,655	7,278
Bank overdrafts	12.2	5	8
Short-term borrowings	12.4	610	224
Derivative financial instruments liabilities	12.5	4	3
Short-term lease liabilities	7.1	158	184
Income tax payable		207	207
Current provisions	10.1	206	99
Trade and other payables	4.3	5,068	5,233
Voucher liabilities		3,543	3,509
Liabilities directly associated with assets held for sale or for distribution	3.2	72	—
CURRENT LIABILITIES		9,874	9,467
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		20,328	20,608

1.4 Consolidated cash flow statement

(in millions euro)	NOTES	FISCAL 2023	FISCAL 2022
Operating profit		989	1,023
Depreciation, amortization and impairment of intangible assets, property, plant and equipment and right-of-use assets ^a		537	523
Provisions		109	(52)
(Gains) losses on disposals		11	(48)
Other non-cash items		36	31
Dividends received from companies accounted for using the equity method	8	8	6
Net interest expense paid		(37)	(36)
Interests paid on lease liabilities		(21)	(17)
Income tax paid		(220)	(200)
Operating cash flow		1,411	1,230
Change in inventories		(14)	(68)
Change in trade and other current operating assets		(161)	(563)
Change in trade and other payables		107	389
Change in vouchers payables		114	178
Change in financial assets related to the Benefits & Rewards Services activities		(100)	(145)
Change in working capital from operating activities		(53)	(209)
NET CASH PROVIDED BY OPERATING ACTIVITIES		1,357	1,021
Acquisitions of property, plant and equipment and intangible assets		(455)	(345)
Disposals of property, plant and equipment and intangible assets		36	17
Change in client investments	4.4	(43)	(13)
Change in financial assets and share of companies accounted for using the equity method		(48)	(58)
Business combinations	3.1	(21)	(64)
Disposals of activities	3.2	4	77
NET CASH USED IN INVESTING ACTIVITIES		(527)	(386)
Dividends paid to Sodexo S.A. shareholders	11.1	(19)	(16)
Dividends paid to non-controlling shareholders of consolidated companies		(209)	(169)
Purchases of treasury shares	11.1	(1)	—
Change in non-controlling interests		(63)	(8)
Proceeds from borrowings	12.4	645	303
Repayment of borrowings	12.4	(755)	(1,007)
Repayments of lease liabilities	7.1	(201)	(208)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		(599)	(1,106)
NET EFFECT OF EXCHANGE RATES AND OTHER EFFECTS ON CASH		(190)	145
CHANGE IN NET CASH AND CASH EQUIVALENTS		41	(326)
NET CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		3,239	3,565
NET CASH AND CASH EQUIVALENTS, END OF YEAR	12.2	3,280	3,239

^a Including 200 million euros corresponding to the depreciation of right-of-use assets recognized in Fiscal 2023 pursuant to IFRS 16 (211 million euros recognized in Fiscal 2022).

1.5 Consolidated statement of changes in shareholders' equity

(in millions euro)	NUMBER OF SHARES OUTSTANDING	SHARE CAPITAL	ADDITIONAL PAID-IN CAPITAL	RESERVES AND COMPREHENSIVE INCOME	CURRENCY TRANSLATION ADJUSTMENT	TOTAL SHAREHOLDERS' EQUITY		
						ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL
Notes	11.1			11.1				
Shareholders' equity as of August 31, 2022	24 255		285	1,310	(158)	1,436	2,426	3,862
Net profit for the year				236		236	419	655
Other comprehensive income (loss), net of tax				(21)	(149)	(170)	(284)	(454)
Comprehensive income				215	(149)	66	135	201
Dividends paid				(15)		(15)	(208)	(223)
Treasury share transactions				(19)		(19)	(31)	(50)
Share-based payment (net of income tax)				17		17	28	45
Change in ownership interest without any change of control				(10)		(10)	(27)	(37)
Other				(1)		—	2	2
SHAREHOLDERS' EQUITY AS OF AUGUST 31, 2023	24 255		285	1,497	(307)	1,475	2,325	3,800

(in millions euro)	NUMBER OF SHARES OUTSTANDING	SHARE CAPITAL	ADDITIONAL PAID-IN CAPITAL	RESERVES AND COMPREHENSIVE INCOME	CURRENCY TRANSLATION ADJUSTMENT	TOTAL SHAREHOLDERS' EQUITY		
						ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL
Notes	11.1			11.1				
Shareholders' equity as of August 31, 2021	24 255		285	1,043	(424)	903	1,668	2,571
Impact of changes in accounting principles*				(8)		(8)	(13)	(21)
Shareholders' equity as of September 1, 2021				1,035	(424)	895	1,655	2,550
Net profit for the year				253		253	440	693
Other comprehensive income (loss), net of tax				26	266	292	491	784
Comprehensive income				279	266	546	931	1,477
Dividends paid				(12)		(12)	(179)	(191)
Treasury share transactions				(3)		(3)	(6)	(9)
Share-based payment (net of income tax)				14		14	24	38
Change in ownership interest without any change of control				(2)		(2)	2	—
Other				(1)		(1)	(1)	(2)
SHAREHOLDERS' EQUITY AS OF AUGUST 31, 2022			285	1,310	(158)	1,436	2,426	3,862

* Corresponding to the application of the IFRS Interpretation Committee decisions issued in March 2021, providing details on the accounting for configuration and customization costs of SaaS (Software as a Service) type software, and in April 2021, clarifying the calculation methods, in application of IAS 19 "Employee benefits", for certain commitments relating to defined benefit plans.

Bellon is a *société anonyme* (a form of limited liability company) registered in France, with its headquarters located in Issy-les-Moulineaux since May 23, 2016.

Sodexo's consolidated financial statements for the fiscal year ended August 31, 2023 were approved by the Board of Directors on February 23, 2024 and will be submitted to the Annual Shareholders Meeting on May 16, 2024.

The numbers shown in the tables were prepared in thousands of euros and are presented in million euros (unless otherwise indicated).

NOTE 1. SIGNIFICANT EVENTS

1.1 Change in On-site Services organization

As announced in July 2022, the Group has reorganized its On-site Services activity with regions and countries consolidated into geographic zones led by three Zone Presidents, with the full responsibility of the Profit and Loss. The three geographic zones are North America, Europe and Rest of the World (including Asia-Pacific, Middle East, Africa, Latin America).

In order to reflect the implementation of the new organization of On-site Services by geographic zone, fully effective from October 1, 2022, the Group has redefined its operating segments as defined by IFRS 8 (corresponding until then to the global client segments and now represented by regions) and has updated its segment information accordingly. Thus, within On-site Services activity, the new operating segments after aggregation correspond to the following geographic zones:

- North America;
- Europe (including the Continental Europe, France and United Kingdom & Ireland regions);
- Rest of the World (including Asia-Pacific/Middle East/Africa, Latin America (without Brazil) and Brazil).

The Benefits & Rewards Services activity (Pluxee), not impacted by the reorganization, is an operating segment on its own.

For comparability purposes, the segment information of the previous period has been restated (see note 4.1).

Furthermore, in accordance with IAS 36 "Impairment of assets", the reorganization of On-site Services activity has led the Group to reassess the level at which goodwill impairment tests are carried out. On-site Services goodwill have therefore been reallocated to each region (group of Cash Generating Units), which corresponds to the lowest level at which goodwill is monitored for internal management purposes (see note 6.1), based on their estimated relative value in use as of August 31, 2022.

1.2 Plan to spin-off Benefits & Rewards Services (Pluxee)

The Sodexo Board of Directors has unanimously approved the project to separate the two business units of Sodexo by spinning-off and listing Benefits & Rewards Services activity (renamed Pluxee) through the distribution of this entity's shares to Sodexo shareholders.

As part of the preparation of the spin-off, the modification of Sodexo's by-laws as well as the temporary suspension of the dividend premium have been approved by a shareholder vote during the Annual General Meeting held on December 15, 2023. The full spin-off will be subsequently proposed to a dedicated Shareholders Meeting to be held early 2024, and the listing is expected to start early 2024 on Euronext Paris, subject to Euronext admission decision and market conditions.

1.3 Strategic partnership between Pluxee (Benefits & Rewards Services activity) and Santander in Brazil

In July 2023, to reinforce its market leadership in Brazil, Pluxee has signed a strategic partnership with Santander Brazil, one of the largest private banks in the country, combining 145,000 clients, 6.5 million consumers and a network of over 750,000 merchants.

This strategic partnership includes (i) a 25-year exclusive distribution agreement of its Employee Benefit solutions in the Santander network and (ii) the integration of Santander's Employee Benefits activity, Ben. This partnership will enable Pluxee to enhance the distribution of its products through the wide national network of Santander agencies and will create significant synergies. As part of this partnership, Santander is also contributing its existing Employee Benefits activity in Brazil and will hold a 20% equity stake into Benefits & Rewards Services activity entity in Brazil (Pluxee Brazil). Created in 2019 to complement the Bank's range of offers, Santander's Brazilian Employee Benefits activity relies on a network of 3,000 clients, 600,000 consumers and over 400,000 merchants.

This transaction has been approved by the Administrative Council for Economic Defense (CADE) and is still subject to the approval of the Central Bank of Brazil. It is expected to be completed during 2024 calendar year.

1.4 Dispute with the French authority of competition

November 16, 2023, the Paris Court of Appeal confirmed the conviction issued by the French Competition Authority. Contesting this decision, Sodexo then filed an appeal in cassation, therefore the proceedings are still ongoing.

Taking in consideration the above-mentioned elements the Group recorded a provision of 126 million euros. See note 10.2.

NOTE 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Accounting policies

2.1.1 General principles

Pursuant to European regulation 1606/2002 of July 19, 2002, the consolidated financial statements of the Sodexo group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and approved by the European Union as of the year end. The texts adopted by the European Union are published in the Official Journal of the European Union and are available for consultation on EUR-Lex.

Information for the comparative year presented has been prepared using the same principles.

The Group does not apply IFRS standards that are not approved by the European Union at the closing date. Considering the Company closing date, the IFRS application dates as approved by the European Union have been the same as those for the IFRS standards published by the IASB.

Furthermore, the Group did not elect to early adopt non-mandatory new standards, amendments and interpretations for Fiscal 2023. The Group does not anticipate the application of non-mandatory new standards, amendments and interpretations to have a material impact on its consolidated financial statements.

2.1.2 New accounting standards and interpretations applied

The accounting policies used by the Group to prepare its consolidated financial statements for the fiscal year ended August 31, 2023 are the same as those used for the consolidated financial statements as of August 31, 2022, with the exception of the policies impacted by the reorganization of:

- On-site Services (see notes 4.1, 6.1 and 6.4) and
- Benefits & Reward Services (Pluxee)

The other texts effective as of September 1, 2022 had no material impact on the consolidated financial statements of the Group.

2.2 Use of estimates

The preparation of financial statements requires the Management of Sodexo and its subsidiaries to make estimates and assumptions which affect the amounts reported for assets, liabilities and contingent liabilities as of the date of preparation of the financial statements, and for revenues and expenses for the year.

These estimates and valuations are updated continuously based on past experience and on various other factors considered reasonable in view of current circumstances and are the basis for the assessments of the carrying amount of assets and liabilities.

Actual amounts may differ from these estimates if assumptions or circumstances change.

2.2.1 Key estimates and assumptions

Significant items subject to such estimates and assumptions include the following:

- impairment of current and non-current assets (notes 4.3 and 6.4);
- provisions for risks, litigation and restructuring (notes 10.1 and 10.2);
- recognition of deferred tax assets (note 9);
- liabilities recognized for uncertain tax positions (note 9);
- fair value of financial assets and derivative financial instruments (notes 12.5 and 12.6);
- valuation of post-employment defined benefit plan assets and liabilities (note 5.1);
- share-based payments (note 5.2);
- valuation of intangible assets acquired as part of a business combination, as well as their estimated useful lives (note 3);
- assessment of the lease term in measuring the lease liabilities and related right-of-use assets (note 7.1).

2.2.2 Assessment of the effects of climate change

As part of its Climate Strategy, the Group has set the objective of significantly reducing its environmental impact at every level of its value chain, in particular through the following actions:

- developing plant-based food offers, to raise consumer awareness of the nutritional and environmental benefits of meals based on plant-based proteins, an essential driver in reducing carbon emissions;
- using 100% renewable electricity at its directly operated sites by 2025, and deploying its energy management service to assist its clients with their renewable energy choices;
- implementing the Waste Watch program, to reduce food waste by facilitating the operational and behavioral changes required to eliminate avoidable product waste, both in the kitchen and by consumers;
- progressively phasing-out from coal sector projects, with the aim of exiting the sector by 2025 (no new contract and no renewal of contracts relating to catering services or Facilities Management on coal mining sites).

The many initiatives undertaken by Sodexo aim, in particular, to achieve the objective of a -34% greenhouse gas emissions reduction by 2025 (as compared to the 2017 baseline), as part of its corporate responsibility roadmap Better Tomorrow 2025 defined in 2017.

The Group took into account the estimated costs of implementing these actions within the business plans drawn up for each operating segment when preparing its impairment tests.

The potential long-term impact of climate-related risks and opportunities on other components of business plans – primarily the effect on the cost of sales and the margin of possible disruptions to the Group's supply chain due to physical risks after taking into account the anticipated impact of the mitigating measures – is considered *via* sensitivity analysis of the value in use estimated for the purposes of the impairment tests to the variation in operational assumptions, the results of which are presented in note 6.4.

The commitments made by the Group in relation to climate change had no other impact on the judgments and estimates used by Management in the context of the preparation of its consolidated financial statements as of August 31, 2023, in particular regarding the assessment of the useful life of property, plant and equipment, the estimate of their recoverable value or the recognition of liabilities.

2.3 Valuation bases

The consolidated financial statements are prepared using the historical cost convention, except for:

- identifiable assets acquired, and liabilities assumed, recognized as part of a business combination, measured at the acquisition date fair value (note 3.1);
- derivative financial instruments, cash and cash equivalents and non-consolidated investments, measured at fair value (note 12);
- post-employment defined benefit plan assets and liabilities (note 5.1);
- share-based payment, measured at fair value (note 5.2);
- right-of-use assets relating to leases and lease liabilities (note 7).

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

In line with the IFRS 13 "Fair Value Measurement" classification, there are three levels of fair value:

- level 1: fair value determined using unadjusted quoted prices in active markets for identical assets or liabilities, used for the valuation of cash and cash equivalents;
- level 2: fair value determined by models that use observable inputs for the asset or liability, either directly (i.e., prices) or indirectly (i.e., price-based data), used for the valuation of derivative financial instruments (valuation models commonly used for derivative instruments traded on a regulated or over-the-counter market);
- level 3: fair value determined using valuation techniques based on unobservable inputs, used for the valuation of client relationships acquired as part of a business combination and non-consolidated investments.

NOTE 3. MAIN CHANGES IN SCOPE OF CONSOLIDATION

ACCOUNTING PRINCIPLES

Principles and methods of consolidation

INTRAGROUP TRANSACTIONS

Intragroup transactions and balances, and unrealized losses and gains between Group subsidiaries, are eliminated. Unrealized losses are eliminated in the same way as unrealized gains, unless they represent an impairment charge.

CONSOLIDATION METHODS

A subsidiary is an entity directly or indirectly controlled by Bellon S.A. The Group controls a subsidiary when it is exposed or has rights to obtain variable benefits from its involvement with the subsidiary and has the ability to influence those benefits through its power over the subsidiary. In determining whether control exists, voting rights granted by equity instruments are taken into account only when they give the Group substantive rights. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is obtained to the date on which control ceases to be exercised.

Associates are companies in which Sodexo S.A. directly or indirectly exercises significant influence over financial and operating policy without exercising exclusive or joint control. Joint ventures are joint arrangements in which Sodexo S.A. directly or indirectly exercises joint control and has rights to the net assets of the arrangement. Associates and joint ventures are accounted for using the equity method. Sodexo has a number of equity interests in project companies established in connection with Public-Private Partnership (PPP) contracts. These contracts enable governments to call upon the private sector for the design, construction, financing and management of public infrastructure (hospitals, schools, barracks, prisons), with detailed performance criteria. An analysis is performed for each of these equity interests, in order to determine whether they qualify as associates or joint ventures. Sodexo only makes equity and subordinated debt investments in such projects when it acts as a service provider to the project company.

Further information on the main entities consolidated is provided in note 14.4 "Scope of consolidation".

FOREIGN CURRENCY TRANSLATION

The exchange rates used are derived from rates quoted by the European Central Bank and on other major international financial markets.

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies at the period end are translated using the closing rate. The resulting translation differences are reported in financial income or expenses.

Non-monetary foreign currency assets and liabilities reported at historical cost are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities reported at fair value are translated using the exchange rate at the date when the fair value was determined.

Transactions for the period are translated at the exchange rate at the transaction date.

Translation differences on monetary items that are in substance part of a net investment in a foreign operation consolidated by Sodexo are reported in other comprehensive income until the disposal or liquidation of the investment.

Financial statements denominated in foreign currencies

(i) Countries with stable currencies

The separate financial statements of each consolidated entity are presented on the basis of the primary economic environment (functional currency) in which the entity operates.

For consolidation purposes, all foreign currency assets and liabilities of consolidated entities are translated into the reporting currency of the Sodexo Group (the euro) at the closing exchange rate, and all income statement items are translated at the average exchange rate for the period. The resulting translation differences are recognized in other comprehensive income under "Currency translation adjustment".

(ii) Countries with hyperinflationary economies

Non-monetary assets and liabilities in hyperinflationary countries, as well as the income statement, are adjusted to reflect the changes in the general pricing power of the functional currency in accordance with IAS 29 "Financial reporting in hyperinflationary economies". Moreover, financial statements of subsidiaries in hyperinflationary countries are translated at the closing rate of the period in accordance with IAS 21 "The effects of changes in foreign exchange rates". Since April 2022, Turkey has been classified as a country with a hyperinflationary economy. However, the impacts of hyperinflation in that country were not material at Group level during Fiscal 2023 and Fiscal 2022.

Business combinations

In accordance with IFRS 3 "Business combinations", the purchase method is used to account for acquisitions of subsidiaries by the Group. At the acquisition date, the Group measures the consideration transferred, the identifiable assets acquired, and the liabilities assumed at fair value, as well as any non-controlling interest in the acquired company. The residual difference between the fair value of the consideration transferred, increased by the amount of the non-controlling interest in the acquired company, and the fair value as of the date of acquisition of the assets acquired and liabilities assumed, is recognized as goodwill in the statement of financial position.

Fair value of the consideration corresponds to the fair value of assets transferred, liabilities incurred, and equity interests issued by the Group measured as of the date of the acquisition. Costs directly related to the acquisition are expensed as incurred in the income statement.

The Group measures non-controlling interests on a case-by-case basis for each business combination either at fair value or based on their percentage interest in the fair value of identifiable net assets acquired. Commitments to purchase non-controlling interests given in connection with business combinations are recognized as described in section Accounting principles of the note 11 "Equity and earnings per share".

Changes to the measurement of identifiable assets and liabilities resulting from specialist valuations or additional analysis may be recognized as adjustments to goodwill if they are identified within one year of the date of acquisition and result from facts and circumstances existing at the acquisition date. Once this one-year period has elapsed, the effect of any adjustments is recognized directly in the income statement (unless it is the correction of an error), including recognition of deferred tax assets which are recognized in the income statement as a tax benefit if recognized more than one year after the acquisition date.

PURCHASE PRICE ADJUSTMENTS AND/OR EARN-OUTS

Purchase price adjustments and/or earn-outs related to business combinations are recognized at their fair value as of the date of acquisition even if they are considered to be not probable. After the date of acquisition, changes in estimate of the fair value of price adjustments lead to an adjustment to goodwill only if they occur within the time allowed (a maximum of one year as of the date of acquisition) and if they result from facts and circumstances that existed at the acquisition date. In all other cases, the change is recognized in profit or loss except when the consideration transferred consists of an equity instrument.

BARGAIN PURCHASES

When the fair value of the assets acquired and the liabilities assumed as of the acquisition date is greater than acquisition cost, increased by the amount of any non-controlling interest, the excess - representing negative goodwill - is immediately recognized in the income statement in the period of acquisition, after reviewing the procedures for the identification and measurement of the different components included in the calculation.

STEP ACQUISITIONS

In a step acquisition, the fair value of the Group's previous interest in the acquired entity is measured at the date that control is obtained and is recognized in profit or loss (in the case of investments in companies accounted for using the equity method upon acquisition of control) or through other comprehensive income (in case of non-consolidated investments). In determining the amount of goodwill recognized, the fair value of the consideration transferred (for example the price paid) is increased by the fair value of the interest previously held by the Group.

3.1 Business combinations

A total goodwill amount of 19 million euros was recognized during Fiscal 2023, mainly due to the business combination accounting of Beacon Services Group Limited in the United Kingdom and of AMI2 in France for On-site Services activity.

The table below shows the values of the assets acquired and liabilities assumed as of August 31, 2023. The values are estimated provisionally as of August 31, 2023 for most of Fiscal 2023 acquisitions:

(in millions euro)	AUGUST 31, 2023
Intangible assets	1
Trade and other current operating assets	5
Cash and cash equivalents	4
Trade and other payables	(5)
TOTAL IDENTIFIABLE NET ASSETS	5
CONSIDERATION TRANSFERRED⁽¹⁾	24
GOODWILL⁽²⁾	19

(1) Including 1 million euros corresponding to liabilities recognized in connection with deferred considerations and written put options over non-controlling interests.

(2) Goodwill is recognized as the difference between the acquisition price and identifiable net assets at fair value. It principally represents the *savoir-faire* and expertise of employees and synergies expected from acquired companies.

Business combinations impacts the cash flow statement as follows:

Price paid during the year	25
Cash acquired	4
Business combinations	21

Companies consolidated during Fiscal 2023 were integrated from the date of acquisition, and contributed for 6 million euros to consolidated revenue and for 0.3 million euros to the consolidated underlying operating profit of the period.

Goodwill variations during Fiscal 2023 and the comparative period are presented in note 6.1 "Goodwill".

3.2 Disposed and held for sale or distribution activities

ACCOUNTING PRINCIPLES

In accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", when the Group expects to recover the value of an asset or a group of assets through its sale rather than by its use, or when the asset or group of assets is held for distribution to owners of the Group, this asset or group of assets is presented on a separate line "Assets held for sale or for distribution" of the consolidated statement of financial position. Non-current assets classified as such are measured at the lower of their carrying value and their fair value net of disposal costs and therefore are no longer subject to depreciation. The liabilities relating to the asset or group of assets are also presented on a separate line of the consolidated statement of financial position ("Liabilities directly associated with assets held for sale or for distribution").

In addition, when the group of assets held for sale or for distribution represents a separate major line of business or geographic area of operations, and thus meets the definition of a discontinued operation according to IFRS 5, its contribution to income and cash flows is presented on separate lines in the consolidated income statement (line "Net profit of the year from discontinued operation") and the consolidated cash flow statement (separate lines within each cash flow category). The comparative consolidated income statement and consolidated cash flow statement are restated as if the activity had met the criteria for a discontinued operation as of the opening of the comparative period.

The Group continued its portfolio rationalization:

- At the end of September 2023, the Group signed a disposal agreement for its worldwide Homecare services including mainly subsidiaries in the United States, in the United Kingdom, and in Scandinavian countries. The transaction is subject to the satisfaction of customary closing conditions and is expected to be finalized by the end of the calendar year. Pursuant to IFRS 5, the assets and liabilities of the subsidiaries to be disposed are classified in the consolidated statement of financial position as of August 31, 2023 in "Assets held for sale or for distribution" and "Liabilities directly associated with assets held for sale or for distribution" for respectively 211 million euros and 72 million euros. As Homecare services do not meet the definition of a discontinued operation, their contribution to income and cash flows is maintained within continuing operations in the consolidated income statement and in the consolidated cash flow statement, in accordance with IFRS 5;
- Furthermore, the Benefits & Rewards Services (Pluxee) division plans to divest its interests in Epassi during the fiscal year 2024 (refer to note 12.3.2). Applying IFRS 5, the assets of subsidiaries intended for disposal have been classified in the consolidated statement of financial position as of August 31, 2023, under the category "Assets held for sale or distribution." As the Epassi services do not meet the definition of a discontinued operation, their contribution to income and cash flows is retained within the continuing operations in the consolidated income statement and consolidated cash flow statement in accordance with IFRS 5.
- During Fiscal 2022, the disposal of a certain number of activities, including Childcare activities in France and in Spain, On-site Services activities in Morocco, the Lido in France and non-strategic account portfolios in Australia and in Czech Republic, resulted in a net gain on disposal of 50 million euros recognized in "Other operating income and expenses" during Fiscal 2022 (see note 4.2.2 "Other operating income and expenses").

NOTE 4. SEGMENT INFORMATION AND OTHER OPERATING ITEMS

ACCOUNTING PRINCIPLES

Income statement

The Group presents its income statement by function.

Operating profit comprises the following components:

- gross profit;
- Selling, General and Administrative costs (SG&A); and
- other operating income and expenses.

In order to better focus the Group's financial communication on recurring operating profit and to simplify benchmarking with competitors, the consolidated income statement includes the indicator "Underlying operating profit", which corresponds to operating profit before "Other operating income" and "Other operating expenses".

Other operating income and expenses include the following:

- gains and losses arising from changes in the scope of consolidation;
- gains and losses arising from changes in post-employment benefit obligations;
- restructuring and rationalization costs;
- acquisition-related costs;
- amortization and impairment of purchased intangible assets (primarily client relationships and trademarks);
- goodwill impairment;
- impairment of non-current assets and other unusual and non-recurring items representing material amounts.

Underlying operating profit also comprises the Group's share of profit of companies accounted for using the equity method that directly contribute to the Group's business.

Underlying operating profit is disclosed in the segment information, as it is the main indicator reviewed regularly by the Sodexo Leadership Team, which is the Group's main operating decision-maker.

REVENUES

Revenues reported by Sodexo relate to the sale of services in connection with the ordinary activities of fully consolidated companies as follows:

- **On-site Services:** Revenues include all revenues stipulated in contracts with clients, whether Sodexo acts as principal (the vast majority of cases) or agent.

Foodservices revenues are recognized when the consumer pays at the check-out (the date on which control of the goods is transferred to the consumer, since the sales do not represent any other unsatisfied performance obligation at that date). Facilities Management services mainly represent routine or recurring services, whose benefits are simultaneously received and consumed by clients as they are performed by the Group, and therefore correspond to performance obligations satisfied over time. Consequently, the Group applies the practical expedient provided for in IFRS 15 "Revenue from contracts with customers" and recognizes the revenue for its right to bill (invoicing based on contractual prices, which represent the transaction prices of the different promised services).

As a result, revenue recognition matches with billing for most of the On-site Services.

Principal versus Agent considerations

When a third party is involved in providing goods or services to a client (for example, a subcontractor), the Group evaluates whether or not it obtains control of goods or services before transferring control to the client. When the Group controls the good or service before it is transferred to the client, the revenue is recognized on a gross basis. Otherwise, when the control is not obtained, the Group is not considered to be acting as principal in the transaction and the revenue is recognized on a net basis.

Revenues are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to the clients, net of discounts and rebates as well as Value Added Tax (VAT) and other taxes. The financial component of each commercial transaction is considered as negligible and therefore is not recognized separately in accordance with IFRS 15 provisions.

- **Benefits & Rewards Services:** Revenues include mainly commissions received from clients and affiliated merchants, financial income from the investment of cash generated by the activity (i.e., float revenue), and profits from unreimbursed card, digital solutions and paper vouchers.

Commissions received from clients in the Benefits & Rewards Services activity are recognized when the cards are credited or when the digital solutions or papers vouchers are issued and sent to the client; commissions received from affiliates merchants are recognized when the cards are used, or when the digital solution or paper vouchers are redeemed, in accordance with IFRS 15. Profits from unreimbursed cards, digital solution and paper vouchers are recognized based on their expiration date and the deadline for presentation for reimbursement by the affiliate merchants. Float revenue is recognized in accordance with IFRS 9 "Financial instruments" and corresponds primarily to interests on financial assets measured at amortized costs, which are recognized in revenue in the period to which they relate applying the effective interest method. As such, interest revenue is allocated over the expected life of the financial instruments.

VENDOR DISCOUNTS AND DISCOUNT ALLOWANCES

As part of its food or other material supply contracts with manufacturers and distributors, the Group can earn discounts, rebates, or credits related to purchases made under those contracts. Vendor Discounts and Allowances (VDA) are earned on the volume of materials purchased under the contract, on the periodic purchase volumes exceeding certain contractually-defined thresholds, or as fixed amounts in exchange for certain commitments such as vendor exclusivity arrangements. The Group retains VDAs to the extent consistent with the Food or Facilities Management services contract signed with the client and applicable law.

VDAs are typically recognized as a reduction to the cost of sales in the period the purchases are made based on the volume of materials purchased in the period and the contractual VDA rate. VDAs earned based on purchase volumes reaching contractually-defined thresholds are recognized in proportion to the purchases made as soon as the Group considers it probable that the thresholds will be reached. If the Group does not consider it probable that its purchase volumes will reach the contractually-defined thresholds, any VDAs earned are recognized if and when the thresholds are reached. Fixed-amount VDAs are recognized immediately unless certain conditions need to be met in order for them to be earned or if there is a clear link between the amount promised and the future purchase volumes. In such cases, fixed-amount VDAs are recognized over the period of the related commitment.

Cash flow statement

The cash flow statement analyzes changes in net cash and cash equivalents, defined as cash and cash equivalents less current bank overdrafts and credit bank balances payable on demand that form an integral component of treasury management.

4.1 Segment information and revenue information

ACCOUNTING PRINCIPLES

In accordance with IFRS 8 "Operating segments", the segment information presented below has been prepared based on internal management data as monitored since the first quarter of Fiscal 2023 by the Sodexo Leadership Team, which is Sodexo's chief operating decision-maker: On-site Services and Benefits & Rewards Services (Pluxee).

For On-site Services, Revenue and Underlying operating profit are followed by region. These regions meet the definition of operating segments in IFRS 8.

Sodexo's operating segments and groups of operating segments are as follows:

On-site Services activity:

- North America,
- Europe, which includes the Continental Europe, France and United Kingdom & Ireland regions,
- Rest of the World, including Asia-Pacific/Middle East/Africa, Latin America (without Brazil) and Brazil;

Benefits & Rewards Services activity (Pluxee)

The operating segments that have been aggregated within the On-site Services activity carry out similar operations – both in terms of type of services rendered and processes and methods used to deliver the services – and have similar economic characteristics (notably in terms of margins they generate).

Segment assets and liabilities are not presented as they are not included in the chief operating decision-maker's measurement of segment performance.

No single Group client or contract accounts contribute for more than 2% of the consolidated revenues.

4.1.1 Segment information

FISCAL 2023 (in millions euro)	NORTH AMERICA	EUROPE	REST OF THE WORLD	Benefits & Rewards Services	CORPORATE EXPENSES	GROUP TOTAL
Revenues	10,479	8,071	4,087	1,052	(9)	23,680
Underlying operating profit*	582	299	192	317	(115)	1,275

* Including Group's share of profit of companies accounted for using the equity method that directly contributes to the Group's business and excluding other operating income and expenses.

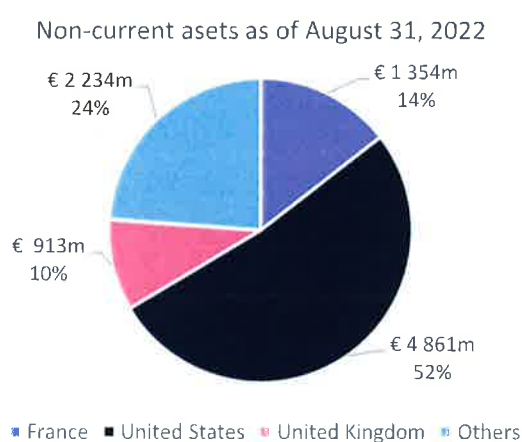
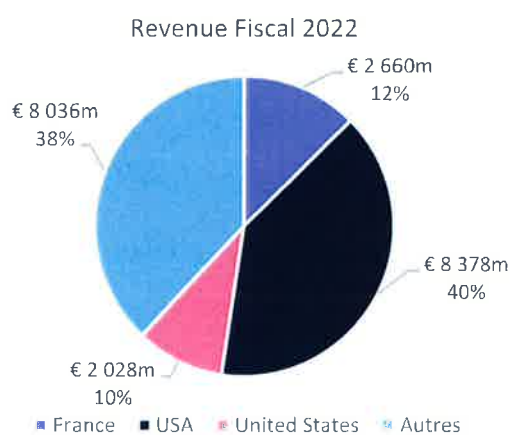
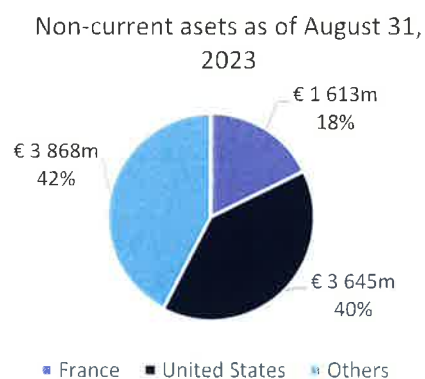
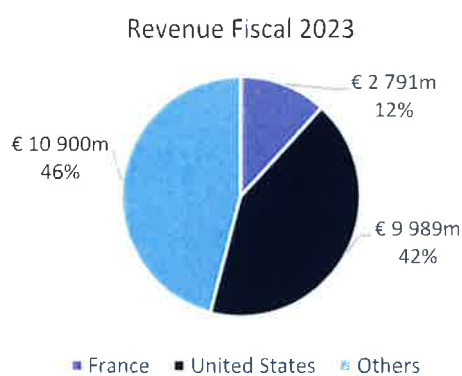
FISCAL 2022 (in millions euro)	NORTH AMERICA	EUROPE	REST OF THE WORLD	Benefits & Rewards Services ⁽¹⁾	CORPORATE EXPENSES	GROUP TOTAL IFRS 5 RESTATED
Revenues	8,828	7,774	3,661	842	(3)	21,102
Underlying operating profit*	471	300	156	224	(122)	1,029

* Including Group's share of profit of companies accounted for using the equity method that directly contributes to the Group's business and excluding other operating income and expenses.

(1) Including a reclassification of interest income generated by Pluxee on its own cash flow, not linked to the float, for 23 million euros from revenue to financial income.

4.1.2 Revenue and non-current assets by significant country

The Group's operations are spread across 52 countries, including two that each represent over 10% of consolidated revenues in Fiscal 2023: France (the Group's registration country) and the United States (United Kingdom also exceeded this threshold in Fiscal 2022). Revenues and non-current assets in these countries are as follows:



Non-current assets are composed of goodwill, other intangible assets, property, plant and equipment, client investments and right-of-use assets relating to lease.

4.1.3 Revenue by line of services

Consolidated financial statements

Notes to the consolidated financial statements

Revenues by line of services are as follows:

(in millions euro)	FISCAL 2023	FISCAL 2022
Food services	14,495	12,236
Facilities Management services	8,142	8,027
TOTAL ON-SITE SERVICES REVENUES	22,637	20,263
Benefits & Reward Services	1,052	840
Eliminations	(9)	(1)
Total consolidated Revenues	23,680	21,102

4.2 Operating expenses by nature and other operating income and expense

4.2.1 Operating expenses by nature

(in millions euro)	FISCAL 2023	FISCAL 2022
Employee costs	(11,246)	(10,395)
• Wages and salaries	(8,871)	(8,137)
• Other employee costs ⁽¹⁾	(2,375)	(2,258)
Purchases of consumables and change in inventory	(6,294)	(5,236)
Depreciation, amortization, and impairment losses ⁽²⁾	(536)	(524)
• Amortization of intangible assets and property, plant and equipment and right-of-use assets relating to leases	(538)	(528)
• Impairment of intangible assets and property, plant and equipment and right-of-use assets relating to leases	2	4
Rent and attached charges ⁽³⁾	(522)	(418)
Other operating expenses ⁽⁴⁾	(4,102)	(3,505)
TOTAL NET OPERATING EXPENSES	(22,700)	(20,078)

(1) Primarily payroll taxes, but also including costs associated with defined benefit plans and defined contribution plans (see note 5.1) and restricted share plans (see note 5.2.1).

(2) Including the depreciation of right-of-use assets relating to lease contracts of 200 million euros recognized in Fiscal 2023 in accordance with IFRS 16 (211 million euros in Fiscal 2022).

(3) Corresponds to rent not included in the measurement of the lease liabilities, primarily variable lease payments (commissions based on performance indicators of locations operated under concession arrangements), as well as lease expenses relating to short-term lease contracts and lease contracts of low value assets. The increase observed over the year relates mainly to the variable part of commissions due under concession arrangements, explained by the increase in revenues of the sites concerned.

(4) Other expenses mainly include professional fees, other purchases used for operations, sub-contracting costs and travel expenses and provision for litigation with the Competition Authority (See note 10.2).

4.2.2 Other operating income and expenses

(in millions euro)	FISCAL 2023	FISCAL 2022 IFRS 5 restated
Gains related to consolidation scope changes ⁽¹⁾	2	117
Gain on disposals of non-current assets	—	1
Gains on changes of post-employment benefits	—	1
Other ⁽²⁾	2	34
OTHER OPERATING INCOME	4	153
Restructuring and rationalization costs ⁽²⁾	(46)	(10)
Losses related to consolidation scope changes ⁽¹⁾	(9)	(67)
Amortization of purchased intangible assets	(43)	(46)
Impairment of goodwill and non-current assets	—	(1)
Acquisition-related costs	(21)	(3)
Losses on changes of post-employment benefits	(2)	(5)
Losses on disposals of non-current assets	—	(1)
Other ⁽³⁾	(169)	(25)
OTHER OPERATING EXPENSES	(290)	(158)
TOTAL OTHER OPERATING INCOME AND EXPENSES	(286)	(5)

(1) Gains and losses relating to disposed activities during Fiscal 2022 mentioned in note 3.2.

(2) The costs recognized in Fiscal 2023 mainly correspond to rationalization costs following the reorganization of the Group (see notes 1.1 and 10).

(3) of which 126 million euros is a provision for litigation with the Competition Authority (See note 10.2).

4.3 Working capital

4.3.1 Trade and other current operating assets

ACCOUNTING PRINCIPLES

Trade are initially recognized at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services and are subsequently measured at amortized cost less impairment charges recognized in the income statement.

Trade and other receivables are impaired to reflect the expected credit losses, assessed using an impairment matrix (application of the simplified impairment model as provided for in IFRS 9 "Financial instruments"). This method consists of applying for each aging balance category a separate impairment rate based on historical credit losses adjusted, when necessary, to take into account prospective factors.

(in millions euro)	AUGUST 31, 2023			AUGUST 31, 2022		
	GROSS AMOUNT	IMPAIRMENT	CARRYING AMOUNT	GROSS AMOUNT	IMPAIRMENT	CARRYING AMOUNT
Advances to suppliers	33	—	33	25	—	25
Trade receivables	4,283	(159)	4,124	4,454	(160)	4,294
Other operating receivables	564	(11)	553	538	(21)	517
Prepaid expenses	237	—	237	226	—	226
Other receivables	2	(1)	1	7	(1)	6
TOTAL TRADE AND OTHER CURRENT OPERATING ASSETS	5,119	(171)	4,948	5,250	(182)	5,068

The maturities of trade receivables as of August 31, 2023 and August 31, 2022 were as follows:

(in millions euro)	AUGUST 31, 2023			AUGUST 31, 2022		
	GROSS AMOUNT	IMPAIRMENT	CARRYING AMOUNT	GROSS AMOUNT	IMPAIRMENT	CARRYING AMOUNT
Less than 3 months past due	463	(9)	454	487	(11)	476
More than 3 months and less than 6 months past due	80	(14)	66	89	(12)	77
More than 6 months and less than 12 months past due	66	(26)	40	39	(7)	32
More than 12 months past due	102	(90)	12	112	(104)	8
TOTAL TRADE RECEIVABLES DUE	711	(139)	572	727	(134)	593
Total trade receivables not yet due	3,572	(20)	3,552	3,727	(26)	3,701
TOTAL TRADE RECEIVABLES	4,283	(159)	4,124	4,454	(160)	4,294

During the fiscal years presented, the Group was not affected by any significant change resulting from proven client failures. In addition, given the geographic dispersion of the Group's activities and the wide range of client industries, there is no material concentration of risk in individual receivables due but not written down.

4.3.2 Trade and other payables

ACCOUNTING PRINCIPLES

Trade payables are classified as financial liabilities measured at amortized cost, as defined in IFRS 9 "Financial instruments". Financial liabilities are recognized at their nominal amount, which represents a reasonable estimate of fair value in light of their short maturities.

Bellon's group has set up several reverse factoring programs in its main operating countries, which give its suppliers the opportunity of being paid in advance. In practice, these programs involve sales of trade receivables to a factor, organized by Sodexo. Relations between the parties concerned are governed by two totally separate contracts:

- the Group signs a master agreement with the factor, pursuant to which it undertakes to pay on the scheduled due dates the invoices sold by its suppliers to the factor (which have been approved in advance). Each supplier is free to choose whether or not to sell each of its invoices;
- the Group's suppliers can, if they wish, sign a master agreement with the factor enabling them to sell their invoices before their scheduled due date, on terms that benefit from the Group's credit rating.

Employee-related liabilities mainly include short-term employee benefits (see note 5.1).

(in millions euro)	AUGUST 31, 2023	AUGUST 31, 2022
Operating payables	123	158
Non-operating payables	51	39
OTHER NON-CURRENT LIABILITIES	174	197
Trade payables	2,773	2,708
Employee-related liabilities	1,295	1,473
Advances from clients	473	448
Tax liabilities	249	260
Other operating payables	129	185
Deferred revenues	112	124
Non-operating payables	36	36
TRADE AND OTHER CURRENT PAYABLES	5,068	5,233
TOTAL TRADE AND OTHER PAYABLES	5,242	5,430

As of August 31, 2023, the total amount of receivables transferred by Sodexo's suppliers through the reverse factoring programs is 253 million euros (373 million euros as of August 31, 2022).

Trade payables that have been financed through a reverse factoring program as of the fiscal year-end are still classified as trade payables and included in the total of trade payables.

MATURITIES OF TRADE AND OTHER PAYABLES AS OF AUGUST 31, 2023 (in millions euro)	CARRYING AMOUNT	UNDISCOUNTED CONTRACTUAL VALUE
Less than 3 months	3,746	3,746
More than 3 months and less than 6 months	294	289
More than 6 months and less than 12 months	922	922
More than 1 year and less than 5 years	193	189
More than 5 years	87	84
TOTAL TRADE AND OTHER PAYABLES	5,242	5,230

MATURITIES OF TRADE AND OTHER PAYABLES AS OF AUGUST 31, 2022 (in millions euro)	CARRYING AMOUNT	UNDISCOUNTED CONTRACTUAL VALUE
Less than 3 months	3,789	3,789
More than 3 months and less than 6 months	334	334
More than 6 months and less than 12 months	894	894
More than 1 year and less than 5 years	349	349
More than 5 years	64	64
TOTAL TRADE AND OTHER PAYABLES	5,430	5,430

4.4 Client investments

ACCOUNTING PRINCIPLES

Some client contracts provide for a financial contribution by Sodexo. For example, the Group may participate in financing the purchase of equipment or fixtures on the client site that are necessary to fulfill service obligations, or it may make a financial contribution that will be recovered over the life of the contract. They are recognized in accordance with the application of IFRS 15 "Revenue from contracts with customers" for consideration payable to the customer, as a reduction in the transaction price in the absence of a separate good or service provided by the customer. These contributions are recognized as an asset in "Client investments" and spread as a revenue deduction over the service duration. The amortization is recognized as a reduction to revenues over the life of the contract. The amortization period is in general less than 10 years, in line with the contract duration, but may be amortized over a longer period if the contract duration permits.

In the cash flow statement, changes in the value of these investments are presented as a component of investing cash flows.

Client investments are subject to an impairment test in the same way as other non-current assets directly linked to contracts concluded with clients showing an indication of loss in value (onerous or low profit contracts). The methodology applied for this impairment test is detailed in note 6.4.

(in millions euro)	FISCAL 2023	FISCAL 2022
Client investments as of September 1	667	560
Increases during the year	206	133
Decreases during the year	(140)	(120)
Impairment	—	2
Change in scope of consolidation	—	—
Currency translation adjustment and other movements	(46)	92
CLIENT INVESTMENTS AS OF AUGUST 31	687	667

NOTE 5. GROUP HEADCOUNT, EMPLOYEE BENEFITS AND SHARE-BASED PAYMENT

5.1 Employee benefits

ACCOUNTING PRINCIPLES

Short-term benefits

Group employees receive short-term benefits such as vacation pay, sick pay, bonuses and other benefits (other than termination benefits), the payment of which is expected within 12 months of the related service period.

These benefits are reported as current liabilities.

Post-employment benefits

In accordance with IAS 19 "Employee Benefits", the Group measures and recognizes post-employment benefits as follows:

- contributions to defined-contribution plans are recognized as an expense; and
- defined benefit plans are measured using actuarial valuations.

(i) Defined contribution plans

Under a defined contribution plan, periodic contributions are made to an external entity that is responsible for the administrative and financial management of the plan. Under such a plan, the employer is relieved of any future obligation (the external entity is responsible for paying benefits to employees as they become due and the employer is not required to make additional payments related to prior or current years if the entity does not have sufficient funds).

Contributions made by the Group are expensed in the period to which they relate.

(ii) Defined benefit plans

The Group uses the projected unit credit method as the actuarial method for measuring its post-employment benefit obligations, on the basis of the national or Companywide collective agreements effective within each entity. Factors used in calculating the obligation include length of service, life expectancy, salary inflation, staff turnover, and macro-economic assumptions specific to countries in which the Group operates (such as inflation rate and discount rate).

Remeasurements of the net obligation under defined benefit plans – including actuarial gains and losses, differences between the return on plan assets and the corresponding interest income recognized in the income statement, as well as any changes in the effect of the asset ceiling – are recognized in other comprehensive income and have no impact on profit for the period.

Plan amendments or the establishment of new defined benefit plans result in past service costs that are recognized immediately in the income statement.

The accounting treatment applied to defined benefit plans is as follows:

- the obligation, net of plan assets, is recognized as a non-current liability in the consolidated statement of financial position if the obligation exceeds the plan assets;
- if the value of plan assets exceeds the obligation under the plan, the net amount is recognized as a non-current asset. Plan surpluses are recognized as assets only if they represent future economic benefits that will be available to the Group. Where the calculation of the net obligation results in an asset for the Group, the amount recognized for this asset may not exceed the present value of all future refunds and reductions in future contributions under the plan;
- the expense recognized in the income statement comprises:
 - current service cost, past service cost, if any, and the effect of plan settlements, all of which are recorded in operating income,
 - the interest expense (income) on the net defined benefit obligation (asset), calculated by multiplying the obligation (asset) by the discount rate used to measure the defined benefit obligation at the beginning of the period.

These post-employment benefits are reported as non-current liabilities.

The Group contributes to multi-employer plans, primarily in the United States. These plans are accounted for as defined contribution plans, as the information provided by the plan administrators is insufficient for them to be accounted for as defined benefit plans.

Other long-term employee benefits

Other long-term employee benefits are measured in accordance with IAS 19. The expected cost of such benefits is recognized as a non-current liability over the employee's period of service. Actuarial gains and losses and past service costs arising from plan amendments and the establishment of new plans are recognized immediately in the income statement. Other long-term employee benefits are reported as non-current liabilities.

5.1.1 Long-term employee benefits

(in millions euro)	August 31, 2023	August 31, 2022
Post-employment benefits – Net defined benefit plan obligation	134	131
Other long-term employee benefits	138	151
Post-employment benefits – Net defined benefit plan assets ⁽¹⁾	(58)	(150)
Employee benefits	214	132

(1) Included in "Other non-current assets" in the consolidated statement of financial position.

5.1.1.1 POST-EMPLOYMENT BENEFITS

Defined contribution plans

Under a defined contribution plan, periodic contributions are made to an external entity that is responsible for the administrative and financial management of the plan. Under such a plan, the employer is relieved of any future obligation (the external entity is responsible for paying benefits to employees as they become due and the employer is not required to make additional payments related to prior or current years if the entity does not have sufficient funds).

Contributions to defined contribution plans – which were recognized in operating expenses – amount to 411 million euros for Fiscal 2023, compared to 390 million euros for Fiscal 2022.

Contributions made by the Group are expensed in the period to which they relate.

Defined benefit plans

The characteristics of the Group's principal defined benefit plans are described below:

in France, the obligation primarily represents lump-sum benefits payable on retirement if the employee is still with the company at retirement age. These obligations are covered by specific provisions in the consolidated statement of financial position;

- in the United Kingdom, the Group's obligation relates to a complementary retirement plan funded by externally held assets, and calculated on the basis of:
 - for managers working in the private sector, a percentage of final base salary,
 - for managers working on public sector contracts, benefits comparable to those offered in the public sector,
 - this plan was closed to new employees effective July 1, 2003 and the level of contributions was increased in order to cover the shortfall in the fund.

The United Kingdom plan is regularly evaluated by the plan's actuary in compliance with UK law. A formal actuarial valuation by the plan's actuary is required to be conducted every three years, and any shortfall identified at that time must be addressed through mutual agreement between the plan's Trustee and Sodexo UK. Following a consultation process with the members of the pension plan carried out with a view to freezing benefit accruals for certain members, an agreement was signed in October 2012 between the plan's Trustee and Sodexo UK whereby from November 1, 2012 the plan would remain open only to employees who transferred to Sodexo UK from the public sector, as Sodexo UK has a legal obligation to pay them certain benefits. As part of the 12-year plan to address the funding shortfall, Sodexo UK also agreed to pay annual contributions of

(i) 10 million pounds Sterling per year over the five years from January 1, 2013 and (ii) 7.5 million pounds Sterling per year over the following seven years. Lastly, in October 2012, Sodexo S.A. issued a Parent company guarantee to the Trustee in order to cover Sodexo UK's obligations in connection with the plan. This guarantee initially fixed for an amount up to 100 million pounds Sterling for a duration of 12 years, has been changed to 40 million pounds Sterling after an employer contribution of 60 million pounds Sterling during Fiscal 2022. On completion of the most recent valuation of the fund in July 2016, Sodexo UK and the Trustee agreed to keep unchanged the amount of contributions and the terms and conditions of the Parent company guarantee as set in October 2012.

In Continental Europe other than France, the main defined benefit plans are as follows:

- in the Netherlands, certain employees are entitled to complementary retirement or early retirement benefits.

In Fiscal 2017, Sodexo negotiated an agreement to convert its pension plans in the Netherlands from defined benefit to defined contribution plans as from January 1, 2016. The entitlements accumulated up until that date under the plans in their previous defined benefit form have been frozen and the plans are still accounted for as defined benefit plans in view of the related indexation commitments given by Sodexo. These plans are fully funded;

- in Italy, there is a legal obligation to pay a lump-sum retirement benefit ("TFR").

Changes in the present value of the defined benefit plan obligation and the fair value of plan assets are shown below:

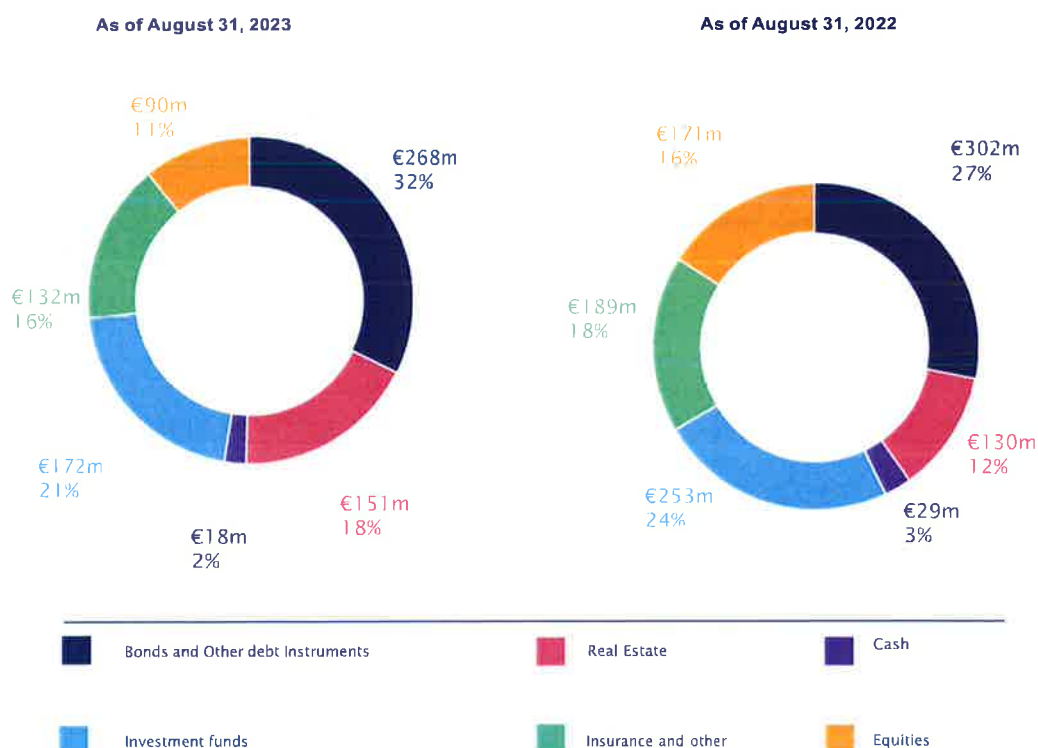
(in millions euro)	FISCAL 2023			FISCAL 2022		
	BENEFIT OBLIGATION	PLAN ASSETS	NET BENEFIT OBLIGATION	BENEFIT OBLIGATION	PLAN ASSETS	NET BENEFIT OBLIGATION
As of September 1	1,058	(1,076)	(19)	1,422	(1,275)	147
Expense/(income) recognized in the income statement	52	(40)	12	32	(19)	13
<i>Current service cost</i>	14	—	14	17	—	17
<i>Past service cost</i>	1	—	1	(6)	—	(6)
<i>Effect of settlements</i>	—	—	—	—	—	—
<i>Interest cost/(income)</i>	38	(40)	(2)	21	(19)	2
Remeasurement losses/(gains)	(113)	217	104	(391)	303	(88)
<i>Actuarial losses/(gains) arising from changes in demographic assumptions</i>	(7)	—	(7)	11	—	11
<i>Actuarial losses/(gains) arising from changes in financial assumptions</i>	(137)	219	82	(404)	303	(101)
<i>Experience adjustments</i>	31	—	31	2	—	2
Currency translation adjustment	(5)	2	(3)	13	(8)	5
Contributions made by plan members	2	(2)	—	2	(2)	—
Employer contributions ⁽¹⁾	—	(9)	(9)	—	(82)	(82)
Benefits paid from plan assets	(40)	42	2	(37)	40	3
Benefits paid other than from plan assets	(13)	—	(13)	(13)	—	(13)
Changes in scope of consolidation and other	(33)	33	—	29	(33)	(4)
AS OF AUGUST 31	908	(831)	76	1,057	(1,076)	(19)
Of which:						
Partially funded plans	798	(831)	(33)	932	(1,076)	(144)
Unfunded plans	110	—	110	125	—	125

(1) Contributions made by the employer to different plan assets of which 4 million euros of contributions to the United Kingdom pension plan assets.

The amounts recorded in the income statement for defined benefit plans totaled 12 million euros in Fiscal 2023 (13 million euros in Fiscal 2022) and consist of:

- net expense of 11 million euros (net expense of 8 million euros in Fiscal 2022) in Cost of sales;
- net expense of 4 million euros (net expense of 5 million euros in Fiscal 2022) in Selling, General and Administrative costs;
- net income of -3 million euros in financial income (see note 12.1).

Defined benefit plan assets, which mainly relate to UK defined benefits plans, comprise:



Recognized net actuarial losses arising from changes in financial assumptions amounted to 82 million euros, of which 89 million euros in the United Kingdom diminished by 7 million euros of net actuarial gains from other countries. In the United Kingdom, these losses were mainly due to the updated discount rate.

The following assumptions were used for actuarial valuations for the principal countries as of August 31, 2023 and 2022:

AUGUST 31, 2023	FRANCE	NETHERLANDS	UNITED KINGDOM	ITALY
Discount rate ⁽¹⁾	3.95%	3.95%	5.40%	3.75%
Salary long-term inflation rate ⁽²⁾	2.50%	N/A	3.70%	N/A
General long-term inflation rate ⁽³⁾	2.00%	N/A	3.20%	2.00%
Net liability (in millions euro)	70	—	(57)	11
Average term of the plans (in years)	9	13	15	6

(1) Discount rates in each country have been adjusted to reflect the term of the plans. For the euro zone and the United Kingdom, the Group uses discount rates based on yield curves for high quality corporate bonds drawn up by an external actuary.

(2) The salary inflation rate disclosed includes general inflation.

(3) United Kingdom: Retail Price Index (RPI): 3.20%; Consumer Price Index (CPI): 2.65% for Fiscal 2023.

AUGUST 31, 2022	FRANCE	NETHERLANDS	UNITED KINGDOM	ITALY
Discount rate ⁽¹⁾	2.60%	2.50%	4.30%	2.15%
Salary long-term inflation rate ⁽²⁾	2.50%	N/A	3.85%	N/A
General long-term inflation rate ⁽³⁾	2.00%	2.00%	3.35%	2.00%
Net liability (in millions euro)	65	—	(150)	14
Average term of the plans (in years)	8	16	15	6

(1) Discount rates in each country have been adjusted to reflect the term of the plans. For the euro zone and the United Kingdom, the Group uses discount rates based on yield curves for high quality corporate bonds drawn up by an external actuary.

(2) The salary inflation rate disclosed includes general inflation.

(3) United Kingdom: Retail Price Index (RPI): 3.35%; Consumer Price Index (CPI): 2.70% for Fiscal 2022.

With respect to the assumptions provided in the above table, for Fiscal 2023, a reduction of 1% in the discount rate would increase the gross obligation to 1,062 million euros (compared with 908 million euros based on the assumptions used as of August 31, 2023), while a rise of 0.5% in the general long-term inflation rate would increase the gross obligation to 982 million euros.

Based on estimates derived from reasonable assumptions, the amount to be recorded in the income statement for defined benefit plans in Fiscal 2024 is 20 million euros.

Multi-employer plans

In the United States, as of August 31, 2023, Bellon contributed to 47 multi-employer defined benefit pension plans under the terms of collective-bargaining agreements ("CBA") that cover its union-represented employees. The risks of participating in these multi-employer plans are different to those of single-employer plans in the following respects:

- assets contributed to the multi-employer plan are used to provide benefits to all beneficiaries of the plan, including beneficiaries of other participating employers;
- if a multi-employer plan is considered to be in "critical" status as defined by the U.S. Pension Protection Act of 2006, the plan will be required to adopt a rehabilitation plan which may require Sodexo to increase its required contributions to the plan;
- if a participating employer ceases to contribute to the plan, the unfunded obligations of the plan may have to be borne by Sodexo and the other remaining participating employers; and
- if Sodexo ceases to participate in a multi-employer plan, entirely or partially in excess of a threshold, or if substantially all of the participating employers of a given plan cease to participate, Sodexo may be required to pay that plan an amount based on the value of unfunded vested benefits of the plan and the Sodexo's pro-rata share of total plan contributions, referred to as withdrawal liability.

Bellon does not have the ability to account for these multi-employer plans as defined benefit plans because it does not have timely access to information about plan assets, plan obligations, actuarial gains and losses, service costs, and interest costs. As such, the multi-employer plans are accounted for as defined contribution plans.

The Group contributed 12 million euros to U.S. multi-employer defined benefit plans in Fiscal 2023 and 11 million euros in Fiscal 2022. Of the contributions made by Sodexo, 57% and 2% were made to plans considered to be in "critical" status or "endangered" status respectively, as defined by the U.S. Pension Protection Act of 2006 and per each plan's most-recent notice of plan funding status. Plans are generally considered to be in "critical" status when they are funded at less than 65%, among other factors, and are considered to be "endangered" when they are funded at 65% or more, but at less than 80%, among other factors.

5.1.1.2 OTHER EMPLOYEE BENEFITS

Other employee benefits, for an amount of 136 million euros as of August 31, 2023 (151 million euros as of August 31, 2022), mainly comprise a liability related to a deferred compensation program in the United States and obligations relating to long-service awards.

The total expense recognized with respect to these benefits in Fiscal 2023 was 9 million euros (8 million euros in Fiscal 2022).

5.2 Share-based payments

ACCOUNTING PRINCIPLES

Some Group employees receive compensation in the form of share-based payments, for which payment is made in equity instruments.

In accordance with IFRS 2 "Share-based Payments", these plans are classified as equity-settled share-based payment transactions and, accordingly, the services compensated by these plans are recognized as an operating expense over the vesting period (i.e. the period in which the service and, where applicable, the performance conditions are fulfilled), with a corresponding entry recorded in shareholders' equity.

The services compensated by these plans are recognized as an expense, with the offset recognized in shareholders' equity, over the vesting period. The amount of expense recognized in each period is determined by reference to the fair value of the equity instruments granted, as of the grant date.

The fair value of restricted shares is estimated at the date of grant based on the share price at that date after deductions for dividends on the shares that will not be paid to beneficiaries during the vesting period. The fair value of restricted shares subject to a performance condition based on Total Shareholder Return is estimated using a binomial model that takes into account the vesting conditions.

Each year, the Group reassesses the number of shares that are likely to be delivered to beneficiaries of restricted shares based on the applicable vesting conditions. The impact of any change in estimates is recognized in the income statement, with the offset recognized in shareholders' equity.

5.2.1 Restricted share plans

PRINCIPLE FEATURES OF RESTRICTED SHARE PLANS

Rules governing restricted share plans are as follows:

- shares vest only if the beneficiary is still working for the Group on the vesting date; in addition, some restricted share grants are subject to performance conditions;
- from 2020, the presence condition is 3 years from the grant date, which is consistent with the acquisition period and the performance conditions evaluation; This presence condition applies to all beneficiaries;
- the proportion of shares subject to a performance condition ranges from 10% to 100%, depending on the total number of shares awarded.

The performance criteria applied are directly linked to the Group's strategic priorities and are intended to measure performance in a global manner:

- two criteria linked to the Group's financial performance with the revenue and the underlying operating profit margin excluding currency effects from 2020 plans;
- two criteria are subject to the achievement of Corporate Responsibility objectives including diversity in top Group management as well as an internal objective of sustainable development for the shares granted since 2020;
- a performance criterion is related to stock market performance with the TSR (Total Shareholder Return) of Sodexo compared to that of one peer group. This one is made up of companies selected based on their size, the similarity of their operations to those of Sodexo and the fact that they all operate in the outsourcing and shared services industry. For 2023 and 2022 plans, 7 companies were included in the panel (Aramark, Compass, Edenred, Elior, ISS, Rentokil, Securitas).

MOVEMENTS IN FISCAL 2023 AND FISCAL 2022

The table below shows movements in restricted shares in Fiscal 2023 and Fiscal 2022:

	FISCAL 2023	FISCAL 2022
Outstanding at the beginning of the year	2,287,665	2,315,627
Granted during the year	852,820	834,629
Forfeited during the year	(478,279)	(423,329)
Delivered during the year	(337,578)	(439,262)
Outstanding at the end of the year	2,324,628	2,287,665

The weighted average fair value of the restricted shares granted in Fiscal 2023 is 80.68 euros per share (73.48 euros per share granted in Fiscal 2022).

The table below shows the grant dates of restricted shares outstanding as of August 31, 2023, the assumptions used to estimate their fair value at the grant date and the number of restricted shares outstanding at the period end:

DATE OF GRANT		VESTING PERIOD (in years)	EXPECTED DIVIDEND YIELD (in %)	RISK-FREE INTEREST RATE (in %)	VOLATILITY* (in %)	NUMBER OF SHARES OUTSTANDING AS OF AUGUST 31, 2023
November 20, 2020	International	3	1.8%	0.0%	38.8%	727,730
February 1, 2022	International	3	3.0%	0.0%	39.0%	730,020
June 22, 2022	International	3	3.8%	1.4%	43.7%	25,089
January 31, 2023	International	3	3.3%	2.8%	37.9%	815,801
June 28, 2023	International	3	2.9%	3.0%	27.8%	25,988
TOTAL						2,324,628

* Applicable for the portion of the restricted share grants subject to the TSR performance condition. Volatility is determined by reference to the share's historical weighted average volatility over a certain period prior to the grant date and the implicit volatility expected by the market.

5.2.2 Expense recognized during the fiscal year

The expense recognized in the Fiscal 2023 income statement for restricted shares (including those granted to employees of the Benefits & Rewards Services activity (Pluxee)) is 45 million euros (38 million euros in Fiscal 2022).

5.3 Group headcount

The following table shows the headcount of Group employees :

	AUGUST 31, 2023	AUGUST 31, 2022
AVERAGE HEADCOUNT AS OF AUGUST 31	429,315	418,403
TOTAL HEADCOUNT AS OF AUGUST 31	435,169	422,000

5.4 Compensation, loans, post-employment benefits and other benefits granted to Board members and the Sodexo Leadership Team

The compensation, loans, post-employment benefits and other benefits granted to Board members and to the Sodexo Leadership Team, including the Chairwoman and Chief Executive Officer in office, as of August 31, 2023, respectively for Fiscal 2022 and Fiscal 2023 comprise the following:

(in millions euro)	FISCAL 2023	FISCAL 2022
Remuneration paid by Bellon SA to corporate officers*	950,035	903,367
Attendance fees paid by Bellon SA to corporate officers	230,000	250,000
Attendance fees paid by Sodexo to corporate officers	170,500	149,516
Compensations and benefits paid by subsidiaries of Sodexo to corporate officers	2,273,799	1,857,162
Total	3,624,334	3,160,045

* Short-term benefits correspond to compensations paid by the Group to Board members and to the Executive Committee during Fiscal 2023 (including variable compensations of the prior financial year which were accrued during the latter).

These benefits include directors' compensation, and all forms of compensation and benefits paid (or earned during the period for offices held) by Sodexo S.A., other Sodexo Group companies or Bellon SA.

In addition, members of the Sodexo Leadership Team, holding an employment contract with one of its French subsidiaries, are beneficiaries of a defined benefit pension plan governed by article L.137-11-2 of the French Social Security Code. This pension plan was introduced in 2021 in line with the following rules: subject to one year of seniority within the Group, pension rights of up to 0.5% per year are granted for the first five years of the plan, and then up to 1% beyond five years, not exceeding a total of 10%. The rights are determined based on the fixed and variable compensation received during the calendar year. The rights vest subject to an achievement rate for annual variable compensation targets. The resulting pension will top up the pensions provided by the basic compulsory plans and will not generate any corresponding obligation on the Company's balance sheet.

As a reminder, Sophie Bellon, Chairwoman and Group Chief Executive Officer since October 1, 2021, is paid by Sodexo S.A. but does not have an employment contract with Sodexo S.A.

The Company has entered into non-compete clauses with a maximum term of 24 months with the Chairwoman and Chief Executive Officer and the Sodexo Leadership Team in order to protect the Group by restricting their freedom to hold a position as employee or director, or carry out any consulting work, for any of Sodexo's competitors, either directly or through another legal entity. This commitment applies to Sophie Bellon, without payment of any financial consideration.

No loans have been granted to the Board or the Sodexo Leadership Team members.

NOTE 6. GOODWILL, OTHER INTANGIBLE AND TANGIBLE ASSETS

6.1 Goodwill

ACCOUNTING PRINCIPLES

Any residual difference between the fair value of the consideration transferred (for example the amount paid), increased by the amount of the non-controlling interest in the acquired company (measured either at fair value or its share in the fair value of the identifiable net assets acquired) and the fair value as of the date of acquisition of the assets acquired and liabilities assumed, is recognized as goodwill in the statement of financial position.

Goodwill is analyzed per operating segment for On-site Services activity, as reflected in the new Group's organizational structure (see notes 1.1 and 4.1):

- North America;
- France;
- United Kingdom & Ireland;
- Continental Europe;
- Asia-Pacific/Middle East/Africa;
- Latin America (without Brazil);
- Brazil.

Principles applicable to the accounting of business combinations are described in the note 3.1 "Business combination".

Goodwill is not amortized but is subject to impairment tests immediately if there are indicators of impairment, and at least once per year. Impairment test procedures are described in note 6.4 "Impairment of non-current assets". Goodwill impairment charges recognized in the income statement are irreversible.

Changes in goodwill during the fiscal year were as follows:

(in millions euro)	SEPTEMBER 1, 2022	INCREASES	DECREASE	IMPAIRMENT RECLASSIFICATIONS ⁽¹⁾	CURRENCY TRANSLATION ADJUSTMENT AND OTHER	AUGUST 31, 2023
North America	2,662	—	—	—	(40)	2,406
France	505	10	—	—	—	515
United Kingdom & Ireland	671	8	—	—	(11)	669
Continental Europe	799	—	—	—	(13)	754
Europe	1,975	18	—	—	(24)	1,938
Asia-Pacific, Middle East & Africa	703	3	—	—	(1)	629
Latin America	379	—	—	—	(5)	374
Brazil	229	—	—	—	(2)	220
Rest of the World	1,311	3	—	—	(3)	1,223
ON-SITE SERVICES TOTAL	5,948	21	—	—	(67)	5,567
BENEFITS & REWARDS SERVICES (Pluxee)⁽¹⁾	663	—	—	—	(17)	635
Sodexo	206	—	—	—	—	206
TOTAL	6,817	21	—	—	(84)	6,408

(1) The reclassifications made during the financial year mainly correspond to the goodwill allocated to the Homecare and Glady activities.

6.2 Other intangible assets

ACCOUNTING PRINCIPLES

Separately acquired intangible assets are initially measured at cost. Intangible assets acquired in connection with a business combination and which can be reliably measured, are controlled by the Group and are separable or arise from a legal or contractual right, are recognized at fair value separately from goodwill. Subsequent to initial recognition, intangible assets are measured at cost less accumulated amortization and impairment charges.

Intangible assets other than certain trademarks having an indefinite useful life are considered to have finite useful lives, and are amortized by the straight-line method over their expected useful lives:

Integrated management software	3–7 years
Other software	3–4 years
Patents and licenses	2–10 years
Client relationships	3–20 years
Other intangible assets	3–20 years

Acquired trademarks with a finite useful life are generally amortized over a period of less than ten years. Trademarks that the Group considers as having an indefinite useful life (notably based on criteria relating to their durability and brand recognition) are not amortized. The amortization periods for client relationships recognized in connection with business combinations have been set by Management based on the estimated attrition rate for the contracts concerned (with a maximum of 20 years).

The cost of licenses and software recognized in the statement of financial position comprises the costs incurred in acquiring the software and bringing it into use and is amortized over the estimated useful life of the asset.

Subsequent expenditures on intangible assets are capitalized only if they increase the expected future economic benefits associated with the asset to which they relate. Other expenditures are expensed as incurred.

6.2.1 Gross value of other intangible assets

(in millions euro)	LICENSES AND SOFTWARE	CLIENT RELATIONSHIPS, TRADEMARKS AND OTHER	TOTAL
Gross value as of September 1, 2021	665	838	1,503
Acquisitions	97	71	168
Disposals	(22)	(40)	(62)
Currency translation adjustment	30	97	127
Reclassifications	(2)	(5)	(7)
Change in scope of consolidation	(6)	7	1
Other	—	—	—
Gross value as of August 31, 2022	762	967	1,729
Acquisitions	153	47	200
Disposals	(29)	(25)	(54)
Currency translation adjustments	(18)	(42)	(60)
Change in scope of consolidation	(8)	1	(7)
Other reclassifications	(3)	(43)	(46)
Gross value as of August 31, 2023	857	905	1,763

6.2.2 Amortization and impairment of other intangible assets

(in millions euro)	LICENSES AND SOFTWARE	CLIENT RELATIONSHIPS, TRADEMARKS AND OTHER	TOTAL
Amortization and impairment as of September 1, 2021	(435)	(478)	(913)
Amortization	(75)	(69)	(144)
Disposals	19	37	56
Impairment	(1)	—	(1)
Currency translation adjustment	(20)	(46)	(66)
Reclassifications	1	3	4
Change in scope of consolidation	2	11	13
Other	—	—	—
Amortization and impairment as of August 31, 2022	(509)	(542)	(1,051)
Amortization	(86)	(71)	(157)
Disposals	22	15	37
Impairment	—	—	—
Currency translation adjustments	12	19	31
Change in scope of consolidation	8	—	8
Other reclassifications	5	32	37
Amortization and impairment as of August 31, 2023	(548)	(547)	(1,095)

Amortization is reported under either Cost of sales or Administrative and Sales Department costs, except for amortization of intangibles assets acquired during a business combination transactions are recognized in "Other operating expenses".

6.2.3 Net value of other intangible assets

(in millions euro)	LICENSES AND SOFTWARE	CLIENT RELATIONSHIPS, TRADEMARKS AND OTHER	TOTAL
Net carrying amount as of September 1, 2021	230	360	590
Net carrying amount as of August 31, 2022	253	425	678
Net carrying amount as of August 31, 2023	309	358	668

6.3 Property, plant and equipment

ACCOUNTING PRINCIPLES

Property, plant and equipment are measured at cost less accumulated depreciation and impairment charges, except for land, which is measured at cost less accumulated impairment charges. Cost includes expenditures directly incurred to acquire the asset, and in some cases may also include estimated unavoidable future dismantling, removal and site remediation costs.

Subsequent expenditures are included in the carrying amount of the asset, or recognized as a separate component, if it is probable that the future economic benefits of the expenditures will flow to the Group and the cost can be measured reliably. All other repair and maintenance costs are recognized as expenses during the period in which they are incurred, except costs incurred to improve productivity or extend the useful life of an asset, which are capitalized.

Items of property, plant and equipment are depreciated over their expected useful lives using the component-based approach, taking account of their residual value. The straight-line method of depreciation is regarded as the method that most closely reflects the expected pattern of consumption of the future economic benefits embodied in items of property, plant and equipment.

The useful lives generally used by the Group are:

Buildings	20–30 years
General fixtures and fittings	3–10 years
Plant and machinery	3–8 years
Motor vehicles	4 years
Boats and pontoons (depending on the component)	5–15 years

The residual values and useful lives of items of property, plant and equipment are reviewed at each period end and, if necessary, adjuste

The carrying amounts of items of property, plant and equipment are tested for impairment if there is an indication that an item may be subject to impairment.

6.3.1 Gross value of property, plant and equipment

(in millions euro)	LAND AND BUILDINGS	PLANT AND EQUIPMENT	CONSTRUCTION IN PROGRESS AND OTHER	TOTAL
Gross value as of August 31, 2021	73	1,730	217	2,020
Acquisitions	4	147	46	197
Disposals	(4)	(83)	(20)	(107)
Currency translation adjustment	2	90	12	104
Reclassifications	6	3	(19)	(10)
Change in scope of consolidation	(6)	(40)	2	(44)
Other	—	—	—	—
Gross value as of August 31, 2022	75	1,847	238	2,159
Acquisitions	4	197	50	251
Disposals	(3)	(168)	(17)	(188)
Currency translation adjustment	(1)	(74)	(7)	(82)
Change in scope of consolidation	—	—	1	1
Other reclassifications	—	(1)	(37)	(38)
Gross value as of August 31, 2023	75	1,801	228	2,104

No item of property, plant and equipment is pledged as collateral for a liability.

6.3.2 Depreciation and impairment of property, plant and equipment

(in millions euro)	LAND AND BUILDINGS	PLANT AND EQUIPMENT	CONSTRUCTION IN PROGRESS AND OTHER	TOTAL
Depreciation and impairment as of August 31, 2021	(54)	(1,356)	(149)	(1,559)
Amortization	(4)	(156)	(16)	(176)
Disposals	3	78	13	94
Impairment	—	(1)	1	—
Currency translation adjustment	(1)	(63)	(8)	(72)
Reclassifications	(1)	10	1	10
Change in scope of consolidation	2	50	1	53
Other	—	—	—	—
Depreciation and impairment as of August 31, 2022	(55)	(1,438)	(157)	(1,650)
Amortization	(5)	(156)	(21)	(182)
Disposals	2	151	12	165
Impairment	—	4	—	4
Reclassifications	—	27	1	28
Currency translation adjustment	2	53	5	60
Depreciation and impairment as of August 31, 2023	(56)	(1,359)	(160)	(1,575)

Depreciation is reported under either Cost of sales or Selling, General and Administrative costs.

6.3.3 Net book value of property, plant and equipment

(in millions euro)	BUILDINGS	PLANT AND EQUIPMENT	CONSTRUCTION IN PROGRESS AND OTHER	TOTAL
Net carrying amount as of August 31, 2021	19	374	68	461
Net carrying amount as of August 31, 2022	20	409	81	510
Net carrying amount as of August 31, 2023	19	442	68	529

6.4 Impairment of non-current assets

ACCOUNTING PRINCIPLES

Impairment of assets with finite useful lives

Property, plant and equipment and intangible assets with finite useful lives are tested for impairment if there is any indication of impairment. Impairment charges are recognized in the income statement and may be reversed subsequently.

Impairment of assets with indefinite useful lives

Goodwill and other intangible assets considered to have an indefinite useful life (such as certain trademarks) are tested for impairment whenever there is an indication of impairment, and at least annually, in the last quarter of the fiscal year. The results of the impairment tests are then confirmed using actual data as of August 31.

Cash Generating Units

Assets that do not generate cash inflows that are largely independent of those from other assets, and hence cannot be tested for impairment individually, are grouped together in Cash Generating Units (CGUs).

Impairment tests are performed at the level of the CGU or group of CGUs corresponding to the lowest level at which goodwill is monitored by the Group.

Goodwill is analyzed per operating segment for On-site Services activity, as reflected in the Group's organizational structure (see note 4.1):

- North America;
- France;
- United Kingdom & Ireland;
- Continental Europe;
- Asia-Pacific/Middle East/Africa;
- Latin America (without Brazil);
- Brazil.

Goodwill is not tested for impairment at a higher level than the operating segments before aggregation for segment reporting.

The assets allocated to each CGU or group of CGUs comprise:

- goodwill, which is allocated when the CGU or group of CGUs is likely to benefit from the business combination;
- other intangible assets, property, plant and equipment, client investments, right-of-use assets relating to leases and net working capital.

Indications of impairment

The main indicators that a CGU or group of CGUs may be impaired are a significant decrease in the CGU or group of CGUs revenues and underlying operating profit or material changes in market trends.

Methods used to determine the recoverable amount

An impairment charge is recognized in the income statement when the carrying amount of an asset or CGU or group of CGUs is greater than its recoverable amount.

Recoverable amount is the greater of:

- fair value less costs of disposal, *i.e.*, the amount obtainable from the sale of an asset (net of selling costs) in an orderly transaction between market participants at the measurement date; and
- value in use, which is the present value of the future cash flows expected to be derived from continuing use and ultimate disposal of the asset or CGU or group of CGUs.

The value in use of a CGU or group of CGUs is estimated using after-tax cash flow projections based on business plans and a terminal value calculated by extrapolating data for the final year of the business plan.

Business plans generally cover five years. These plans have been drawn up for each operating segment resulting from the Group's organizational structure as described in note 4.1.

Management, both at Group and subsidiary levels, prepare underlying profit forecasts on the basis of past performance and expected market trends.

The growth rate used beyond the initial period of the business plans reflects the growth rate of the operating segment concerned, taking into account the geographic regions in which the operating segment conducts business.

Expected future cash flows are discounted at the weighted average cost of capital calculated for the Group. For certain CGUs or groups of CGUs a premium is added to the weighted average cost of capital in order to reflect the greater risk factors affecting certain countries in which the operating segment concerned conducts business.

Recognition of impairment charges

An impairment charge recognized with respect to a CGU or group of CGUs is allocated initially to reducing the carrying amount of any goodwill allocated to that CGU, and then to reducing the carrying amount of the other assets of the CGU or group of CGUs in proportion to the carrying amount of each asset.

Reversal of impairment charges

Impairment charges recognized with respect to goodwill cannot be reversed.

Impairment charges recognized with respect to any other asset may only be reversed if there is an indication that the impairment charge is lower or no longer exists. The amount reversed is based on the new estimates of the recoverable amount.

The increased carrying amount of an asset resulting from the reversal of an impairment charge cannot exceed the carrying amount that would have been determined for that asset had no impairment charge been recognized.

Impairment charges, net of reversals, relating to property, plant and equipment and intangible assets (including goodwill) amounted to -165 million euros as of August 31, 2023 (1 million euros as of August 31, 2022) and taking into account a net amortization recognized in other operating expenses in Fiscal 2023 for 1 million euros (1 million euros in Fiscal 2022).

The following table indicates the main assumptions used for the main countries of each CGU group:

	FISCAL 2023		FISCAL 2022	
	LONG-TERM		LONG-TERM	
	DISCOUNT RATE	GROWTH RATE	DISCOUNT RATE	GROWTH RATE
North America				
Canada	9.1%	2.0%	8.4%	2.0%
United States	9.1%	2.1%	8.4%	2.0%
France	8.9%	1.6%	8.5%	1.6%
United Kingdom & Ireland				
United Kingdom	10.2%	2.0%	8.3%	2.0%
Continental Europe				
Belgium	9.1%	2.0%	8.6%	1.7%
Germany	8.9%	2.0%	8.5%	2.0%
Italy	11.8%	2.0%	10.2%	2.0%
Spain	10.8%	1.7%	9.6%	1.7%
Sweden	8.9%	2.0%	8.5%	2.0%
Asia-Pacific, Middle East & Africa				
Australia	8.9%	2.6%	8.5%	2.5%
China	9.3%	2.2%	8.7%	2.0%
India	11.8%	4.0%	10.2%	4.0%
Latin America				
Chile	9.5%	3.0%	8.7%	3.0%
Colombia	11.3%	3.0%	9.9%	3.0%
Mexico	11.3%	3.0%	9.6%	3.0%
Brazil	13.2%	3.0%	11.0%	3.0%

SENSITIVITY ANALYSIS

Sodexo has analyzed the sensitivity of goodwill impairment test results to different financial and operational scenarios:

- the results of the goodwill sensitivity analysis indicated no probable scenario where a change in the discount rate or long-term growth rate would result in the recoverable amount of segment assets becoming less than its carrying amount. In fact, the results of the impairment testing demonstrate that even an increase of 150 basis points in the discount rate or a reduction of 150 basis points in the long-term growth rate would not result in an impairment of the assets tested for any segment.
- the Group also performed a sensitivity analysis on the operational assumptions used in order to determine whether a 10% decrease in forecast net cash flows over the time period of the business plans prepared by management and in terminal value would result in the recognition of an impairment in the Group's consolidated financial statements as of August 31, 2023. The results of this analysis did not indicate any risk of impairment for any of the segments.

The following table indicates the main assumptions adopted for the main countries of each UGT group of Pluxee:

As mentioned in the summary of accounting principles and policies above, impairment tests are performed by country (group of CGUs) but the results are presented below at the level of aggregations of segments for the sake of concision.

	FISCAL 2023		FISCAL 2022		FISCAL 2021	
	DISCOUNT RATE	LONG-TERM GROWTH RATE	DISCOUNT RATE	LONG-TERM GROWTH RATE	DISCOUNT RATE	LONG-TERM GROWTH RATE
Continental Europe	7.25% to 14.0%	1.5% to 2.5%	6.25% to 13.5%	1.25% to 2.5%	6.0% to 9.5%	1.25% to 2.5%
<i>Including Franc</i>	7%	2%	7%	2%	6%	2%
Latin America	9.25% to 18.0%	2.0% to 4.5%	9.0% to 18.0%	2.0% to 4.5%	7.0% to 13.5%	2.0% to 4.0%
<i>Including Brazi</i>	18%	3%	18%	3%	14%	3%
Rest of the World	8.0% to 36.0%	2.0% to 20.0%	7.0% to 28.5%	1.75% to 15.0%	5.25% to 20.5%	0.75% to 11.0%

Sensitivity analysis

The Group has analyzed the sensitivity of goodwill impairment test results to different financial and operational scenarios:

- the results of the goodwill sensitivity analysis indicated no probable scenario where a change in the discount rate or long-term growth rate would result in the recoverable amount of segment assets becoming less than its carrying amount. In fact, the results of the impairment testing demonstrate that an increase of 50 basis points in the discount rate or a reduction of 50 basis points in the long-term growth rate would not result in an impairment of the assets tested for any country;
- the Group also performed a sensitivity analysis on the operational assumptions used in order to determine whether a 100 basis points decrease in forecast Underlying EBITDA margin over the time period of the business plans prepared by the management and in terminal value would result in the recognition of an impairment in the Group's combined financial statements as of August 31, 2023. The results of this analysis did not indicate any risk of impairment for any country.

NOTE 7. LEASES

ACCOUNTING PRINCIPLES

The Group determines whether a contract is or contains a lease at inception of the contract. The Group classifies as a lease a contract that conveys to the Group the right to control the use of an identified asset for a given period of time.

Leases are recognized on the consolidated statement of financial position at the commencement date of the contract, except for leases covered by the exemptions allowed by IFRS 16 "Leases" (short-term leases and leases of low value assets), adopted by the Group.

Leases are reflected in the consolidated statement of financial position by recognizing an asset representing the right to use the leased asset and a related liability corresponding to the obligation to make future lease payments. In the consolidated income statement, a depreciation of the right-of-use assets is recorded in operating expenses, separately from the interest expense on lease liabilities. In the consolidated cash flow statement, cash outflows relating to interest on lease liabilities impact operating activities flows, while repayment of the lease liabilities impact financing activities flows.

Short-term leases (*i.e.* lease term of 12 months or less) and leases of low-value assets (such as IT equipment) are expensed directly in operating expenses on a straight-line basis over the lease term.

Particular rent concessions payments due until June 30, 2022 occurring as a direct consequence of the Covid pandemic are recorded in operating profit as if they were not lease modifications in accordance with the practical expedient permitted by amendments to IFRS 16 "Covid-19-Related Rent Concessions" and "Covid-19-Related Rent Concessions beyond June 30, 2021" published respectively in May 2020 and March 2021.

The leases contracted by the Group as a lessee mainly relate to the following categories of assets:

- real estate (land and buildings): the Group leases land and buildings for its offices. Terms and conditions are negotiated on an individual case basis and contain numerous different clauses, depending on the legal environment specific to each country. These leases are entered into for terms of 1 to 20 years and may contain extension options;
- sites and spaces operated as part of concession arrangements: the Group operates various sites (restaurants, retail spaces and kitchens) made available pursuant to concession agreements. The commissions paid in that respect are based on performance indicators of the location (variable payments, generally based on turnover) and may contain a minimum guarantee fee. Terms and conditions are negotiated on an individual case basis and contain numerous different clauses. These leases are entered into for terms of 1 to 18 years and may contain extension options;
- vehicles: the Group leases vehicles for some of its employees. These leases are entered into for terms of 1 to 5 years;
- equipment: the Group also leases some equipment necessary for its operations (kitchen equipment, vending machines...). Terms and conditions are negotiated on a case-by-case basis and contain numerous different clauses. These leases are entered into for terms of 1 to 5 years and may contain extension options.

The amount of lease concessions granted by lessors due to the Covid pandemic which was recognized in the income statement during Fiscal 2022 in application of the practical expedient provided for by the amendments to IFRS 16 is not significant.

7.1 Lease liabilities

ACCOUNTING PRINCIPLES

The Group recognizes a lease liability at the date on which the underlying asset is made available for use. The lease liability is measured at the net present value of lease payments to be made over the lease term.

Lease payments

The lease payments included in the measurement of the lease liability comprise:

- fixed rents (including minimum guarantee fee to be paid in accordance with concession agreements), less any lease incentive receivable from the lessor;
- variable rents that depend on an index or a rate;
- in-substance fixed payments.

Payments expected to be made to the lessor at the termination of the contract are also included (relatively rare in practice within the Group), such as:

- residual value guarantees;
- exercise price of a purchase option, when its exercise is reasonably certain; and
- termination penalties payable to the lessor, when the exercise of a termination option is reasonably certain.

Variable lease payments that do not depend on an index or a rate (notably, rents or commissions based on turnover) remain recognized in operating expenses when incurred. In addition, the Group elected to exclude, where applicable, non-lease components of the contract in the measurement of the lease liability (for example, vehicle maintenance services). Consequently, payments in relation to service components of the lease contracts are recorded in operating expenses, in the same way as variable lease payments.

Lease term

The lease term is assessed for each lease as the non-cancellable period of the contract, adjusted to reflect periods covered by an option to extend the lease that the Group is reasonably certain to exercise, and periods covered by an option to terminate the lease that the Group is reasonably certain not to exercise.

The legal environment and market practices specific to each country are also considered in assessing the lease term. This applies in particular to open-ended leases, for which an enforceable period is determined in light of circumstances specific to each situation. In assessing the enforceable period of each contract, the Group determines whether it would incur a penalty on termination that is more than insignificant, taking into account various relevant indicators (indemnities arising from contractual obligations and economic penalties based on operational criteria, in accordance with the clarifications provided by IFRS IC). In the specific case of French commercial property leases (also referred to as "3/6/9 leases"), the assessment is made on a case-by-case basis, that may lead to consider an enforceable period that is beyond the residual length of the initial 9-year term in some instances.

Discount rate

The discount rate used is generally the lessee incremental borrowing rate, as the rate implicit in the lease cannot be readily determined for most of the contracts. The incremental borrowing rate is calculated using the following parameters: risk-free rate of the relevant currency, duration of the lease, credit spread of the subsidiary concerned.

Subsequently, the lease liability is recognized at amortized cost using the effective interest method and is remeasured after the commencement date to reflect changes arising from:

- any modification of the lease term, reflecting a contractual modification or a reassessment of the probability of an extension or termination option being exercised;
- any changes in rent amount, resulting for example from a change in an index or a rate used to determine lease payments;
- any reassessment of the probability of a purchase option being exercised;
- any other contractual modification, such as the scope of the underlying asset.

As of August 31, 2023, the lease liabilities amount to 878 million euros, including 720 million euros of non-current lease liabilities and 158 million euros of current lease liabilities. The change in lease liabilities during Fiscal 2023 and Fiscal 2022 breaks down as follows:

(in millions euro)	FISCAL 2023	FISCAL 2022
Lease liabilities as of September 1	943	939
Increase/(Decrease)	215	186
Repayment of the principal	(222)	(225)
Currency translation adjustment	(48)	75
Change in scope of consolidation	—	(33)
Other variation	(10)	1
LEASE LIABILITIES AS OF AUGUST 31	878	943

(1) The reclassifications made during the period mainly correspond to the reclassification of Homecare lease liabilities in liabilities directly associated with assets held for sale or for distribution (see note 3.2).

Lease liabilities maturity breaks down as follows:

(in millions euro)	AUGUST 31, 2023	AUGUST 31, 2022
< 1 year	158	184
1 to 3 years	249	260
3 to 5 years	188	185
> 5 years	283	314
LEASE LIABILITIES CARRYING VALUE	878	943

7.2 Right-of-use assets relating to leases

ACCOUNTING PRINCIPLES

A right-of-use asset is recognized for each lease contract (except for those covered by the exemptions), as a counterpart of the lease liability. This right-of-use asset is measured as the initial amount of the lease liability (assessed as specified above) plus, where applicable, the initial direct costs incurred in obtaining the contract (fees and administrative costs), the advance lease payments made to the lessor and the estimated costs to be incurred in restoring the underlying asset to the condition required by the terms and conditions of the contract.

The right-of-use asset is depreciated on a straight-line basis over the lease term used to measure the lease liability and, when necessary, is subject to impairment tests according to the same rules as those used for intangible assets and property, plant and equipment (see note 6.3). The carrying amount is subsequently adjusted to reflect the change in the lease liability arising from amendments to the lease provisions and other remeasurement events (see above).

Right-of-use assets break down as follows, by type of underlying asset:

(in millions euro)	LAND AND BUILDINGS	SITES AND SPACES OPERATED UNDER CONCESSION AGREEMENTS	VEHICLES	EQUIPMENT	TOTAL
Gross value as of August 31, 2021	438	695	149	21	1,304
Increase	19	84	(3)	2	102
Translation Adjustments	23	70	5	3	101
Reclassifications	(3)	—	—	—	(3)
Change in scope of consolidation	(46)	(11)	(1)	—	(58)
Other movements	(2)	—	—	—	(2)
Gross value as of August 31, 2022	429	838	151	26	1,444
Increase	94	19	1	(2)	111
Currency translation adjustment	(18)	(46)	(9)	(1)	(74)
Change in scope of consolidation	—	—	—	—	—
Other reclassifications	(16)	—	(3)	—	(19)
Gross value as of August 31, 2023	489	811	140	23	1,462

(in millions euro)	LAND AND BUILDINGS	SITES AND SPACES OPERATED UNDER CONCESSION AGREEMENTS	VEHICLES	EQUIPMENT	TOTAL
Amortization and impairment as of August 31, 2021	(140)	(177)	(72)	(11)	(400)
Amortization	(71)	(91)	(45)	(4)	(211)
Reversals	25	13	28	4	70
Impairment	1	—	—	—	1
Currency translation adjustment	(9)	(18)	(2)	(2)	(31)
Reclassifications	3	—	—	—	3
Change in scope of consolidation	4	6	10	(1)	19
Other movements	—	—	—	—	—
Amortization and impairment as of August 31, 2022	(187)	(267)	(81)	(14)	(549)
Amortization	(65)	(91)	(39)	(5)	(200)
Reversals	23	20	34	6	83
Impairment	—	—	—	—	—
Currency translation adjustment	8	15	5	1	29
Change in scope of consolidation	—	—	—	—	—
Other reclassifications	5	1	2	—	8
Amortization and impairment as of August 31, 2023	(216)	(322)	(79)	(12)	(629)

(in millions euro)	LAND AND BUILDINGS	SITES AND SPACES OPERATED UNDER CONCESSION AGREEMENTS	VEHICLES	EQUIPMENT	TOTAL
Net carrying amount as of August 31, 2021	299	518	77	10	903
Net carrying amount as of August 31, 2022	242	571	69	12	895
Net carrying amount as of August 31, 2023	273	489	61	11	834

NOTE 8. INVESTMENTS IN COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

ACCOUNTING PRINCIPLES

Associates are companies in which Bellon directly or indirectly exercises significant influence over financial and operating policy, without exercising exclusive or joint control. Joint ventures are joint arrangements in which Bellon directly or indirectly exercises joint control and has rights to the net assets of the arrangement. Associates and joint ventures are accounted for using the equity method. Bellon has a number of equity interests in project companies established in connection with Public-Private Partnership (PPP) contracts. These contracts enable governments to call upon the private sector for the design, construction, financing and management of public infrastructure (hospitals, schools, barracks, prisons), with detailed performance criteria. An analysis is performed for each of these equity interests, in order to determine whether they qualify as associates or joint ventures.

When Bellon is legally or constructively obligated to make payments on behalf of companies accounted for using the equity method, a provision is made under liabilities in the consolidated statement of financial position for its share in the negative shareholders' equity of the said companies (see note 10.1).

Changes in the Group's share of the net assets of companies accounted for using the equity method in Fiscal 2022 and Fiscal 2023 are shown below:

(in millions euro)	FISCAL 2023	FISCAL 2022
Carrying amount as of September 1	65	57
Of which Investments in companies accounted for using the equity method	73	63
Of which Provisions	(8)	(6)
Share of profit for the period	12	8
Other comprehensive income (loss)	—	—
Dividend paid for the period	(8)	(6)
Currency translation adjustment	(3)	6
Reclassifications of which reclassifications in assets held for sale or for distribution	(6)	—
CARRYING AMOUNT AS OF AUGUST 31	60	65
Of which Investments in companies accounted for using the equity method	67	73
Of which Provisions	(7)	(8)

NOTE 9. INCOME TAX

ACCOUNTING PRINCIPLES

Income tax expense

Income tax expense for the year includes current taxes and deferred taxes. It includes the contribution on the added value of companies (*cotisation sur la valeur ajoutée des entreprises (CVAE)*), a business tax assessed on corporate value-added generated by French subsidiaries, which is reported under income tax expense as the Group considers that it meets the definition of a tax on income contained in IAS 12 "Income Tax".

Tax credits which do not affect taxable profit and are always refunded by tax authorities if they have not been deducted from corporate income tax are recognized as subsidies and therefore presented as a reduction to the expenses to which they relate.

Uncertain income tax positions are estimated in accordance with IFRIC 23 "Uncertainty over income tax treatments". The accounting for uncertain tax treatments requires an entity to make estimates and judgments about whether the relevant taxation authority will accept the position taken by the entity in its tax filings (most likely amount or expected value corresponding to the probability-weighted average of the possible outcomes). Uncertain tax positions balances are presented as current or deferred tax assets or liabilities in Income tax payable.

Deferred taxes

Deferred taxes are recognized on temporary differences between the carrying amount of an asset or liability and its tax base, using the tax rate that is expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that are enacted or substantially enacted at the period end.

Deferred taxes are not recognized on the following items:

- initial recognition of goodwill;
- initial recognition of an asset in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit; and
- temporary differences on investments in subsidiaries that are not expected to reverse in the foreseeable future.

Taxes on items recognized directly in shareholders' equity or in other comprehensive income are recognized in shareholders' equity or in other comprehensive income, respectively, and not in the income statement (see note 11).

Deferred tax assets on temporary differences and tax loss carry-forwards are only recognized if their recoverability is considered probable, considering existing temporary differences giving rise to deferred tax liabilities expected to reverse and taxable profits that will be available in the foreseeable future and against which the temporary difference can be utilized. When assessing the probability of a taxable profit being available in the foreseeable future, account is taken, primarily, of prior years' results, forecasted future results based on a business plan performed at the level of each taxable entity, non-recurring items unlikely to occur in the future and the tax strategy.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets and liabilities and the deferred taxes relate to the same taxable entity and tax authority.

9.1 Components of income tax expense

<i>(in millions euro)</i>	FISCAL 2023	FISCAL 2022
Current income tax (expenses)/income	(241)	(211)
Withholding taxes	(13)	(9)
Deferred income tax (expenses)/income	(6)	(45)
INCOME TAX EXPENSE	(261)	(264)

As of Fiscal 2023, the change in deferred income tax expense corresponds to the reversal of deferred tax assets and the non-recognition of deferred tax assets previously recognized in new countries impacted by losses.

Based on the preliminary work performed, the Group does not expect any significant impact from the Pillar 2 reform on its consolidated financial statements.

9.2 Income tax rate reconciliation

(in millions euro)	FISCAL 2023	FISCAL 2022
Profit for the year before tax	916	969
Share of profit of companies accounted for using the equity method	(12)	(8)
Profit before tax excluding share of profit of companies accounted for using the equity method	904	961
Tax rate applicable to Sodexo S.A.	25.83%	28.40%
Theoretical income tax (expense)/income	(234)	(273)
Effect of jurisdictional tax rate differences	14	39
Permanently non-deductible expenses or non-taxable income*	(56)	2
Other tax repayments/(charges), net	15	8
Tax loss carry-forwards used or recognized during the period but not recognized as a deferred tax asset in prior periods	26	4
Tax loss carry-forwards and temporary differences arising during the period or prior years but not recognized as a deferred tax asset	(13)	(35)
Actual income tax expense	(248)	(256)
Withholding taxes	(13)	(9)
TOTAL INCOME TAX EXPENSE	(261)	(264)

* Including 17 million euros in France related to the operations prior to the spin-off project. This charge was offset by using of unrecognized tax losses and unrecognized tax credits.

The effective tax rate, calculated on profit for the period before tax and excluding the share of profit of companies accounted for using the equity method, went from 27.5% for Fiscal 2022 to 24.6% for Fiscal 2023. The decrease in the effective tax rate is mainly explained by the decrease in the CVAE rate in France and the improvement of results in countries where the deferred taxes assets generated by tax losses are not recognized as in France, or they are partially recognized as in Germany.

9.3 Deferred tax assets and liabilities

Movements in deferred taxes were as follows in Fiscal 2023:

(in millions euro)	AUGUST 31, 2022	DEFERRED TAX BENEFIT/(EXPENSE)	DEFERRED TAX RECOGNIZED IN OTHER COMPREHENSIVE INCOME	CURRENCY TRANSLATION ADJUSTMENT AND OTHER	CLASSIFICATION AS ASSETS/ LIABILITIES HELD FOR SALE OR FOR DISTRIBUTION ⁽¹⁾	AUGUST 31, 2023
Employee-related liabilities	146	(18)	25	(10)	(2)	141
Fair value of financial instruments	3	—	—	—	—	3
Goodwill	(240)	7	—	17	6	(210)
Intangible assets	(22)	23	—	7	4	12
Other temporary differences	8	(27)	(4)	3	(4)	(24)
Tax loss carry-forwards	98	8	—	(3)	(4)	99
TOTAL NET DEFERRED TAX ASSETS/(LIABILITIES)	(7)	(7)	21	14	—	21
Of which deferred tax assets	154	—	—	—	—	219
Of which deferred tax liabilities	(161)	—	—	—	—	(198)

Movements in deferred taxes were as follows in Fiscal 2022:

(in millions euro)	SEPTEMBER 1, 2021	DEFERRED TAX BENEFIT/(EXPENSE)	DEFERRED TAX RECOGNIZED IN OTHER COMPREHENSIVE INCOME	CURRENCY TRANSLATION ADJUSTMENT AND OTHER	AUGUST 31, 2022
Employee-related liabilities	151	(4)	(22)	21	146
Fair value of financial instruments	16	(13)	(2)	2	3
Goodwill	(200)	(4)	—	(36)	(240)
Intangible assets	(12)	(6)	—	(4)	(22)
Other temporary differences	18	(9)	1	(2)	8
Tax loss carry-forwards	97	(9)	—	10	98
TOTAL NET DEFERRED TAX ASSETS/(LIABILITIES)	70	(45)	(23)	(9)	(7)
Of which deferred tax assets	176	—	—	—	154
Of which deferred tax liabilities	(106)	—	—	—	(161)

As of August 31, 2023, the deferred tax assets arising from tax loss carry-forwards amount to 99 million euros (98 million euros as of August 31, 2022). Brazil and Germany are the main countries with tax loss carry-forwards recognized (for those countries, the use of tax loss carry-forwards is unlimited). The recoverability of the deferred tax assets arising from tax loss carry-forwards is assessed based on a business plan performed at the level of each tax jurisdiction.

Unrecognized deferred tax assets arising from tax loss carry-forwards because their recovery is considered to be uncertain amounted cumulatively to 194 million euros as of August 31, 2023 (215 million euros as of August 31, 2022). The main country with tax loss carryforwards that did not give rise to the recognition of deferred tax assets as of August 31, 2023, is France where the use of tax losses is unlimited over time. For the French tax group, the amount of unrecognized deferred tax assets arising from loss carryforwards and used in Fiscal 2023 amounts to 5 million euros. Temporary differences in employee-related liabilities relate primarily to post-employment benefits.

NOTE 10. PROVISIONS, LITIGATION AND CONTINGENT LIABILITIES

ACCOUNTING PRINCIPLES

A provision is recognized if the Group has a legal or constructive obligation at the closing date and it is probable that settlement of the obligation will require an outflow of resources and the amount of the liability can be reliably measured.

Provisions primarily cover commercial, employee-related and tax-related risks and litigation (other than those related to income tax) arising during the course of operating activities, and are measured using assumptions that take account of the most likely outcomes.

Where the effect of the time value of money is material, the amount of the provision is determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and any risks specific to the liability.

A provision for onerous contracts is established where the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under it.

10.1 Provisions

(in millions euro)	AUGUST 31, 2022	INCREASES /CHARGES	REVERSALS WITH UTILIZATION	REVERSALS WITHOUT UTILIZATION	CURRENCY TRANSLATION ADJUSTMENT AND OTHER	CHANGES IN SCOPE OF CONSOLIDATION	AUGUST 31, 2023
Employee claims and litigation	55	8	(14)	(11)	5	—	43
Tax and social security exposures	32	2	(4)	—	(1)	—	29
Contract termination and loss-making contracts	21	22	(5)	(8)	(5)	—	25
Client/supplier claims and litigation	37	7	(8)	(13)	—	—	23
Reorganization costs ⁽¹⁾	17	17	(11)	(3)	(1)	—	19
Negative net assets of associates ⁽²⁾	8	—	—	—	(1)	—	7
Other provisions ⁽³⁾	44	141	(8)	(4)	5	—	179
TOTAL PROVISIONS	214	197	(50)	(39)	2	—	324

(1) Provisions for reorganization mainly correspond to rationalization costs resulting from the reorganization of the Group.

(2) Investments in companies accounted for using the equity method that have negative net assets (see note 8).

(3) Other provisions mainly concern the provision for the dispute between Sodexo and the Competition Authority (See Note 10.2).

(in millions euro)	AUGUST 31, 2021	INCREASES/ CHARGES	REVERSALS WITH UTILIZATION	REVERSALS WITHOUT UTILIZATION	CURRENCY TRANSLATION ADJUSTMENT AND OTHER	CHANGES IN SCOPE OF CONSOLIDATION	AUGUST 31, 2022
Reorganization costs	67	9	(45)	(15)	2	(1)	17
Employee claims and litigation	56	17	(10)	(8)	1	(1)	55
Tax and social security exposures	30	5	(1)	(3)	1	—	32
Contract termination and loss-making contracts	27	6	(10)	(6)	4	—	21
Client/supplier claims and litigation	23	22	(10)	—	2	—	37
Negative net assets of associates ⁽¹⁾	6	—	—	—	2	—	8
Other provisions	45	11	(9)	(5)	—	2	44
TOTAL PROVISIONS	254	70	(85)	(37)	12	—	214

(1) Investments in companies accounted for using the equity method that have negative net assets (see note 8).

Provisions for exposures and litigation are determined on a case-by-case basis and rely on management's best estimate of the outflows deemed likely to satisfy legal or implicit obligations to which the Group is exposed as of the end of the fiscal year.

Current and non-current provisions are as follows:

(in millions euro)	AUGUST 31, 2023		AUGUST 31, 2022	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Reorganization costs	19	—	17	—
Employee claims and litigation	19	24	21	34
Tax and social security exposures	14	15	14	18
Contract termination and loss-making contracts	3	22	13	8
Client/supplier claims and litigation	10	13	23	14
Negative net assets of associates*	—	7	—	8
Other provisions	141	37	11	33
TOTAL PROVISIONS	206	118	99	115

* Investments in companies accounted for using the equity method that have negative net assets (see note 8).

10.2 Litigation and contingent liabilities

DISPUTES WITH THE BRAZILIAN TAX AUTHORITIES

During Fiscal 2021, the subsidiary Sodexo do Brasil Comercial received a tax reassessment notice mainly linked to the tax deductibility of the amortization of goodwill recognized on the purchase of Puras. The reassessment covers the period from 2015 to 2017 and amounts to 215 million Brazilian real to date, i.e., 40 million euros as of August 31, 2023 (of which 9 million euros in principal and 31 million euros in penalties and late payment interests). In August 2021, the competent administrative Court ruled in favor of Sodexo do Brasil Comercial but the Brazilian tax authorities appealed this first instance decision. However, the Group considers that the risks of a change in the decision are low, considering, on the one hand, that it has strong arguments to contest the tax reassessment and, on the other hand, the recent favorable decision of the CSRF ending the dispute between Sodexo Pass do Brasil and the Brazilian tax authorities on the same issue mentioned below.

The goodwill amount has been fully amortized. The tax saving generated by this tax depreciation were offset in the consolidated accounts of the group by a deferred tax expense of the same amount for each of the related periods, in accordance with IFRS rules. The deferred tax liability related to the reassessed periods amounts to 26 million euros as of August 31, 2023.

In addition, Sodexo and its main competitors have a different interpretation from that of the Brazilian tax administration on the deductibility of PIS/COFINS on certain purchases made at a zero rate. Several proceedings are underway, either at the initiative of the tax authorities, which have notified Sodexo do Brasil Comercial of an adjustment in respect of credits recognized in 2016 of 9 million euros (including penalties and interest for late payment), or at the initiative of the company, which has filed several claims in the courts. One of these proceedings initiated by Sodexo do Brasil Comercial was suspended, on the initiative of the judge, until the Supreme Court's decision on another company's case. In February 2023, the Supreme Court issued its decision, which was unfavorable to the Company concerned: the judges essentially ruled that ordinary law may provide for limitations on the use of PIS/COFINS credits, provided that such law respects all constitutional principles, in particular equality of treatment of taxpayers and free competition. This decision, which should not be considered automatically unfavorable for the individual cases of each taxpayer, does not affect the appeals filed by Sodexo, which will continue to follow their respective courses. Sodexo do Brasil Comercial believes that it has different and strong enough arguments to ultimately succeed in court on this issue. After consultation with its advisors, Sodexo considers that its chances of success in these proceedings are good and that to date the risk of an outflow of resources associated with the PIS/COFINS credits deducted since 2016 remains unlikely; therefore, no provision has been recorded in the consolidated financial statements as of August 31, 2023.

As a reminder, the subsidiary Sodexo Pass do Brasil was in dispute with the Brazilian tax authorities regarding the tax deductibility of the amortization of goodwill recognized on the acquisition of VR in March 2008.

In Fiscal 2017, Sodexo Pass do Brasil received a tax reassessment notice for fiscal years 2010 to 2012 challenging the deductibility for tax purposes of the goodwill amortization, with 150% penalties and late payment interest.

The Group firmly disputed this reassessment, which the Brazilian tax authorities originally envisaged during a previous tax audit covering the fiscal years 2008 and 2009 but then abandoned, as it considered that the tax amortization of goodwill was valid and that the procedure therefore had a strong chance of succeeding in its favor.

This dispute was decided on August 14, 2018 before the competent administrative court (CARF). The court ruled in favor of Sodexo Pass do Brasil, considering that the goodwill and corresponding tax amortization were legitimately recognized on the acquisition of VR. This ruling in favor of Sodexo Pass do Brasil was confirmed by the Superior Court of Appeal (CSRF) at a hearing on September 13, 2022 and notified in writing to the Group on October 27, 2022. The Federal Tax Administration has already taken note of the decision, without expressing any request for clarification, thus definitively ending the dispute in favor of Sodexo Pass do Brasil.

It is recalled that, the reassessment amounted to 573 million Brazilian reals, i.e., 111 million euros as of August 31, 2022 (29 million euros in principal, 43 million euros in penalties and 40 million euros in late payment interest). The tax savings generated by this tax depreciation were offset in the consolidated accounts of the Group by a deferred tax expense of the same amount for each of the related financial periods, in accordance with the IFRS rules. The deferred tax liability related to the reassessed periods amounted to 29 million euros as of August 31, 2022 (24 million euros as of August 31, 2021).

DISPUTE WITH THE FRENCH COMPETITION AUTHORITY

On October 9, 2015, the company Octoplus filed a complaint with the French Competition Authority (*Autorité de la concurrence*) concerning several French meal voucher issuers, including Sodexo Pass France. Following the hearing of the parties concerned in April and July 2016, the Competition Authority decided on October 6, 2016 to continue the proceedings, without ordering interim measures against Sodexo Pass France.

On February 27, 2019, the prosecution services sent their final Investigation Report to Sodexo Pass France. In its response filed on April 29, 2019, the Group contested both of the grievances notified by the Authority (exchange of information and foreclosure of the meal voucher market through the *Centrale de Règlement des Titres*). On December 17, 2019, the French Competition Authority ruled against the meal voucher issuers and fined Sodexo Pass France, jointly and severally with Sodexo S.A., 126 million euros. This decision was formally notified to Sodexo Pass France and Sodexo S.A. on February 6, 2020. Sodexo filed an appeal against the decision with the Paris Court of Appeal and the hearing was held on November 18, 2021. On November 16, 2023, the Paris Court of Appeal confirmed the conviction issued by the French Competition Authority. Contesting this decision, Sodexo then filed an appeal in cassation, therefore the proceedings are still ongoing.

Given the significant impact of the Covid pandemic on the Group's activities and performance, Sodexo obtained a decision from the State collection services allowing it to defer payment of the fine until December 15, 2021 without any penalty being due, subject to providing a bank guarantee, and from that date a monthly settlement plan until January 2023 (payments made by Sodexo Pass France).

An asset was recognized in "Other operating receivables" as a counterpart of the sums paid (126 million euros as of August 31, 2023, and 81 million euros as of August 31, 2022).

Taking in consideration all the above-mentioned elements the Group recorded a provision of 126 million euros in other expenses.

DISPUTE IN HUNGARY

Following legislative and regulatory changes to the issuance of food and meal voucher market in Hungary, Sodexo made an application to the International Center for Settlement of Investment Disputes (ICSID) in July 2014 for arbitration proceedings against the Hungarian State.

The ICSID issued its decision on January 28, 2019, ordering the Hungarian State to pay compensation in an amount of 73 million euros to Sodexo, together with accrued interest from December 31, 2011. On May 27, 2019, the Hungarian State lodged an appeal against this decision which was rejected by the ICSID on May 7, 2021 thereby definitively confirming its decision of January 28, 2019 and the obligation of the Hungarian State to compensate Sodexo in accordance with international law.

The Hungarian State paid an indemnity in an amount of 33.5 million euros to Sodexo Pass International on December 31, 2021 in consideration of the prejudice caused as a result of the expropriation by the Hungarian State of Sodexo Pass International's investment in Hungary further to the legislative and regulatory changes implemented by the Hungarian State in the issuance of food and meal voucher market in Hungary. This payment definitively puts an end to the dispute with regard to the ICSID arbitration award.

An other income of 33.5 million euros has been recognized accordingly in Fiscal Year 2022.

FRENCH TAX REASSESSMENT

Sodexo S.A. received in December 2021 a notification for a proposed tax reassessment concerning fiscal years 2016, 2017 and 2018. Another proposed adjustment notice was issued by the French tax authorities in December 2022 for fiscal years 2019, 2020 and 2021 in order to replicate certain adjustments it had initiated during the previous tax audit.

The Company has assessed the risk associated with these procedures and, after review with its tax advisors, considers that it has strong arguments to contest the proposed reassessments.

OTHER DISPUTES

Group subsidiaries can also be subject to tax audits certain of which may result in reassessments. Main disputes are described above. In each case, the risk is assessed by management and its advisors and any charges deemed probable are recorded as provisions or tax liabilities.

The Group is not aware of any other governmental, judicial or arbitral proceedings which are outstanding or threatened and which may have, or have had in the past 12 months, material effects on the Group's financial position or profitability.

Sodexo is also involved in other legal proceedings arising in the normal course of its business. The Group does not anticipate that any potential related liabilities will in the aggregate be material to its activities or to its consolidated financial position.

NOTE 11. EQUITY

ACCOUNTING PRINCIPLES AND POLICIES

Bellon treasury shares

Bellon shares held by the Group itself and/or by other Group companies are shown as a reduction in consolidated shareholders' equity at their acquisition cost.

Gains and losses on acquisitions and disposals of treasury shares are recognized directly in consolidated shareholders' equity and do not affect profit or loss for the year.

Commitments to purchase non-controlling interests

As required by IAS 32 "Financial instruments: Presentation", the Group recognizes commitments to purchase non-controlling interests as a liability within borrowings in the consolidated statement of financial position. Commitments to purchase non-controlling interests given in connection with business combinations are recognized as follows:

- the liability arising from the commitment is recognized in other borrowings at the present value of the purchase commitment;
- the corresponding non-controlling interests are cancelled; and
- additional goodwill is recognized for the balance.

11.1 Equity

11.1.1 Statement of changes in shareholders' equity

Other Comprehensive Income

Items recognized directly in Other Comprehensive Income (OCI) are shown below:

(in millions euro)	FISCAL 2023			FISCAL 2022		
	INCREASE/ (DECREASE) DURING THE YEAR, PRE-TAX	INCOME TAX (EXPENSE)/ BENEFIT	INCREASE/ (DECREASE) DURING THE YEAR, NET OF TAX	INCREASE/ (DECREASE) DURING THE YEAR, PRE-TAX	INCOME TAX (EXPENSE)/ BENEFIT	INCREASE/ (DECREASE) DURING THE YEAR, NET OF TAX
Financial assets measured at fair value through other comprehensive income*	16	(7)	9	2	(1)	1
Share of other components of comprehensive income/ (loss) of companies accounted for using the equity method	—	—	—	—	—	—
Remeasurements of net defined benefit obligation	(104)	39	(65)	33	(8)	25
Currency translation adjustment	(398)	—	(398)	266	—	266
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)	(486)	32	(454)	301	(9)	292

* See note 12.3.

11.1.2 Policy for managing the Company's capital structure

Sodexo takes a long-term view in managing its capital structure, with the objective of ensuring the Group's liquidity, optimizing its financial structure and allowing shareholders to benefit from its strong cash flow generation.

Contributing to decisions made may be objectives for earnings per share or estimated future cash flows, or for balancing various components of the consolidated statement of financial position in order to meet the net debt criteria defined by Group management and communicated to the marketplace.

NOTE 12. CASH AND CASH EQUIVALENTS, FINANCIAL ASSETS AND LIABILITIES, AND FINANCIAL INCOME AND EXPENSE

ACCOUNTING PRINCIPLES

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying non-current asset are included in the cost of that asset. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying non-current asset are recognized as an expense using the effective interest method.

Financial instruments

Financial assets and liabilities are recognized in the statement of financial position on the transaction date, which is the date when the Group becomes a party to the contractual provisions of the instrument.

The fair values of financial assets and derivative instruments are generally determined on the basis of quoted market prices, or of values resulting from recent transactions or of valuations carried out by the depository bank.

FINANCIAL ASSETS

Financial assets are measured and recognized in three main categories:

- **financial assets measured at fair value through other comprehensive income** include investments in non-consolidated entities, which correspond to equity instruments that the Group has irrevocably elected to classify in this category. When an equity instrument is sold, the cumulative fair value adjustment recognized in other comprehensive income is not transferred to the income statement; only dividends are booked in the income statement. For securities listed on an active market, fair value is considered to equal the market value. If no active market exists, the fair value is generally determined based on an appropriate financial criteria for the specific security;
- **financial assets measured at amortized cost** represent debt instruments for which contractual cash flows that are solely payments of principal and interest on the principal amount outstanding and that are held within a business model whose objective is to hold assets to collect contractual cash flows. They include financial and security deposits, and loans to non-consolidated entities. These financial assets are initially recognized at fair value in the statement of financial position and subsequently at amortized cost, using the effective interest rate method. They are impaired to cover the estimated expected credit losses;
- **financial assets at fair value through profit or loss** include marketable securities with maturities greater than three months and other financial assets held for trading and acquired for the purpose of resale in the near term (instruments that are not eligible to be classified as financial assets measured at amortized cost or at fair value through other comprehensive income). These assets are measured at fair value, with changes in fair value recognized in financial income or expense in the income statement.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group's policy is to finance the majority of acquisition costs insofar as possible in the currency of the acquired entity, generally at fixed rates of interest.

Derivative financial instruments are initially recognized at fair value in the statement of financial position. Subsequent changes in the fair value of derivative instruments are recognized in the income statement, except in the case of instruments that qualify as cash flow hedges.

For cash flow hedges, the necessary documentation is prepared at inception and updated at each period end. Gains or losses arising on the effective portion of the hedge are recognized in other comprehensive income, and are not recognized in the income statement until the underlying asset or liability is realized. Gains or losses arising from the ineffective portion of the hedge are recognized in the income statement.

Interest-rate derivatives are also used as fair value hedges (fixed-rate bond swapped for a floating rate). In the case of fair value hedge relationships, the portion of financial liabilities hedged by the interest-rate derivatives are remeasured to the extent of risk hedged. Changes in the value of hedged items are recognized in profit and loss for the period and are offset by symmetrical adjustments in interest-rate derivatives.

The fair value of these derivative instruments is generally determined based on valuations provided by the bank counterparties.

BANK BORROWINGS AND BOND ISSUES

All borrowings, including bank credit facilities and overdrafts, are initially recognized at the fair value of the amount received less directly attributable transaction costs.

Subsequent to initial recognition, borrowings are measured at amortized cost using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of a financial liability to the net carrying amount of that liability. The calculation includes the effects of transaction costs, and of differences between the issue proceeds (net of transaction costs) and reimbursement value.

Amortized cost is equivalent to historical cost (nominal amount) insofar as no significant transaction costs are incurred.

Cash and cash equivalents

Cash and cash equivalents comprise current bank account balances, cash on hand and short-term cash investments in money-market instruments. These instruments mainly correspond to short-term notes and bonds admitted for trading on regulated markets and bank term deposits have an initial maturity of less than three months at the moment of purchase (or may be withdrawn at any time at a known cash value with no material risk of loss in value) are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, and that are held for the purpose of meeting short-term cash commitments.

12.1 Financial income and expense

(in millions euro)	FISCAL 2023	FISCAL 2022 ⁽²⁾
Gross borrowing cost ⁽¹⁾	(159)	(93)
Interest income from cash and cash equivalents ⁽²⁾	119	39
NET BORROWING COST	(40)	(54)
Interests on lease liabilities ⁽³⁾	(21)	(16)
Net foreign exchange gains/(losses)	(5)	3
Net interest cost on net defined benefit plan obligation	2	(2)
Interest income from loans and receivables at amortized cost	11	14
Other financial income	10	1
Other financial expense	(33)	(12)
NET FINANCIAL EXPENSE	(36)	(90)
Of which Financial income	142	57
Of which Financial expense	(218)	(124)

(1) Gross borrowing cost represents interest expense on financial liabilities at amortized cost and interest expense on hedging instruments.

(2) Including a reclassification of interest income generated by Pluxee on its own cash flow, not linked to the float, for 23 million euros from revenue to financial income.. See note 4.1.1.

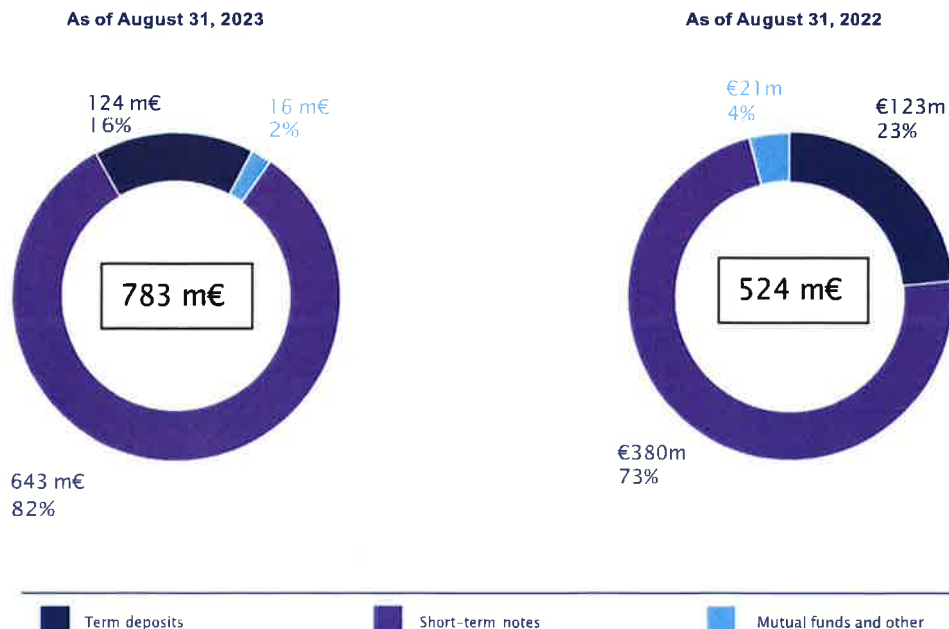
(3) Interests on lease liabilities recognized in accordance with IFRS 16.

12.2 Cash and cash equivalents

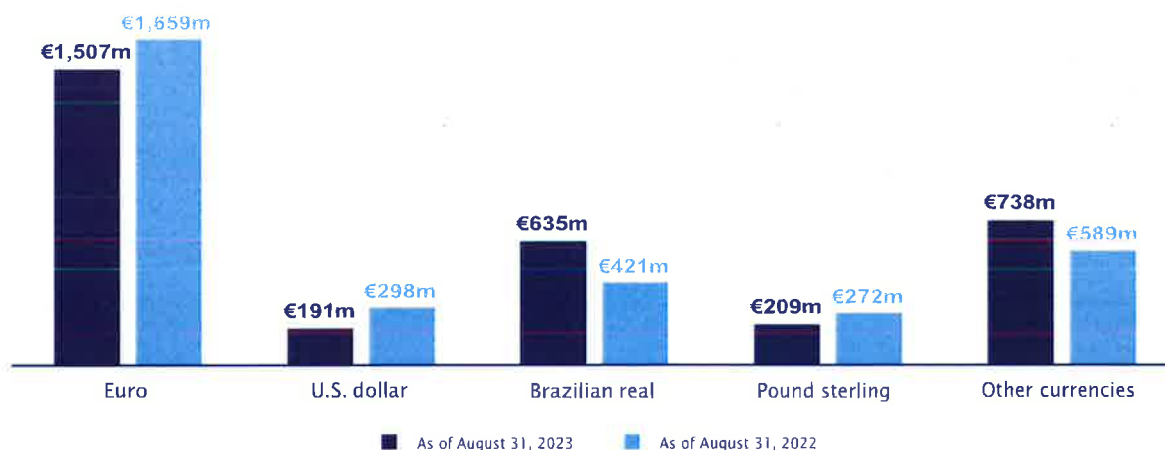
(in millions euro)	AUGUST 31, 2023	AUGUST 31, 2022
Marketable securities	783	524
Cash*	2,501	2,723
CASH AND CASH EQUIVALENTS	3,284	3,247
Bank overdrafts	(5)	(7)
CASH AND CASH EQUIVALENTS NET OF BANK OVERDRAFTS	3,280	3,240

* Including 16 million euros allocated to the liquidity contract signed with an investment services provider, which complies with the Code of conduct drawn up by the French financial markets association (Association française des marchés financiers - AMAFI) and approved by the French securities regulator (Autorité des marchés financiers - AMF), for the purpose of improving the liquidity of Sodexo shares and the regularity of the quotations.

Marketable securities comprise:



Cash, cash equivalents and overdraft break down as follows by currency:



This currency allocation is presented after clearing the positive and negative positions of the Group's two cash pools with an asset position of 2,014 million euros and a liability position of 11 million euros as of August 31, 2023.

More than 98% of the Group's cash and cash equivalents is held with A-1+, A-1 or A-2 rated financial institutions.

No significant amount of cash or cash equivalents was subject to any restrictions as of August 31, 2023.

12.3 Financial assets

12.3.1 Current and non-current financial assets

(in millions euro)	AUGUST 31, 2023		AUGUST 31, 2022	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Investments in non-consolidated companies	—	216	—	322
Financial assets related to the Benefits & Rewards Services activity (Pluxee), including restricted cash	1,320	—	1,257	—
Cost ⁽¹⁾	—	—	1,257	—
Impairment	—	—	—	—
Receivables from investees	—	69	—	79
Cost	—	69	—	79
Impairment	—	—	—	—
Loans and deposits	74	96	54	83
Cost	74	127	54	120
Impairment	—	(31)	—	(37)
Derivative financial instruments	5	2	3	—
FINANCIAL ASSETS	1,394	381	1,314	484
Cost	1,399	412	1,314	557
Impairment	—	(31)	—	(73)

(1) The split between financial assets at amortized cost and cash and cash equivalent is presented in note 12.6.

RESERVED FUNDS AND FINANCIAL ASSETS OF THE BENEFITS AND REWARDS ACTIVITY

Reserved funds, representing 936 million euros in the financial assets of the Benefits & Rewards Services activity, corresponding mainly to funds for service vouchers subject to special regulations in France (312 million euros), in Romania (157 million euros), Belgium (162 million euros), India (138 million euros) and China (64 million euros). These reserved funds remain the property of the Bellon Group but they are subject to restrictions as to their use, cannot be used for any purpose other than the reimbursement of affiliates and are not fungible with the Group's treasury. They are invested in financial instruments giving rise to remuneration.

12.3.2 Changes in current and non-current financial assets excluding derivative financial instruments

CARRYING AMOUNT (in millions euro)	AUGUST 31, 2022	INCREASE/ (DECREASE)		CHANGES			CURRENCY TRANSLATION		AUGUST 31, 2023
		DURING THE PERIOD	IMPAIRMENT	IN SCOPE OF CONSOLIDATION	CHANGE IN FAIR VALUE		ADJUSTMENT AND OTHER		
					INCOME	OCI ⁽¹⁾			
Investments in non-consolidated companies ⁽²⁾	322	1	—	(121)	—	16	(2)	216	
Financial assets, including restricted cash	1,257	100	—	—	—	—	(37)	1,320	
Receivables from investees	79	1	—	—	—	—	(11)	69	
Loans and deposits	137	48	(5)	—	(3)	—	(7)	170	
FINANCIAL ASSETS EXCLUDING FINANCIAL DERIVATIVES INSTRUMENTS	1 795	15	(5)	(121)	(3)	16	(57)	1 775	

(1) Other comprehensive income.

(2) Mainly due to The Grandir Group SAS for 11 million euros, Zeta Singapore for (59) million euros and Epassi for (74) million euros.

CARRYING AMOUNT (in millions euro)	August 31, 2021	INCREASE/ (DECREASE)		CHANGES			CURRENCY TRANSLATION		AUGUST 31, 2022
		DURING THE PERIOD	IMPAIRMENT	IN SCOPE OF CONSOLIDATION	CHANGE IN FAIR VALUE		ADJUSTMENT AND OTHER		
					INCOME	OCI ⁽¹⁾			
Investments in non-consolidated companies ⁽²⁾	162	149	—	—	—	4	7	322	
Financial assets, including restricted cash	1,062	145	—	—	—	1	49	1,257	
Receivables from investees ⁽³⁾	17	62	—	—	—	—	—	79	
Loans and deposits	113	5	(5)	3	—	—	21	137	
FINANCIAL ASSETS EXCLUDING FINANCIAL DERIVATIVE INSTRUMENTS	1,355	361	(5)	3	—	5	77	1,795	

(1) Other comprehensive income.

(2) Increase/decrease related to investments in non-consolidated companies include 93 million euros for The Grandir Group SAS.

(3) Increase/decrease related to receivables from investees include 62 million euros for The Grandir Group SAS's bonds convertible into shares.

12.4 Borrowings

Changes in borrowings during Fiscal 2023 and Fiscal 2022 were as follows:

(in millions euro)	AUGUST 31, 2022	INCREASES	REPAYMENTS	DISCOUNTING EFFECTS AND OTHER	CURRENCY TRANSLATION ADJUSTMENT	CHANGES IN SCOPE OF CONSOLIDATION	AUGUST 31, 2023
Bond issues	5,600	70	(65)	(8)	(96)	—	5,501
Private Placements and bank borrowings ⁽¹⁾	248	579	(670)	(1)	—	—	157
Other borrowings	108	—	(19)	(15)	(9)	23	87
TOTAL BORROWINGS EXCLUDING DERIVATIVE FINANCIAL INSTRUMENTS	5,956	649	(755)	(23)	(105)	23	5,745
Net fair value of derivative financial instruments ⁽¹⁾	33	7	(2)	7	(9)	—	36
TOTAL BORROWINGS	5,989	656	(757)	(16)	(114)	23	5,781

(1) Including derivative financial instruments of 41 million euros recorded in liabilities as of August 31, 2023 (35 million euros as of August 31, 2022).

(in millions euro)	AUGUST 31, 2021	INCREASES	REPAYMENTS	DISCOUNTING EFFECTS AND OTHER	CURRENCY TRANSLATION ADJUSTMENT	CHANGES IN SCOPE OF CONSOLIDATION	AUGUST 31, 2022
Bond issues ⁽¹⁾	6,053	81	(682)	(44)	192	—	5,600
Private Placements and bank borrowings	359	197	(310)	—	—	2	248
Other borrowings ⁽²⁾	30	25	(3)	—	—	56	108
TOTAL BORROWINGS EXCLUDING DERIVATIVE FINANCIAL INSTRUMENTS	6,442	303	(995)	(44)	192	58	5,956
Net fair value of derivative financial instruments ⁽³⁾	(13)	—	(12)	53	5	—	33
TOTAL BORROWINGS	6,429	303	(1,007)	9	197	58	5,989

(1) The reimbursement of 682 million euros mainly corresponds to the early repayment of the 600 million euros bond in October 2021 (see note 12.4.2).

(2) Including 35 million euros of passive derivative instruments as of August 31, 2022 (4 million euros as of August 31, 2021).

(3) The change in scope for other loans includes commitments to repurchase non-controlling interests for an amount of 57 million euros, including Wedoogift for 44 million euros.

12.4.1 Borrowings by currency

(in millions euro)	FISCAL 2023		FISCAL 2022	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Bond issues⁽¹⁾				
U.S. dollar (USD)	10	1,107	11	1,212
Euro	507	3,586	7	4,080
Sterling pound	1	290	1	289
TOTAL	518	4,983	19	5,581
Private Placements and bank borrowings				
Euro	56	101	193	55
Other borrowings⁽²⁾				
Euro	11	30	8	55
Sterling pound	6	1	—	8
Other currencies	18	21	6	31
TOTAL	35	52	14	94
BORROWINGS EXCLUDING DERIVATIVE FINANCIAL INSTRUMENTS	609	5,136	227	5,730
Net fair value of derivative financial instruments ⁽³⁾	1	37	—	32
BORROWINGS	610	5,173	227	5,762

(1) Including, as of August 31, 2023, 4,385 million euros bonds issued by Sodexo S.A. and 1,116 million euros bonds issued by Sodexo, Inc.

(2) Of which 36 million euros as of August 31, 2023 (78 million euros as of August 31, 2022) corresponding to liabilities recognized in connection with written put options over non-controlling interests in certain subsidiaries.

(3) Described in note 12.5.

For borrowings other than bond issues, amortized cost is equivalent to historical cost (nominal amount) insofar as no significant transaction costs are incurred.

12.4.2 Bond issues

On April 16, 2021, Sodexo, Inc., U.S. a subsidiary of Sodexo S.A., completed a bond issue of 1.25 billion U.S. dollars structured in two tranches:

- 500 million U.S. dollars redeemable at par value in April 2026 and bearing interest at an annual rate of 1.634%, with interest payable semi-annually on April 16 and October 16;
- 750 million U.S. dollars redeemable at par value in April 2031 and bearing interest at an annual rate of 2.718%, with interest payable semi-annually on April 16 and October 16:
 - 375 million (or 50%) of the 750 million U.S. dollars bond due in April 2031 was converted at the time of issuance from fixed to floating rate using interest rate swaps. During Fiscal 2022, Sodexo terminated one of the swaps with a nominal value of 125 million U.S. dollars early and renegotiated the LIBOR-indexed swap, also with a nominal value of 125 million U.S. dollars. Therefore, as of August 31, 2023, 250 million (or 33%) out of the 750 million U.S. dollars obligation is floating rate, hedged using interest rate swaps indexed to SOFR rates. The applicable interest rate on these floating interest rate swaps as of August 31, 2023, was 6.42%.

Accrued interest on these bonds amounted to 10 million euros as of August 31, 2023.

On July 17, 2020, Sodexo S.A. issued a bond structured in two tranches:

- 500 million euros tranche redeemable at par value on January 17, 2024, and bearing interest at an annual rate of 0.5%, with interest payable annually on January 17;
- 500 million euros tranche redeemable at par value on July 17, 2028, and bearing interest at an annual rate of 1.0%, with interest payable annually on July 17.

Accrued interest on these bonds amounted to 2 million euros as of August 31, 2023.

On April 27, 2020, Sodexo S.A. issued a bond structured in two tranches:

- 700 million euros tranche redeemable at par value on April 27, 2025, and bearing interest at an annual rate of 0.75%, with interest payable annually on April 27;
- 800 million euros tranche redeemable at par value on April 27, 2029, and bearing interest at an annual rate of 1%, with interest payable annually on April 27.

Accrued interest on these bonds amounted to 5 million euros as of August 31, 2023.

On June 26, 2019, Sodexo S.A. issued bonds for 250 million British pounds Sterling redeemable in June 2028 and bearing interest at an annual rate of 1.75%, with interest payable annually on June 26. Accrued interest on this bond amounted to 1 million euros as of August 31, 2023.

On May 22, 2018, Sodexo S.A. issued bonds for 300 million euros redeemable in May 2025 and bearing interest at an annual rate of 1.125%, with interest payable annually on May 22. Accrued interest on this bond amounted to 1 million euros as of August 31, 2023.

On October 14, 2016 Sodexo S.A. issued bonds for 600 million euros redeemable in April 2027 and bearing interest at an annual rate of 0.75%, with interest payable annually on April 14. On August 1, 2017, the Company increased this issue with an additional 200 million euros of bonds. Accrued interest on these bonds amounted to 2 million euros as of August 31, 2023.

On June 24, 2014, Sodexo S.A. completed a bond issue structured in two tranches:

- a 600 million euros tranche redeemable at par value on January 24, 2022 and bearing interest at an annual rate of 1.75%, with interest payable annually on January 24. On October 26, 2021, following the appropriate notice period and process, Sodexo decided to redeem this bond 3 months early at par. This bond is now repaid;
- a 500 million euros tranche redeemable at par value on June 24, 2026, and bearing interest at an annual rate of 2.50%, with interest payable annually on June 24.

Accrued interest on this bond amounted to 2 million euros as of August 31, 2023.

None of the above-described bonds are subject to financial covenant.

In July 2023 the Company launched a consent solicitation process relating to its 4.4 billion euros of outstanding EUR and GBP bonds, in order to seek certain approvals and waivers to proceed with the proposed spin-off of the Benefits & Rewards Services activity (Pluxee). The proposal was approved in relation to 7 out of the 8 bonds series. The consent solicitation in relation to the 300 million euros 1.125% bonds due May 22, 2025 (the "May 2025 Bonds") was terminated and, on October 25, 2023, the board decided to redeem the May 2025 Bonds and publish the make-whole redemption notice on October 26, 2023. Sodexo will redeem the total aggregate principal amount of the May 2025 Bonds outstanding on November 10, 2023.

12.4.3 Other borrowings

12.4.3.1 CREDIT FACILITIES

July 2011 multi-currency confirmed credit facility

On July 18, 2011, Sodexo S.A. contracted a multi-currency credit facility for a maximum of 600 million euros plus 800 million U.S. dollars, with an original maturity date of July 18, 2016. This facility has been amended on a number of occasions with the most recent amendment being in July 2019 with a new maturity date of July 2024, with two options to extend the maturity by one year each, up to July 2026. The first option to extend this facility was executed during Fiscal 2020 and the second was executed during Fiscal 2021. The facility maturity date is now July 2026. The maximum available limits under this facility now are 589 million euros plus 785 million U.S. dollars.

The most recent amendment also incorporates a sustainability clause that links the credit facility cost to Sodexo's ability to comply with its public commitment to reduce its food waste by 50% by 2025.

Amounts drawn on this facility carry floating interest indexed on the SOFR and EURIBOR rates. This credit facility is not subject to any covenant.

No amounts had been drawn down on the facility as of either August 31, 2023, nor as of August 31, 2022.

Bilateral confirmed credit facility

On December 18, 2019, the Group obtained two 150 million euros bilateral confirmed credit facility, both are due to expire in December 2023.

On February 13, 2020, the Group obtained a third 150 million euros bilateral confirmed credit facility expiring in February 2024.

No amounts had been drawn down on any of these facilities as of August 31, 2023.

12.4.3.2 COMMERCIAL PAPER

Borrowings under the Sodexo S.A. and Sodexo Finance commercial paper programs are nil either as of August 31, 2023 nor of August 31, 2022.

12.4.3.3 Equity linked swap with CACIB

On November 2, 2022, Bellon SA signed an Equity Linked Swap agreement (forward sale of Sodexo shares with a swap exchanging changes in interest rates for changes in Sodexo share prices) with CACIB, BNP and Natixis for an amount of 300 million euro of which 102 million euros were borrowed as of August 31, 2023. This debt carries rate interest based on Euribor + 1.85%.

12.4.4 Interest rates

In order to comply with the Group's financing policy, substantially all borrowings are long term and at fixed interest rates.

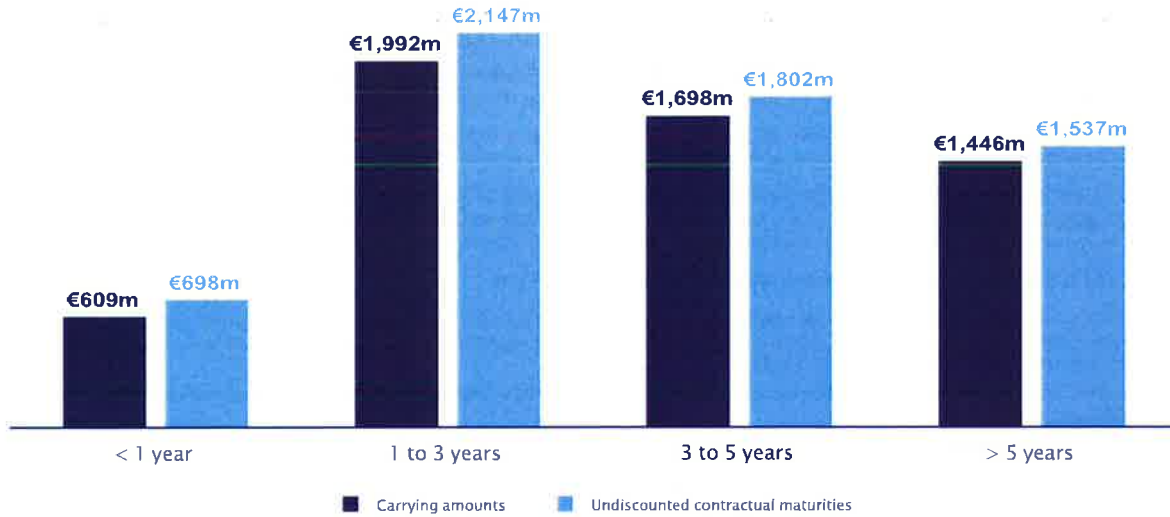
As of August 31, 2023, 95% of the Group's borrowings were at a fixed rate. The average rate of interest as of the same date was 1.7%.

As of August 31, 2022, 96% of the Group's borrowings were at a fixed rate. The average rate of interest as of the same date was 1.6%.

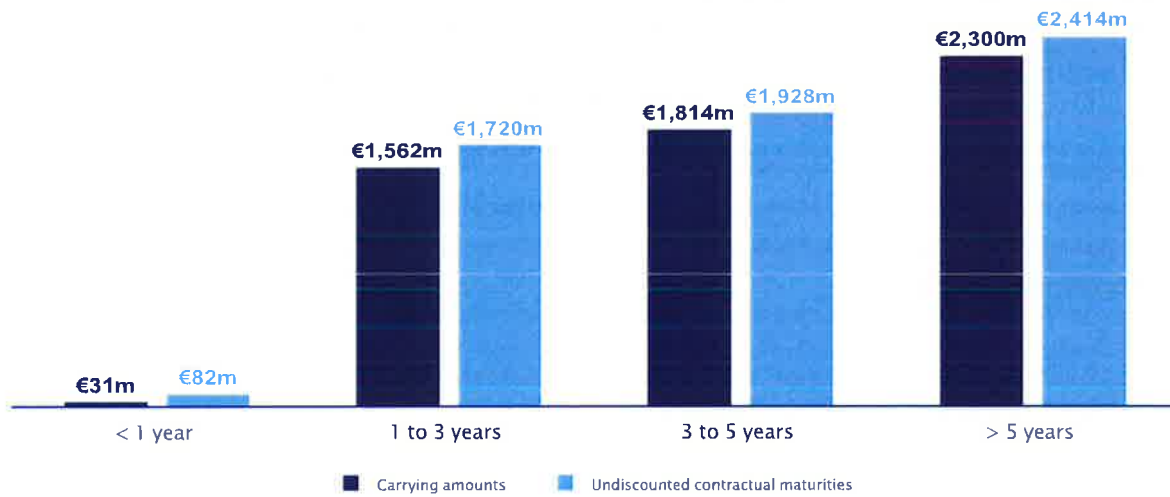
The bond issues and borrowings from financial institutions described above include customary early redemption clauses. These clauses include cross-default and change-in-control clauses which apply to all of the borrowings.

12.4.5 Maturity of borrowings

Borrowings excluding derivative financial instruments as of August 31, 2023



Borrowings excluding derivative financial instruments as of August 31, 2022



For borrowings expressed in a foreign currency, amounts are translated at the year-end closing rate.

Maturities include interest accrued as of the period end. Credit facility renewal rights are taken into account to determine the maturities.

The undiscounted contractual maturities include payment of future interest not due yet.

12.5 Derivative financial instruments

The fair values of Sodexo's derivative financial instruments are as follows:

DERIVATIVE FINANCIAL INSTRUMENTS (in millions euro)	IFRS CLASSIFICATION	AUGUST 31, 2023	AUGUST 31, 2022
Currency instruments		4	(4)
Assets	Trading	5	1
Liabilities	Trading	(1)	(5)
Interest instruments*		(40)	(27)
Assets	Fair value hedge	—	3
Liabilities	Fair value hedge	(40)	(30)
NET DERIVATIVE FINANCIAL INSTRUMENTS		(36)	(31)

* Correspond to the floating-rate swaps on fixed-rate bonds issued by Sodexo, Inc. described in note 12.4.2.

The face value and fair value of currency instruments and cross-currency swaps are as follows by maturity:

(in millions euro)	AUGUST 31, 2023				AUGUST 31, 2022			
	LESS THAN 1 YEAR	5 YEARS	MORE THAN 5 YEARS	TOTAL	LESS THAN 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Currency lender positions	—	5	55	60	176	18	8	202
Canadian Dollar/Euro	—	—	—	—	142	—	—	142
Czech crown/Euro	—	—	—	—	16	—	—	16
Polish zloty/Euro	—	—	—	—	14	—	—	14
Other	—	5	55	60	4	18	8	30
Currency borrower positions	(9)	(48)	(3)	(60)	(42)	(29)	(56)	(127)
Pound Sterling/Euro	—	—	—	—	—	(7)	(56)	(63)
Other	(9)	(48)	(3)	(60)	(42)	(22)	—	(64)
TOTAL FACE VALUE	(9)	(43)	52	—	134	(11)	(48)	75
Fair value	(3)	4	(37)	(36)	(1)	(1)	(31)	(33)

The face value represents the nominal value of currency hedging instruments, including amounts related to forward agreements. Foreign currency amounts are translated at year-end closing rates.

12.6 Financial instruments per category

The table below presents the categories of financial instruments, their carrying amount and their fair value, by item in the consolidated statement of financial position.

The fair value hierarchy used in classifying financial instruments is provided for in IFRS 13 "Fair value measurement" as defined in note 2.3.

FINANCIAL ASSETS (in millions euro)	CATEGORY	NOTE	AUGUST 31, 2023		FAIR VALUE LEVEL			TOTAL
			CARRYING AMOUNT	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3	
Marketable securities	Cash equivalents	12.2	783	783	16	767	—	783
Restricted cash and financial assets related to the Benefits & Rewards Services activity (Pluxee) ⁽¹⁾	Financial assets at amortized cost	12.3	855	855	—	—	—	—
	Financial assets at fair value through profit or loss	12.3	465	465	465	—	—	465
Trade and other receivables	Financial assets at amortized cost	4.3	4,678	4,678	—	—	—	—
	Financial assets at fair value through other comprehensive income	12.3	216	216	—	—	216	216
Other financial assets	Financial assets at amortized cost	12.3	172	172	—	—	—	—
	Financial assets at fair value through profit or loss	12.3	62	62	—	—	62	62
Derivative financial instrument assets	Derivative financial instrument	12.5	5	5	—	5	—	5

FINANCIAL LIABILITIES (in millions euro)	CATEGORY	NOTE	AUGUST 31, 2023		FAIR VALUE LEVEL			TOTAL
			CARRYING AMOUNT	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3	
Bond issues ⁽¹⁾	Financial liabilities at amortized cost	12.4	5,501	5,018	—	—	—	—
Bank borrowings	Financial liabilities at amortized cost	12.4	157	157	—	—	—	—
Other borrowings	Financial liabilities at fair value (through equity) ⁽²⁾	12.4	65	65	65	—	—	65
	Financial liabilities at amortized cost	12.4	22	22	—	—	—	—
Trade and other payables	Financial liabilities at amortized cost	4.3	5,068	5,068	—	—	—	—
Derivative financial instrument liabilities	Derivative financial instrument	12.5	41	41	—	41	—	41

(1) Fair value is calculated on the basis of listed bond prices as of August 31, 2023.

(2) Put options over non-controlling interests.

FINANCIAL ASSETS (in millions euro)	CATEGORY	NOTE	AUGUST 31, 2022		FAIR VALUE LEVEL			TOTAL
			CARRYING AMOUNT	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3	
Marketable securities	Cash equivalents	12.2	524	524	21	503	—	524
Restricted cash and financial assets related to the Pluxee (Benefits & Rewards Services activity)	Financial assets at amortized cost	12.3	960	960	—	—	—	—
	Financial assets at fair value through profit or loss	12.3	297	297	297	—	—	297
Trade and other receivables	Financial assets at amortized cost	4.3	5,068	5,068	—	—	—	—
Other financial assets	Financial assets at fair value through other comprehensive income	12.3	322	322	—	—	322	322
	Financial assets at amortized cost	12.3	154	154	—	—	—	—
	Financial assets at fair value through profit or loss	12.3	62	62	—	—	62	62
Derivative financial instrument assets	Derivative financial instrument	12.5	4	4	—	4	—	4

FINANCIAL LIABILITIES (in millions euro)	CATEGORY	NOTE	AUGUST 31, 2022		FAIR VALUE LEVEL			TOTAL
			CARRYING AMOUNT	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3	
Bond issues ⁽¹⁾	Financial liabilities at amortized cost	12.4	5,600	5,113	5,113	—	—	5,113
Bank borrowings	Financial liabilities at amortized cost	12.4	248	248	—	—	—	—
Other borrowings	Financial liabilities at fair value (through equity) ⁽²⁾	12.4	79	79	79	—	—	79
	Financial liabilities at amortized cost	12.4	29	29	—	—	—	—
Trade and other payables	Financial liabilities at amortized cost	4.3	5,233	5,233	—	—	—	—
Vouchers payable	Financial liabilities at amortized cost	3.2	3,509	3,509	—	—	—	—
Derivative financial instrument liabilities	Derivative financial instrument	12.5	35	35	—	35	—	35

(1) Fair value is calculated on the basis of listed bond prices as of August 31, 2022.

(2) Put options over non-controlling interests.

There were no transfers between the various fair value hierarchy levels between Fiscal 2022 and Fiscal 2023.

NOTE 13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY

The policies and procedures adopted by Group are designed to prevent speculative positions. Furthermore, under them:

- substantially all borrowings must be at fixed rates of interest, or converted to fixed-rate using hedging instruments;
- in the context of financing policy, foreign exchange risk on loans to subsidiaries must be hedged;
- the maturity of hedging instruments must not exceed the maturity of the borrowings they hedge.

13.1 Analysis of sensitivity to interest rates

As of August 31, 2023, an increase or a decrease in interest rates would have had no material impact on profit before tax or on shareholders' equity as 95% of all liabilities at those dates were at a fixed rate of interest.

13.2 Analysis of sensitivity to foreign exchange rates and exchange rate exposures on principal currencies

Because the Group has operations in 52 countries, all components of the financial statements are influenced by foreign currency translation effects, and in particular by fluctuations in the U.S. dollar. However, exchange rate fluctuations do not generate any operational risk, because each of the Group's subsidiaries invoices its revenues and incurs its expenses in the same currency.

The Group uses derivative instruments to manage the exposure resulting from the volatility of exchange rates.

SENSITIVITY TO EXCHANGE RATES

IMPACT OF A 10% APPRECIATION OF THE EXCHANGE RATE OF THE FOLLOWING CURRENCIES AGAINST THE EURO (in millions euro)	AUGUST 31, 2023				AUGUST 31, 2022 IFRS 5 restated			
	IMPACT ON REVENUES	IMPACT ON OPERATING PROFIT	IMPACT ON PROFIT BEFORE TAX	IMPACT ON SHAREHOLDERS' EQUITY	IMPACT ON REVENUES	IMPACT ON OPERATING PROFIT	IMPACT ON PROFIT BEFORE TAX	IMPACT ON SHAREHOLDERS' EQUITY
U.S. dollar	1,000	58	38	219	839	46	31	316
Brazilian real	133	24	18	79	105	17	13	78
Pound Sterling	189	14	16	66	203	13	15	81

13.3 Exposure to liquidity risk

The nature of the Group's bank borrowings and bond issues as of August 31, 2023, is described in detail in note 12.4.

As of August 31, 2023, 100% of the Group's consolidated borrowings were raised on capital markets (98% as of August 31, 2022). The maturity dates of the main borrowings range between Fiscal 2024 and Fiscal 2031 (see note 12.4.5). The maturity date of the lease liabilities is detailed in note 7.1.

13.4 Exposure to counterparty risk

Exposure to counterparty risk is limited to the carrying amount of financial assets.

Group policies and procedures are to manage and spread counterparty risk. For derivative financial instruments, each transaction with a bank is required to be based on a master contract modelled on the standard contract issued by the French Bankers' Association (AFB) or the International Swaps and Derivatives Association (ISDA).

Counterparty risk relating to client accounts receivable is immaterial. Due to the Group's geographic and segment spread, there is no concentration of risk on past due individual receivables for which no provision has been recorded. Given the degradation in the economic environment resulting from the Covid-19 pandemic, the Group has reinforced its credit risk tracking.

Thus, the Group did not record any significant change in the impacts related to the proven financial failures of its customers during the year. The net carrying amount of overdue receivables amounts to 572 million euros, of which 52 million are beyond 6 months (1% of total net accounts receivable as of August 31, 2023, vs. 2.1% as of August 31, 2022).

The main counterparty risk is bank-related. The Group has limited its exposure to counterparty risk by diversifying its investments and limiting the concentration of risk held by each of its counterparties. Transactions are conducted with highly creditworthy counterparties taking into consideration country risk. The Group has instituted a regular reporting of the risk spread between counterparties and of their quality.

To reduce this risk further, the Group has an international cash pooling mechanism between its main subsidiaries (with a netting facility), reducing the amount of liquidity held by third parties by concentrating it in the Group's financial holding companies.

The maximum counterparty represents approximately 23% of the Group's operating cash (excluding restricted cash and financial assets related to the Benefits & Rewards Services activity) and is with a banking group whose rating is A-1 (19% as of August 31, 2022).

NOTE 14. OTHER INFORMATION

14.1 Subsequent events

In July 2023 the Company launched a consent solicitation process relating to its 4.4 billion euros of outstanding EUR and GBP bonds, in order to seek certain approvals and waivers to proceed with the proposed spin-off of the Benefits & Rewards Services activity (Pluxee). The proposal was approved in relation to 7 out of the 8 bonds series. The consent solicitation in relation to the 300 million euros 1.125% bonds due May 22, 2025 (the "May 2025 Bonds") was terminated and, on October 25, 2023, the Board of Directors decided to redeem the May 2025 Bonds and to publish the make-whole redemption notice on October 26, 2023. Sodexo will redeem the total aggregate principal amount of the May 2025 Bonds outstanding on November 10, 2023.

At the end of July 2023, Sodexo signed an agreement to acquire A.H. Management, independent convenience solutions, to further accelerate its food transformation model and its development in North America. A.H. Management, the premier convenience solutions operator in the Chicago region and Southeast Wisconsin, is one of the largest operators in the Mid-West. The closing of this operation in September 2023 will extend In Reach's food offerings of the Group in the fast-growing convenience market.

At the end of September 2023, the Group signed a disposal agreement for its worldwide Homecare services including mainly subsidiaries in the United States, in the United Kingdom, and in Scandinavian countries. The transaction is subject to the satisfaction of customary closing conditions and is expected to be finalized by the end of the calendar year. Pursuant to IFRS 5 "Assets held for sale and discontinued operations", the assets and liabilities of the subsidiaries to be disposed are classified in the consolidated statement of financial position as of August 31, 2023, in "Assets held for sale or for distribution" and "Liabilities directly associated with assets held for sale or for distribution" (see note 3.2).

Pluxee spin-off preparation:

In September 1, 2023, Sodexo S.A. contributed the remaining 88.05% of Pluxee International SAS shares to Sodexo Asset Management 2 B.V.. The contribution was made at the net book value of the securities contributed as they appear on the balance sheet of the Sodexo SA on the date of completion. As compensation for this contribution, 146,348,320 new ordinary shares of Sodexo Asset Management 2 B.V. with a par value of 0.01 euro each were issued.

In October 2023, Sodexo Asset Management 2 B.V. has entered into 2.15 billion euros in total financing package with a syndicate of international banks. This includes (i) 1.5 billion euros in a bridge loan, and (ii) 0.65 billion euros in a revolving credit facility. The bridge loan is due for refinancing not later than October 2025 and the revolving credit facility not later than October 2028.

In November 15, 2023, Sodexo Asset Management 2 B.V. was converted from a French simplified joint-stock company (société par actions simplifiée) into a Dutch private limited liability company (besloten vennootschap met beperkte aansprakelijkheid), and its registered office (statutaire zetel) was transferred to the Netherlands through the execution of a notarial deed of conversion and an amendment to the Company's articles of association before a Dutch notary.

In November 3, 2023, Sodexo Asset Management 2 B.V. increased its capital for a total amount of 8,000 euros by issuing 800,000 new shares, bringing the total number of shares issued to 147,174,292.

14.2 Commitments and contingencies

14.2.1 Sureties

Commitments arising from surety arrangements (pledges, charges secured against plant and equipment, and real estate mortgages) contracted by Bellon S.A. and its subsidiaries in connection with operating activities during Fiscal 2023 are not material.

14.2.2 Other commitments given

ACCOUNTING PRINCIPLES

The performance bonds given to clients relate to around fifteen sub-contracting contracts, where the Group considers that it may be exposed to indemnity payments if it is unable to fulfill the service obligation. These bonds are subject to regular review by the management of the business unit and a provision is recorded as soon as payment under a bond becomes probable. For all other contracts with a performance bond, Sodexo considers that it can deploy the additional resources needed to avoid paying compensation under the bond.

The Group also has performance obligations to clients but regards these as having the essential features of a performance guarantee rather than an insurance contract designed to compensate the client in the event of non-fulfillment of the service obligation (compensation is generally due only where Sodexo is unable to provide alternative or additional resources to fulfill the obligation to the client).

(in millions euro)	AUGUST 31, 2023			AUGUST 31, 2022	
	LESS THAN 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL	TOTAL
Financial guarantees to third parties	—	8	72	80	85
Site management commitments	—	—	—	—	—
Performance bonds given to clients	—	28	140	168	137
Other commitments	16	42	46	104	92
TOTAL OTHER COMMITMENTS GIVEN	16	78	258	352	314

Given its size and geographical reach, Bellon considers itself capable of providing the additional resources required to avoid paying compensation to clients protected by such clauses.

The "Other commitments" line mainly includes the 10-year guarantee given by Sodexo S.A. in December 2021 to the Trustee of the UK pension plan (*i.e.*, until December 2031), for a maximum of 40 million pounds Sterling as of August 31, 2022, in order to cover Sodexo UK's obligations in connection with the plan.

14.3 Scope of consolidation

The main companies consolidated as of August 31, 2023, and presented in the table below together represent over 80% of consolidated revenues, operating profit, profit for the period attributable to equity holders of the parent, and shareholders' equity. The other entities individually represent less than 0.6% of each of these items.

The first column shows the percentage interest held by the Group, and the second column the percentage of voting rights held by the Group. Percentage interests and percentage of voting rights are only shown if less than 97%.

Companies newly consolidated during the year are indicated by the letter "N".

As of December 31, 2023, Bellon SA. holds 42.75% of the share capital of Sodexo SA. and 57.5% of the exercisable voting rights in Sodexo.

	% INTEREST	% VOTING RIGHTS	PRINCIPAL ACTIVITY	COUNTRY
France				
Bellon SA.			Holding	France
Sodexo S.A.			Holding	France
Sodexo Entreprises			On-site	France
Sodexo Santé Médico Social			On-site	France
Société Française de Restauration et Services			On-site	France
Sogeres			On-site	France
Sodexo Sports et Loisirs			On-site	France
Sodexo Justice Services			On-site	France
Société d'Exploitation des Vedettes Paris Tour Eiffel (SEVPTE)			On-site	France
Sodexo Énergie et Maintenance			On-site	France
Pluxee International SAS			Holding	France
Sodexo Asset management 2			Holding	France
Pluxee France SA			Benefits & Rewards	France
Glady (formerly named Wedoogift)	85%	85%	Benefits & Rewards	France
Sofinsod SAS			Holding	France
Americas				
Sodexo do Brasil Comercial SA			On-site	Brazil
Sodexo Pass do Brasil Serviços E Comércio SA			Benefits & Rewards	Brazil
Sodexo Facilities Services Ltda			On-site	Brazil
Sodexo S.A.S.			On-site	Colombia
Sodexo Canada Ltd			On-site	Canada
Centerplate Canada			On-site	Canada
Sodexo Chile SpA			On-site	Chile
Sodexo, Inc.			On-site	United States
Centerplate Ultimate Holdings, Corp.			On-site	United States
Sodexo Global Services, LLC			Holding	United States
Pluxee Mexico SA de CV			Benefits & Rewards	Mexico
Sodexo Peru SAC			On-site	Peru
Europe				
Sodexo Services GmbH			On-site	Germany
GA-tec Gebäude und Anlagentechnik GmbH			On-site	Germany
Sodexo Services Solutions Austria GmbH			On-site	Austria
Sodexo Belgium SA			On-site	Belgium
Imagor SA			Benefits & Rewards	Belgium
Pluxee Belgium SA			Benefits & Rewards	Belgium
Sodexo Iberia SA			On-site	Spain
Sodexo Italia SpA			On-site	Italy
Sodexo Nederland BV			On-site	Netherlands
Sodexo Pass Česka Republika AS			Benefits & Rewards	Czech Republic
Sodexo Ltd			On-site	United Kingdom
Sodexo Global Services UK Ltd			Holding	United Kingdom
Pluxee UK Ltd			Benefits & Rewards	United Kingdom
Sodexo Luxembourg SA			On-site	Luxembourg
Sodexo Finances USD Ltd			On-Site	United Kingdom
Sodexo Holdings Ltd			On-site	United Kingdom
Sodexo Finance Designated Activity Company			Holding	Ireland
Sodexo Ireland Ltd			On-site	Ireland
Pluxee Romania Srl			Benefits & Rewards	Romania
Sodexo Avantaj Ve Odullendirme Hizmetleri AS			Benefits & Rewards	Turkey
Sodexo AB			On-site	Sweden
Asia, Pacific, Middle East, Africa				
Sodexo Remote Sites Australia Pty Ltd			On-site	Australia
Sodexo India Services Private LTD			On-site	India
Sodexo (China) Enterprise Management Sces Co., Ltd			On-site	China
Beijing Sodexo Service Co., Ltd.			On-site	China
Sodexo Management Company Ltd Shanghai			On-site	China

14.4 Auditors fees

(in millions euros HT)	EY		KPMG	
	Fiscal Year 2023	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2022
	AMOUNTS	AMOUNTS	AMOUNTS	AMOUNTS
Certification of accounts				
Bellon SA	0.0	0.0	0.0	0.0
Consolidated Subsidiaries	4.0	5.4	5.2	4.7
TOTAL AUDIT SERVICES	4.0	5.4	5.2	4.7
Services other than the certification of accounts				
Bellon SA				
Consolidated Subsidiaries	1.4	2.1	0.7	0.7
TOTAL OTHER SERVICES	1.4	2.1	0.7	0.7
TOTAL FEES	5.4	7.5	5.9	5.4

Services other than the certification of accounts provided by Ernst & Young Audit and its network to the issuer and consolidated subsidiaries mainly consist of tax compliance services, outside France, and of professional services in the context of agreed upon procedures.

Services other than the certification of accounts provided by KPMG SA to the consolidating entity mainly consist of professional services in the context of the non-financial performance; services other than the certification of accounts provided by its network to the consolidated subsidiaries mainly consist of professional services in the context of agreed upon procedures, issuance of attestations and tax compliance services.

