Bellon S.A.

Statutory Auditors' report
on the consolidated financial statements

(For the year ended August 31, 2022)

PricewaterhouseCoopers Audit
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(For the year ended August 31, 2022)

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Bellon S.A.
17-19, place de la Résistance
92130 Issy-les-Moulineaux
France

To the Shareholders,

OPINION

In compliance with the assignment entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Bellon S.A. for the year ended August 31, 2022.

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, 2022 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, 2021 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 tax department and local management to assess the latest status of any 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 Group companies with the tax authorities, and gaining an understanding of the correspondence between the companies concerned 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.

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 the 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;

- 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.

Neuilly-sur-Seine and Paris-La Défense, February 15, 2023

The Statutory Auditors

PricewaterhouseCoopers Audit	KPMG S.A.
Agnès Hussherr	Grégoire Menou

GROUP BELLON

CONSOLIDATED FINANCIAL STATEMENTS AS OF AUGUST 31, 2022

1 Consolidated financial statements

1.1 Consolidated income statement

(in million euros)	NOTES	FISCAL 2022	FISCAL 2021
Revenues	**4.1**	**21,125**	**17,428**
Cost of sales	**4.2**	**(18,087)**	**(15,006)**
Gross profit		**3,038**	**2,422**
Selling, General and Administrative costs	4.2	(1,993)	(1,862)
Share of profit of companies accounted for using the equity method that directly contribute to the Group's business	8	7	4
Underlying operating profit	**4.1**	**1,052**	**564**
Other operating income	4.2	153	56
Other operating expenses	4.2	(158)	(295)
Operating profit		**1,047**	**326**
Financial income	12.1	34	15
Financial expenses	12.1	(124)	(130)
Share of profit of other companies accounted for using the equity method	8	1	4
Profit for the year before tax		**958**	**215**
Income tax expense	9.2	(264)	(101)
Net profit for the year		**693**	**114**
Of which:			
Attributable to non-controlling interests		440	80
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**253**	**34**
Basic earnings per share (in euros)	**11.2**		
Diluted earnings per share (in euros)	**11.2**		

1.2 Consolidated statement of comprehensive income

(in million euros)	NOTES	FISCAL 2022	FISCAL 2021
NET PROFIT FOR THE YEAR		693	114
Components of other comprehensive income that may be reclassified subsequently to profit or loss		**714**	**121**
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	725	117
Currency translation adjustment reclassified to profit or loss	11.1	(11)	1
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		3
Components of other comprehensive income that will not be reclassified subsequently to profit or loss		**69**	**39**
Remeasurement of defined benefit plan obligation	5.1 and 11.1	87	14
Change in fair value of financial assets revalued through other comprehensive income	12.3 and 11.1	5	27
Tax on components of other comprehensive income that will not be reclassified subsequently to profit or loss	11.1	(23)	(2)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), AFTER TAX		**784**	**160**
Comprehensive income		**1,477**	**274**
Of which:			
Attributable to equity holders of the parent		546	97
Attributable to non-controlling interests		931	177

1.3 Consolidated statement of financial position

Assets

(in million euros)	NOTES	AUGUST 31, 2022	AUGUST 31, 2021
Goodwill	6.1	6,817	6,017
Other intangible assets	6.2	678	631
Property, plant and equipment	6.3	510	461
Right-of-use assets relating to leases	7.2	895	903
Client investments	4.4	667	560
Investments in companies accounted for using the equity method	8	73	63
Non-current financial assets	12.3 and 12.5	484	254
Other non-current assets		172	31
Deferred tax assets	9.3	154	165
NON-CURRENT ASSETS		**10,450**	**9,085**
Financial assets	12.3 and 12.5	58	55
Inventories		352	256
Income tax receivable		171	158
Trade and other receivables	4.3	5,068	4,273
Restricted cash and financial assets related to the Benefits & Rewards Services activity	4.5 and 12.3	1,257	1,062
Cash and cash equivalents	12.2	3,247	3,572
Assets held for sale	3.2	5	290
CURRENT ASSETS		**10,157**	**9,666**
TOTAL ASSETS		**20,608**	**18,751**

Shareholders' equity and liabilities

(in million euros)	NOTES	AUGUST 31, 2022	AUGUST 31, 2021
Share capital		—	—
Additional paid-in capital		285	285
Reserves and retained earnings		1,151	618
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**1,436**	**903**
NON-CONTROLLING INTERESTS		**2,426**	**1,669**
SHAREHOLDERS' EQUITY	11.1	**3,862**	**2,572**
Long-term borrowings	12.4 and 12.5	5,764	5,604
Long-term lease liabilities	7.1	759	763
Employee benefits	5.1	282	358
Other non-current liabilities	4.3	197	181
Non-current provisions	10.1	115	106
Deferred tax liabilities	9.3	161	101
NON-CURRENT LIABILITIES		**7,278**	**7,113**
Bank overdrafts	12.2	8	7
Short-term borrowings	12.4 and 12.5	227	844
Short-term lease liabilities	7.1	184	176
Income tax payable		207	188
Current provisions	10.1	99	148
Trade and other payables	4.3	5,233	4,434
Voucher liabilities	4.5	3,509	3,133
Liabilities directly associated with assets held for sale	3.2	—	138
CURRENT LIABILITIES		**9,467**	**9,066**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**20,608**	**18,751**

1.4 Consolidated cash flow statement

(in million euros)	NOTES	FISCAL 2022	FISCAL 2021
Operating profit		**1,047**	**326**
Depreciation, amortization and impairment of intangible assets, property, plant and equipment and right-of-use assets[1]		523	601
Provisions		(52)	(1)
(Gains) losses on disposals		(48)	27
Other non-cash items		31	20
Dividends received from companies accounted for using the equity method	8	6	9
Net interest expense paid		(59)	(72)
Interests paid on lease liabilities		(17)	(20)
Income tax paid		(200)	(146)
Operating cash flow		**1,230**	**744**
Change in inventories		(68)	—
Change in trade and other receivables		(563)	(264)
Change in trade and other payables		389	451
Change in vouchers payable		178	(16)
Change in financial assets related to the Benefits & Rewards Services activity		(145)	45
Change in working capital from operating activities		**(209)**	**216**
NET CASH PROVIDED BY OPERATING ACTIVITIES		1,021	960
Acquisitions of property, plant and equipment and intangible assets		(345)	(296)
Disposals of property, plant and equipment and intangible assets		17	72
Change in client investments	4.4	(13)	13
Change in financial assets and share of companies accounted for using the equity method		(58)	(19)
Business combinations	3.1	(64)	(62)
Disposals of activities	3.2	77	(11)
NET CASH USED IN INVESTING ACTIVITIES		(386)	(303)
Dividends paid to Sodexo S.A. shareholders	11.1	(16)	(13)
Dividends paid to non-controlling shareholders of consolidated companies		(169)	(11)
Purchases of treasury shares	11.1		—
Sales of treasury shares	11.1		
Change in non-controlling interests		(8)	(24)
Proceeds from borrowings	12.4	303	1,383
Repayment of borrowings	12.4	(1,007)	(263)
Repayments of lease liabilities	7.1	(208)	(242)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		(1,106)	829
NET EFFECT OF EXCHANGE RATES AND OTHER EFFECTS ON CASH		145	44
CHANGE IN NET CASH AND CASH EQUIVALENTS		**(326)**	**1,526**
NET CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		**3,565**	**2,036**
NET CASH AND CASH EQUIVALENTS, END OF YEAR	**12.2**	**3,239**	**3,566**

(1) Including 208 million euros corresponding to the depreciation of right-of-use assets recognized in Fiscal 2022 pursuant to IFRS 16 (253 million euros recognized in Fiscal 2021).

1.5 Consolidated statement of changes in shareholders' equity

(in million euros)	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[1]				(8)		(8)	(13)	(21)
Shareholders' equity as of September 1, 2021				**1,035**		**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)	—	(9)
Share-based payment (net of income tax)				14		14	—	38
Change in ownership interest without any change of control				(2)		(2)	2	—
Other	(2,000,000)	—	—	(1)		(1)	(1)	(2)
SHAREHOLDERS' EQUITY AS OF AUGUST 31, 2022	**24 255**		**285**	**554**	**533**	**1,436**	**2,426**	**3,862**

(1) See note 2.1.2 "New accounting standards and interpretations applied".

(in million euros)	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, 2020	**24 255**		**285**	**989**	**(468)**	**805**	**1,466**	**2 271**
Net profit for the year				34		34	80	114
Other comprehensive income (loss), net of tax				16	44	59	74	133
Comprehensive income						**93**	**154**	**247**
Dividends paid				(11)		(11)	(9)	(19)
Treasury share transactions				12		12	—	12
Share-based payment (net of income tax)				(4)		(4)	—	(4)
Change in ownership interest without any change of control				(2)		(2)	4	2
Other				9		9	53	62
SHAREHOLDERS' EQUITY AS OF AUGUST 31, 2021	**24 255**		**285**	**1,043**	**(424)**	**903**	**1,668**	**2,571**

2 Notes to the consolidated financial statements

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

Bellon's consolidated financial statements for the fiscal year ended August 31, 2022 were approved by the Board of Directors on February 8, 2023 and will be submitted to the Annual Shareholders Meeting on May 24, 2023.

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 Impact of the Covid-19 pandemic

While Fiscal 2021 was significantly impacted by the Covid-19 pandemic, the operating performance in Fiscal 2022 reflected strong recovery, with revenue reaching 21.1 billion euros which represents 97% of Fiscal 2019 revenues (adjusted for currencies). The trend improved throughout the year, with the last quarter back up at Fiscal 2019 levels.

1.2 Change in On-site Services organization

As announced on July 1, 2022, the Group has decided to modify the organization of its On-site Services activity as of Fiscal 2023. The On-site Services organization will thus see its effectiveness enhanced with the transfer of the full accountability for operational management to the countries and regions, regrouped into three geographic zones: North America, Europe and Rest of the World.

These three zones will be led respectively by Sarosh Mistry, Sunil Nayak and Johnpaul Dimech. This simplification will bring agility and speed to execution.

This change in organization, progressively implemented from September through to December 2022, had no impact on Fiscal 2022 consolidated financial statements.

1.3 Disposal of childcare activities

On March 11, 2022, the Group disposed of its global childcare activities (France, Spain and Germany) to Grandir group for 197 million euros generating a disposal gain of 76 million euros (see note 4.2.2 "Other Operating income and expenses"), with Sodexo becoming a minority shareholder owning 19% of Grandir Group, recognized as a non consolidated investment for 93 million euros (see note 12.3.1 "Current and non-current financial assets").

1.4 Impacts of the Ukraine-Russia conflict

Bellon does not have activities in Ukraine and stopped its activities in Russia, which represented less than 1% of Group revenues. Bellon transferred ownership of its activities in the country to local management who will continue operations *via* an independent structure and brand. No material impact in the consolidated financial statements has been recognized.

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 Bellon 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. A comprehensive list of the accounting standards adopted by the European Union is available for consultation on the European Commission website at https://ec.europa.eu/commission/index_en.

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. During the past three years, 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 2022. 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.

With reference to the interest rate benchmarks reform, the Group finalized discussions with counterparties to negotiate the change of benchmarks for the main instruments impacted (primarily the multicurrency confirmed credit facility; see note 12.4.1). As of August 31, 2022, the Group exposure to indexed financial instruments to benchmarks that will disappear, and whose maturity date is greater than the date of implementation of the reform, is limited and no significant impact on the consolidated financial statements is anticipated when the new reform will be implemented.

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, 2022 are the same as those used for the consolidated financial statements as of August 31, 2021, except for the principles impacted by the decisions of the IFRS Interpretation Committee mentioned below. The other texts effective as of September 1, 2021 had no impact on the consolidated financial statements of the Group.

In April 2021, the IFRS Interpretation Committee issued its final decision clarifying the calculation methods, in application of IAS 19 "Employee benefits", for commitments with an obligation to be present in the Group at the time of retirement and of which the rights are capped to a certain number of years of seniority. The application of this decision impacted the consolidated shareholders' equity as of September 1, 2021 for +10 million euros net of tax. Comparative information relating to Fiscal 2021 has not been restated, the impact having been considered immaterial for the Group.

This same Committee, in March 2021, made final its decision providing details on the accounting for configuration and customization costs of SaaS (Software as a Service) type software. This decision clarifies that configuration and customization costs related to SaaS software are to be recognized as an expense except if the costs meet the definition of an intangible asset in application of IAS 38 "Intangible Assets". The application of this decision impacted the consolidated shareholders' equity as of September 1, 2021 for -31 million euros net of tax. Comparative information relating to Fiscal 2021 has not been restated, the impact having been considered immaterial for the Group.

2.2 Use of estimates

The preparation of financial statements requires the Management of Bellon 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. Unpredictability generated by the Covid-19 pandemic made the use of estimates and assumptions a key factor in the establishment of the consolidated financial statements.

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 to 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:

- implementing the WasteWatch program, to minimize food waste by facilitating the operational and behavioral changes required to eliminate avoidable product waste, both in the kitchen and by consumers;
- developing the plant-based food offer, to raise consumer awareness of the nutritional and environmental benefits of meals based on vegetable protein, another 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;
- progressively transitioning away from coal sector projects, with the aim of exiting the sector by 2025.

The many initiatives undertaken by Sodexo aim, in particular, to achieve the objective of a 34% reduction in the Group's greenhouse gas emissions by 2025 (as compared to the 2017 reference year), 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, 2022, 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:

- goodwill and intangible assets acquired as part of a business combination, measured at 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, measured at fair value (note 5.1);
- share-based payment, measured at fair value (note 5.2);
- right-of-use assets relating to leases and lease liabilities (note 7.1).

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 3 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 AND POLICIES

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 Bellon 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 Bellon 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. 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.

Bellon 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 as of August 31, 2022 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 expense.

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 Bellon 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 2022.

Business combinations

The purchase method is used to account for acquisitions of subsidiaries by the Group. Fair value of the consideration corresponds to the fair value of assets acquired, equity instruments issued by the purchaser and liabilities assumed as of the date of the acquisition. Costs directly related to the acquisition are expensed as incurred in the income statement.

On initial consolidation of a subsidiary or equity interest, the Group measures all identifiable elements acquired at fair value at the acquisition date, in the currency of the acquired entity.

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. Goodwill arising on the acquisition of associates and joint ventures is included in the value of the equity method investment.

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.

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 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 149 million euros was recognized during Fiscal 2022, mainly due to the acquisition of Frontline Food Services in the United States and of Probics BV in the Netherlands for On-site Services, and to goodwill adjustment on Wedoogift in France for Benefits & Rewards Services.

The table below shows the values of the assets acquired and liabilities assumed as of August 31, 2022. The values are estimated provisionally as of August 31, 2022 for most of Fiscal 2022 acquisitions:

(in million euros)	AUGUST 31, 2022
Intangible assets	30
Property, plant and equipment	21
Financial assets	2
Trade receivables	47
Cash and cash equivalents	71
Income tax payable	—
Trade and other payables	(117)
Net deferred tax	(4)
TOTAL IDENTIFIABLE NET ASSETS	**50**
CONSIDERATION TRANSFERRED[1]	**199**
GOODWILL[2]	**149**

(1) Including 63 million euros increase corresponding to the increase of liabilities recognized in connection with written put options over non-controlling interests in certain subsidiaries.

(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	133
Cash acquired	69
Business combinations	**64**

Companies consolidated during Fiscal 2022 were integrated from the date of acquisition, and contributed for 71 million euros to consolidated revenue and for -1 million euros to the consolidated underlying operating profit of the period.

Goodwill variations during Fiscal 2022 and the comparative period are presented in note 6.1 "Goodwill".

3.2 Disposed or held for sale activities

ACCOUNTING PRINCIPLES AND POLICIES

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, this asset or group of assets is presented on a separate line "Assets held for sale" 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").

In addition, when the asset or group of assets held for sale represents a separate major line of business or geographic area of operations, its contribution to income and cash flows is presented on separate lines in the consolidated income statement and the consolidated cash flow statement.

The Group continued its portfolio rationalization by disposing 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, resulting 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").

During Fiscal 2021, assets and liabilities classified as "Assets held for sale" of 290 million euros and "Liabilities directly associated with assets held for sale" of 138 million euros mainly concern Childcare activities in France and in Spain, which were disposed of on March 11, 2022.

NOTE 4. SEGMENT INFORMATION AND OTHER OPERATING ITEMS

ACCOUNTING PRINCIPLES AND POLICIES

Income statement

Sodexo 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 or 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 has replaced operating profit in the segment information, as it is the main indicator reviewed regularly by the Executive Committee, which is the Group's main operating decision-maker.

REVENUES

Revenues reported by Bellon 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 a contract, whether Bellon acts as principal (the vast majority of cases) or agent.

  Food services 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;

- Benefits & Rewards Services: Revenues include mainly commissions received from clients and affiliates, financial income from the investment of cash generated by the activity, and profits from vouchers and cards not reimbursed.

  Commissions received from clients in the Benefits & Rewards Services activity are recognized when the cards are credited or the vouchers are issued and sent to the client. Commissions received from affiliates are recognized when the cards are used or the vouchers are reimbursed. Profits from unreimbursed cards and vouchers are recognized based on their expiration date and the deadline for presentation for reimbursement by the affiliate.

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.

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 the 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

ACCOUNTING PRINCIPLES AND POLICIES

In accordance with IFRS 8 "Operating segments", the segment information presented below has been prepared based on internal management data as monitored by the Group Executive Committee, which is Bellon's chief operating decision-maker: On-site Services and Benefits & Rewards Services.

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

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

- On-site Services:
  - Business & Administrations, which includes Corporate Services, Energy & Resources, Government & Agencies, Sports & Leisure and other non-segmented activities,
  - Healthcare, combined with Seniors,
  - Education, comprising Schools and Universities;
- Benefits & Rewards Services.

The operating segments that have been aggregated 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 By business segment

FISCAL 2022 (in million euros)	ON-SITE SERVICES	*BUSINESS & ADMINISTRATIONS*	*HEALTHCARE & SENIORS*	*EDUCATION*	BENEFITS & REWARDS SERVICES	ELIMINATIONS AND CORPORATE EXPENSES	GROUP TOTAL
Revenues (third-party)	20,263	*11,167*	*5,459*	*3,637*	862		21,125
Inter-segment sales (Group)					3	(3)	—
TOTAL REVENUES	**20,263**	***11,167***	***5,459***	***3,637***	**865**	**(3)**	**21,125**
Underlying operating profit*	926	*391*	*352*	*183*	248	(122)	1,052

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

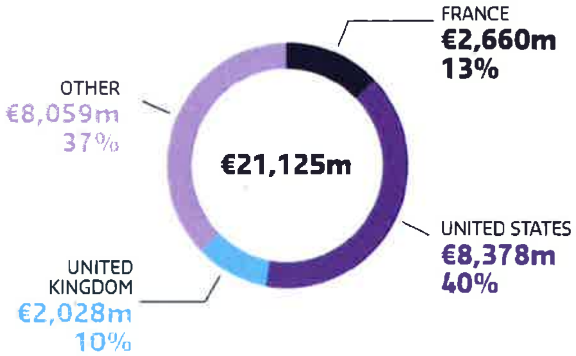
FISCAL 2021 (in million euros)	ON-SITE SERVICES	*BUSINESS & ADMINISTRATIONS*	*HEALTHCARE & SENIORS*	*EDUCATION*	BENEFITS & REWARDS SERVICES	ELIMINATIONS AND CORPORATE EXPENSES	GROUP TOTAL
Revenues (third-party)	16,687	*8,884*	*4,762*	*3,041*	741		17,428
Inter-segment sales (Group)					3	(3)	—
TOTAL REVENUES	**16,687**	***8,884***	***4,762***	***3,041***	**745**	**(3)**	**17,428**
Underlying operating profit*	486	*103*	*310*	*74*	186	(108)	564

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

4.1.2 By significant country

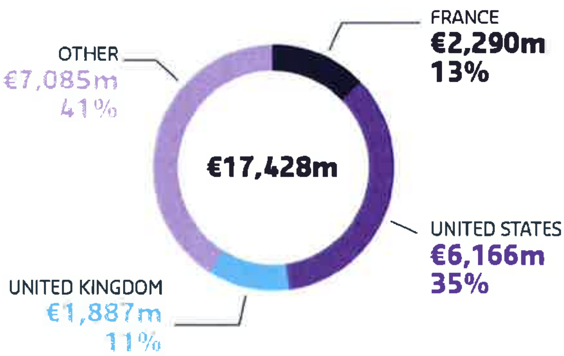
The Group's operations are spread across 53 countries, including three that each represent over 10% of consolidated revenues in Fiscal 2022: France (the Group's registration country), the United States and the United Kingdom. Revenues and non-current assets in these countries are as follows:

Revenue Fiscal 2022



Non-current assets as of August 31, 2022

Revenue Fiscal 2021



Non-current assets as of August 31, 2021

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

4.1.3 By line of services

Revenues by line of services are as follows:

(in million euros)	FISCAL 2022	FISCAL 2021
Food services	12,236	9,052
Facilities Management services	8,027	7,634
Total On-site Services revenues	**20,263**	**16,687**
Benefits & Rewards Services	**865**	**745**
Eliminations	(3)	(3)
TOTAL CONSOLIDATED REVENUES	**21,125**	**17,428**

4.2 Operating expenses by nature and other operating income and expenses

4.2.1 Operating expenses by nature

(in million euros)	FISCAL 2022	FISCAL 2021
Employee costs	(10,395)	(9,280)
• Wages and salaries	(8,137)	(7,234)
• Other employee costs[1]	(2,258)	(2,046)
Purchases of consumables and change in inventory	(5,236)	(3,899)
Depreciation, amortization, and impairment losses[2]	(524)	(619)
• Amortization of intangible assets and property, plant and equipment and right-of-use assets relating to leases	(528)	(600)
• Impairment of intangible assets and property, plant and equipment and right-of-use assets relating to leases	4	(19)
Rent and attached charges[3]	(418)	(154)
Other operating expenses[4]	(3,505)	(3,155)
TOTAL NET OPERATING EXPENSES	**(20,078)**	**(17,107)**

(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 208 million euros recognized in Fiscal 2022 in accordance with IFRS 16 (252 million euros in Fiscal 2021).
(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.

4.2.2 Other operating income and expenses

(in million euros)	FISCAL 2022	FISCAL 2021
Gains related to consolidation scope changes[1]	117	31
Gain on disposals of non-current assets	1	12
Gains on changes of post-employment benefits	1	4
Other[2]	34	9
OTHER OPERATING INCOME	153	56
Restructuring and rationalization costs[3]	(10)	(153)
Losses related to consolidation scope changes[1]	(67)	(63)
Amortization of purchased intangible assets	(46)	(33)
Impairment of goodwill and non-current assets	(1)	(27)
Acquisition-related costs	(3)	(5)
Losses on changes of post-employment benefits	(5)	(5)
Losses on disposals of non-current assets	(1)	(2)
Other	(25)	(8)
OTHER OPERATING EXPENSES	(158)	(295)
TOTAL OTHER OPERATING INCOME AND EXPENSES	**(5)**	**(239)**

(1) Gains and losses relating to disposed activities during Fiscal 2022 mentioned in note 3.2.
(2) Indemnity received from the Hungarian State (see note 10.2).
(3) The costs incurred in Fiscal 2021 mainly correspond to restructuring measures of the GET program (*cf.* note 10).

4.3 Trade and other receivables and payables

4.3.1 Trade and other receivables

ACCOUNTING PRINCIPLES AND POLICIES

Trade and other receivables 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.

	AUGUST 31, 2022			AUGUST 31, 2021		
(in million euros)	GROSS AMOUNT	IMPAIRMENT	CARRYING AMOUNT	GROSS AMOUNT	IMPAIRMENT	CARRYING AMOUNT
Advances to suppliers	25	—	25	12		12
Trade receivables	4,454	(160)	4,294	3,866	(158)	3,708
Other operating receivables	538	(21)	517	381	(13)	368
Prepaid expenses	226	—	226	184	—	184
Non-operating receivables	7	(1)	6	2	(1)	1
TOTAL TRADE AND OTHER RECEIVABLES	**5,250**	**(182)**	**5,068**	**4,445**	**(172)**	**4,273**

The maturities of trade receivables as of August 31, 2022 and August 31, 2021 respectively were as follows:

	AUGUST 31, 2022			AUGUST 31, 2021		
BREAKDOWN OF TRADE RECEIVABLES DUE AS OF AUGUST 31	GROSS AMOUNT	IMPAIRMENT	CARRYING AMOUNT	GROSS AMOUNT	IMPAIRMENT	CARRYING AMOUNT
Less than 3 months past due	487	(11)	476	350	(9)	341
More than 3 months and less than 6 months past due	89	(12)	77	86	(9)	77
More than 6 months and less than 12 months past due	39	(7)	32	39	(9)	30
More than 12 months past due	112	(104)	8	121	(93)	28
TOTAL TRADE RECEIVABLES DUE	**727**	**(134)**	**593**	**597**	**(121)**	**476**
Total trade receivables not yet due	3,727	(26)	3,701	3,269	(36)	3,234
TOTAL TRADE RECEIVABLES	**4,454**	**(160)**	**4,294**	**3,866**	**(158)**	**3,708**

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 AND POLICIES

Trade and other 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.

Sodexo'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 million euros)	AUGUST 31, 2022	AUGUST 31, 2021
Operating payables	158	147
Non-operating payables	39	34
OTHER NON-CURRENT LIABILITIES	**197**	**181**
Trade payables	2,708	2,181
Employee-related liabilities	1,473	1,258
Advances from clients	448	394
Tax liabilities	260	306
Other operating payables	185	156
Deferred revenues	124	108
Non-operating payables	36	32
TRADE AND OTHER CURRENT PAYABLES	**5,233**	**4,434**
TOTAL TRADE AND OTHER PAYABLES	**5,430**	**4,616**

As of August 31, 2022, the total amount of receivables transferred by Bellon's suppliers through the reverse factoring programs is 373 million euros (274 million euros as of August 31, 2021).

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, 2022 (in million euros)	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**

MATURITIES OF TRADE AND OTHER PAYABLES AS OF AUGUST 31, 2021 (in million euros)	CARRYING AMOUNT	UNDISCOUNTED CONTRACTUAL VALUE
Less than 3 months	3,109	3,109
More than 3 months and less than 6 months	301	301
More than 6 months and less than 12 months	905	905
More than 1 year and less than 5 years	214	219
More than 5 years	87	96
TOTAL TRADE AND OTHER PAYABLES	**4,616**	**4,630**

4.4 Client investments

ACCOUNTING PRINCIPLES AND POLICIES

Some client contracts provide for a financial contribution by Bellon. 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 million euros)	FISCAL 2022	FISCAL 2021
Client investments as of September 1	**560**	**575**
Increases during the fiscal year	133	87
Decreases during the fiscal year	(120)	(101)
Impairment	2	(3)
Change in scope of consolidation	—	—
Currency translation adjustment and other movements	92	1
CLIENT INVESTMENTS AS OF AUGUST 31	**667**	**560**

4.5 Benefits & Rewards Services activity

(in million euros)	August 31, 2022	AUGUST 31, 2021
Trade and other receivables	1,482	1,295
Trade and other payables[1]	(394)	(329)
Voucher liabilities[2]	(3,509)	(3,133)
Vouchers in circulation	*(2,844)*	*(2,599)*
Voucher payables	*(489)*	*(370)*
Other[1]	*(176)*	*(164)*
WORKING CAPITAL EXCLUDING RESTRICTED CASH AND FINANCIAL ASSETS OF THE BENEFITS & REWARDS SERVICES ACTIVITY	**(2,421)**	**(2,166)**
Restricted cash and financial assets related to the Benefits & Rewards Services activity	1,257	1,062
Restricted cash	*960*	*773*
Market securities > 3 months	*297*	*289*
Cash and cash equivalents[1]	1,508	1,200
Bank overdrafts	(1)	(5)
OPERATING CASH ASSETS OF THE BENEFITS & REWARDS SERVICES ACTIVITY	**2,764**	**2,257**

(1) Including intragroup transactions.
(2) Voucher liabilities are accounted for at fair value as current liabilities, which is the face value of vouchers in circulation and of vouchers back at Sodexo and not yet reimbursed.

NOTE 5. EMPLOYEE BENEFITS AND SHARE-BASED PAYMENT

5.1 Employee benefits

ACCOUNTING PRINCIPLES AND POLICIES

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", Bellon 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.

Bellon 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 Bellon 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 and 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 Bellon. Where the calculation of the net obligation results in an asset for Bellon, 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.

Bellon 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 million euros)	August 31, 2022	September 1, 2021	Impact of changes in accounting principles[2]	August 31, 2021
Post-employment benefits - Net defined benefit plan obligation	131	158	(13)	171
Other long-term employee benefits	151	186	—	186
Post-employment benefits - Net defined benefit plan assets[1]	(150)	(10)	—	(10)
Employee benefits	**132**	**334**	**(13)**	**347**

(1) Included in "Other non-current assets" in the consolidated statement of financial position.
(2) Impact of the application of the IFRS Interpretation Committee decision related to IAS 19 (May 2021). See note 2.1.2 "New accounting standards and interpretations applied".

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 390 million euros for Fiscal 2022, compared to 401 million euros for Fiscal 2021.

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

Defined benefit plans

The characteristics of Bellon'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, Bellon'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 Bellon 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 Bellon. 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 million euros)	FISCAL 2022 BENEFIT OBLIGATION	FISCAL 2022 PLAN ASSETS	FISCAL 2022 NET BENEFIT OBLIGATION	FISCAL 2021 BENEFIT OBLIGATION	FISCAL 2021 PLAN ASSETS	FISCAL 2021 NET BENEFIT OBLIGATION
As of 31 August	**1,435**	**(1,275)**	**160**	**1,476**	**(1,284)**	**192**
Impact of changes in accounting principles[1]	(13)	—	(13)	—	—	—
As of September 1	**1,422**	**(1,275)**	**147**	**1,476**	**(1,284)**	**192**
Expense/(income) recognized in the income statement	32	(19)	13	33	(19)	13
Current service cost	*17*	—	*17*	*20*	*(1)*	*18*
Past service cost	*(6)*	—	*(6)*	*(8)*	—	*(8)*
Effect of settlements	—	—	—	—	—	—
Interest cost/(income)	*21*	*(19)*	*2*	*21*	*(18)*	*3*
Remeasurement losses/(gains)	(391)	303	(88)	50	(60)	(10)
Actuarial losses/(gains) arising from changes in demographic assumptions	*11*	—	*11*	*(11)*	—	*(11)*
Actuarial losses/(gains) arising from changes in financial assumptions	*(404)*	*303*	*(101)*	*59*	*(60)*	*(1)*
Experience adjustments	*2*	—	*2*	*2*	—	*2*
Currency translation adjustment	13	(8)	5	41	(41)	—
Contributions made by plan members	2	(2)	—	1	(1)	—
Employer contributions[2]	—	(82)	(82)	—	—	—
Benefits paid from plan assets	(37)	40	3	(44)	41	(3)
Benefits paid other than from plan assets	(13)	—	(13)	(16)	(15)	(31)
Changes in scope of consolidation and other[3]	29	(33)	(4)	(106)	104	(2)
AS OF AUGUST 31	**1,057**	**(1,076)**	**(19)**	**1,435**	**(1,275)**	**160**
Of which:						
Partially funded plans	932	(1,076)	(144)	1,308	(1,275)	33
Unfunded plans	125	—	125	127	—	127

- (1) Impact of the application of IFRS Interpretation Committee decision related to IAS 19 (May 2021). See note 2.1.2 "New accounting standards and interpretations applied".

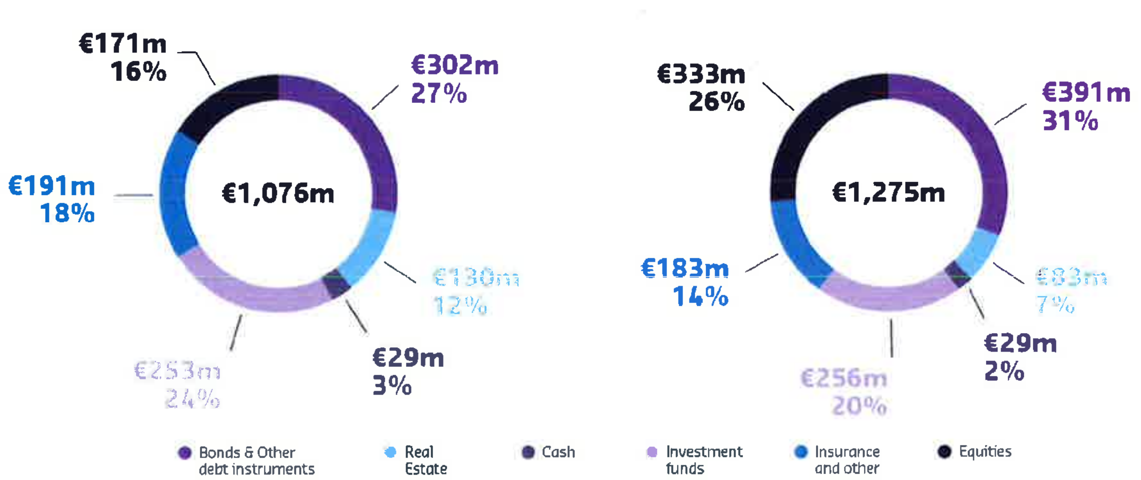
(2) Contributions made by the employer to different plan assets of which 75 million euros of contributions to the UK pension plan assets.
(3) including for Fiscal 2021 a benefit obligation decrease amounting to 104 million euros and assets for the same amount, linked to the retirement benefit obligations in six UK companies due to expiry of the contract.

The amounts recorded in the income statement for defined benefit plans totaled 13 million euros in Fiscal 2022 (13 million euros in Fiscal 2021) and consist of:

- net expense of 8 million euros (net expense of 8 million euros in Fiscal 2021) in Cost of sales;
- net expense of 5 million euros (net expense of 6 million euros in Fiscal 2021) in Selling, General and Administrative costs;
- net income of 2 million euros in Other Income and Expenses;
- net expense of 2 million euros in financial expenses (see note 12.1).

Defined benefit plan assets comprise:

As of August 31, 2022 **As of August 31, 2021**



Recognized net actuarial gains arising from changes in financial assumptions amounted to 101 million euros, of which 73 million euros in the United Kingdom. In the United Kingdom, these gains were mainly due to the updated discount rate.

The following assumptions were used for actuarial valuations for the principal countries as of August 31, 2022 and 2021:

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 million euros)	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.

AUGUST 31, 2021	FRANCE	NETHERLANDS	UNITED KINGDOM[4]	ITALY
Discount rate[1]	1.05%	0.80%	1.70%	0.35%
Salary long-term inflation rate[2]	2.25%	N/A	3.80%	N/A
General long-term inflation rate[3]	1.75%	1.75%	3.30%	1.75%
Net liability (in million euros)	87	2	(9)	17
Average term of the plans (in years)	9	18	19	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) Retail Price Index (RPI): 3.30%; Consumer Price Index (CPI): 2.55% for Fiscal 2021.
(4) Excluding 104 million euros in retirement benefit obligations in the 6 UK companies (offset by an asset in the same amount).

With respect to the assumptions provided in the above table, for Fiscal 2022, a reduction of 1% in the discount rate would increase the gross obligation to 1,215 million euros (compared with 1,057 million euros based on the assumptions used as of August 31, 2022), while a rise of 0.5% in the general long-term inflation rate would increase the gross obligation to 1,104 million euros.

Based on estimates derived from reasonable assumptions, the amount to be recorded in the income statement for defined benefit plans in Fiscal 2023 is 17 million euros.

Multi-employer plans

In the USA, as of August 31, 2022, Sodexo contributed to 44 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 the Company 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 the Company and the other remaining participating employers; and
- if Bellon 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, Bellon may be required to pay that plan an amount based on the value of unfunded vested benefits of the plan and the Bellon's *pro-rata* share of total plan contributions, referred to as withdrawal liability.

The Group 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 11 million euros to U.S. multi-employer defined benefit plans in Fiscal 2022 and 12 million euros in Fiscal 2021. Of the contributions made by Sodexo, 51% and 7% 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 151 million euros as of August 31, 2022 (186 million euros as of August 31, 2021), 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 2022 was 8 million euros (6 million euros in Fiscal 2021).

5.2 Share-based payments

ACCOUNTING PRINCIPLES AND POLICIES

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

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, Bellon reassesses the number of shares that is 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 2022;
- 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 2022 plans, 7 companies were included in the panel (Aramark, Compass, Edenred, Elior, ISS, Rentokil, Securitas).

MOVEMENTS IN FISCAL 2022 AND FISCAL 2021

The table below shows movements in free shares in Fiscal 2022 and Fiscal 2021:

	FISCAL 2022	FISCAL 2021
Outstanding at the beginning of the year	**2,315,627**	**2,447,754**
Granted during the year	834,629	922,840
Forfeited during the year	(423,329)	(640,922)
Delivered during the year	(439,262)	(414,045)
Outstanding at the end of the year	**2,287,665**	**2,315,627**

The weighted average fair value of the restricted shares granted in Fiscal 2022 is 73.48 euros per share (64.92 euros per shares granted in Fiscal 2021).

The table below shows the grant dates of restricted shares outstanding as of August 31, 2022, 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%)	LOAN INTEREST RATE (in%)	VOLATILITY* (in%)	NUMBER OF SHARES OUTSTANDING AS OF AUGUST 31
September 18, 2018	International	4	2.7%	0.0%	N/A	21.3%	24,539
June 19, 2019	International	4	3.0%	0.0%	N/A	21.9%	626,957
November 6, 2020	International	4	3.0%	0.0%	N/A	21.9%	8,000
November 20, 2020	International	3	1.8%	0.0%	N/A	38.8%	803,000
February 1, 2022	International	3	3.0%	0.0%	N/A	39.0%	800,080
June 22, 2022	International	3	3.0%	1.4%	N/A	43.7%	25,089
TOTAL							**2,287,665**

* 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 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 2022 income statement for restricted shares is 38 million euros (33 million euros in Fiscal 2021).

5.3 Group employees

The following table shows the headcount of Group employees:

	AUGUST 31, 2022	AUGUST 31, 2021
AVERAGE HEADCOUNT AS OF AUGUST 31	**418,403**	**409,111**
TOTAL HEADCOUNT AS OF AUGUST 31	**422,000**	**412,099**

5.4 Compensation, loans, post-employment benefits and other benefits granted to Board members and the Executive Committee

The compensation, loans, post-employment benefits and other benefits granted to Board members, the Executive Committee, including the Group Chief Executive Officer of Sodexo in office as of August 31, 2021 and the Chairwoman and Chief Executive Officer as of August 31, 2022 respectively for Fiscal 2021 and Fiscal 2022 comprise the following:

(in euro)	FISCAL 2022	FISCAL 2021
Compensation paid by Bellon S.A. to members of its Executive and Supervisory Boards	950,034	866,682
Directors' fees paid by Bellon S.A. to members of its Executive and Supervisory Boards	250,000	250,000
Directors' fees paid by Sodexo to members of its Board of Directors who are also members of Bellon S.A.'s Executive and Supervisory Boards	149,516	124,600
Compensation and benefits paid by Sodexo subsidiaries to members of Sodexo's Board of Directors who are also members of Bellon S.A.'s Executive and Supervisory Boards	1,857,162	1,080,294
Total	3,206,712	2,321,576

* Short-term benefits correspond to compensations paid by the Group to Board members and to the Executive Committee during Fiscal 2022 (including variable compensations of the prior year).

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, Executive Committee members of the Group, 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, Denis Machuel, Group Chief Executive Officer from January 23, 2018, to September 30, 2021 was paid by Sodexo S.A. but did not have an employment contract with Sodexo S.A.

Sophie Bellon, Chairwoman and Group Chief Executive Officer since October 1, 2021 is paid by Sodexo S.A. but do 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 members of the Executive Committee 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.

No loans have been granted to the Board or Executive Committee members.

NOTE 6. GOODWILL, OTHER INTANGIBLE AND TANGIBLE ASSETS

6.1 Goodwill

ACCOUNTING PRINCIPLES AND POLICIES

Goodwill

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.

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.

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.

Transactions in non-controlling interests

Changes in non-controlling interests, in the absence of either assumption or loss of control, are recognized in shareholders' equity. In particular, when additional shares in an entity already controlled by the Group are acquired, the difference between the acquisition cost of the shares and the share of net assets acquired is recognized in equity attributable to equity holders of the parent. The value of the assets and liabilities of the subsidiary (including goodwill) remains unchanged.

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 estimates 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.

Changes in goodwill during the fiscal year were as follows:

(in million euros)	AUGUST 31, 2021	INCREASES DURING THE PERIOD	DECREASES DURING THE PERIOD	IMPAIRMENT	RECLASSIFICATION	CURRENCY TRANSLATION ADJUSTMENT	AUGUST 31, 2022
Corporate Services	976	5			22	92	1,095
Government & Agencies	331	—	—		—	14	345
Sports & Leisure	373	—	—	—	—	52	425
Energy & Resources	293	—	—	—	15	32	340
Other non-segmented activities	529	96	(5)		(37)	33	616
Business & Administrations	**2,503**	**101**	**(5)**	**—**	**—**	**223**	**2,822**
Healthcare	937	5	—	—		126	1,068
Seniors	645	1			(1)	77	722
Healthcare & Seniors	**1,582**	**6**	**—**	**—**	**(1)**	**203**	**1,790**
Schools	380	2	—		41	41	464
Universities	764	—	—	—	(20)	127	871
Education	**1,145**	**2**	**—**	**—**	**21**	**168**	**1,336**
On-site Services	**5,230**	**109**	**(5)**	**—**	**20**	**594**	**5,948**
Benefits & Rewards Services	**581**	**40**	**(3)**	**—**	**—**	**45**	**663**
Sodexo	**206**						**206**
TOTAL	**6,017**	**149**	**(8)**	**—**	**—**	**639**	**6,817**

Reclassifications during Fiscal 2022 relate to the adjustment of the goodwill affected to Childcare activities following their effective disposal, reallocated to the Schools segment, and to the reallocation of contracts since the beginning of Fiscal 2022 (from Universities segment and Other non-segmented activities to Schools, Corporate Services and Energy & Resources segments).

(in million euros)	AUGUST 31, 2020	INCREASES DURING THE PERIOD	DECREASES DURING THE PERIOD	IMPAIRMENT	RECLASSIFICATION	CURRENCY TRANSLATION ADJUSTMENT	AUGUST 31, 2021
Corporate Services	938	23	(1)	—		15	976
Government & Agencies	322	—	—	—		9	331
Sports & Leisure	369	—	—	—		4	373
Energy & Resources	289	—	—	—		4	293
Other non-segmented activities	523	—	—	—		7	529
Business & Administrations	**2,441**	**23**	**(1)**	**—**		**40**	**2,503**
Healthcare	920	6	—	—		12	937
Seniors	616	21	—	—	(1)	10	645
Healthcare & Seniors	**1,536**	**26**	**—**	**—**	**(1)**	**22**	**1,582**
Schools	484	—	(3)	—	(105)	4	380
Universities	756	—	—	—		8	764
Education	**1,240**	**—**	**(3)**	**—**	**(105)**	**12**	**1,145**
On-site Services	**5,217**	**50**	**(4)**	**—**	**(107)**	**74**	**5,230**
Benefits & Rewards Services	**547**	**45**	**(16)**	**(8)**	**—**	**13**	**581**
Sodexo	**206**						**206**
TOTAL	**5,970**	**94**	**(20)**	**(8)**	**(107)**	**87**	**6,017**

The reclassification movements during Fiscal 2021 mainly result from the classification as asset held for sale of the goodwill affected to Childcare activities.

6.2 Other intangible assets

ACCOUNTING PRINCIPLES AND POLICIES

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 million euros)	LICENSES AND SOFTWARE	CLIENT RELATIONSHIPS, TRADEMARKS AND OTHER	TOTAL
Gross value as of August 31, 2020	**679**	**927**	**1,605**
Acquisitions	109	25	133
Disposals	(38)	(71)	(109)
Translation Adjustments	6	14	20
Reclassifications(1)	(4)	(37)	(43)
Change in scope of consolidation	(12)	(17)	(29)
Other	—	—	—
Gross value as of August 31, 2021	**739**	**838**	**1,577**
Impact of changes in accounting principles(2)	(74)	—	(74)
Gross value as of September 1, 2021	**665**	**838**	**1,503**
Acquisitions	97	71	168
Disposals	(22)	(40)	(62)
Translation Adjustments	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**

(1) Corresponds mainly to the reclassification of assets held for sale (see note 3.2 "Disposed or held for sale activities").
(2) See note 2.1.2 "New accounting standards and interpretations applied".

6.2.2 Amortization and impairment of other intangible assets

(in million euros)	LICENSES AND SOFTWARE	CLIENT RELATIONSHIPS, TRADEMARKS AND OTHER	TOTAL
Amortization and impairment as of August 31, 2020	**(432)**	**(501)**	**(933)**
Amortization	(78)	(54)	(131)
Disposals	29	59	88
Impairment	—	(9)	(9)
Translation Adjustments	(5)	(9)	(13)
Reclassifications(1)	6	27	33
Change in scope of consolidation	11	8	19
Other	—	—	—
Amortization and impairment as of August 31, 2021	**(469)**	**(478)**	**(947)**
Impact of changes in accounting principles(2)	34	—	34
Amortization and impairment as of September 1, 2021	**(435)**	**(478)**	**(913)**
Amortization	(75)	(69)	(144)
Disposals	19	37	56
Impairment	(1)	—	(1)
Translation Adjustments	(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)**

(1) Corresponds mainly to the reclassification of assets held for sale (see note 3.2 "Disposed or held for sale activities").
(2) See note 2.1.2 "New accounting standards and interpretations applied".

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 million euros)	LICENSES AND SOFTWARE	CLIENT RELATIONSHIPS, TRADEMARKS AND OTHER	TOTAL
Net carrying amount as of August 31, 2020	247	425	673
Net carrying amount as of August 31, 2021	270	360	631
*Impact of changes in accounting principles**	*(40)*	—	*(40)*
Net carrying amount as of September 1, 2021	230	360	625
Net carrying amount as of August 31, 2022	**253**	**425**	**678**

* See note 2.1.2 "New accounting standards and interpretations applied".

6.3 Property, plant and equipment

ACCOUNTING PRINCIPLES AND POLICIES

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 Bellon 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, adjusted.

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 million euros)	LAND AND BUILDINGS	PLANT AND EQUIPMENT	CONSTRUCTION IN PROGRESS AND OTHER	TOTAL
Gross value as of August 31, 2020	**136**	**1,807**	**216**	**2,159**
Acquisitions	3	116	38	158
Disposals	(12)	(125)	(15)	(151)
Translation Adjustments	1	15	2	17
Reclassifications*	(52)	(44)	(23)	(119)
Change in scope of consolidation	(3)	(40)	(1)	(44)
Other	—	—	—	—
Gross value as of August 31, 2021	**73**	**1,730**	**217**	**2,020**
Acquisitions	4	147	46	197
Disposals	(4)	(83)	(20)	(107)
Translation Adjustments	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**

* Corresponds mainly to the reclassification of assets held for sale (see note 3.2 "Disposed or held for sale activities").

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 million euros)	LAND AND BUILDINGS	PLANT AND EQUIPMENT	CONSTRUCTION IN PROGRESS AND OTHER	TOTAL
Depreciation and impairment as of August 31, 2020	**(87)**	**(1,362)**	**(144)**	**(1,593)**
Amortization	(7)	(162)	(20)	(189)
Disposals	11	108	12	130
Impairment	(2)	(8)	—	(10)
Translation Adjustments	—	(11)	(1)	(12)
Reclassifications*	31	44	4	78
Change in scope of consolidation	1	35	1	36
Other	—	—	—	—
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	—
Translation Adjustments	(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)**

* Corresponds mainly to the reclassification of assets held for sale (see note 3.2 "Disposed or held for sale activities").

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 million euros)	BUILDINGS	PLANT AND EQUIPMENT	CONSTRUCTION IN PROGRESS AND OTHER	TOTAL
Net carrying amount as of August 31, 2020	49	446	72	567
Net carrying amount as of August 31, 2021	19	374	68	461
Net carrying amount as of August 31, 2022	**20**	**409**	**81**	**510**

6.4 Impairment of non-current assets

ACCOUNTING PRINCIPLES AND POLICIES

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 generally analyzed per operating segment for On-site Services activity, as reflected in the Group's organizational structure (see note 4.1), and by geographical area for Benefits & Rewards Services activity:

- On-site Services activity:
  - Business & Administrations, which includes Corporate Services, Energy & Resources, Government & Agencies, Sports & Leisure and other non-segmented,
  - Healthcare, combined with Seniors,
  - Education, comprising Schools and Universities;
- Benefits & Rewards Services activity:
  - Americas,
  - Europe,
  - Rest of the world.

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 against property, plant and equipment and intangible assets (including goodwill) amounted to 1 million euros as of August 31, 2022 (32 million euros as of August 31, 2021), and is recognized in other operating expenses in Fiscal 2022 for 1 million euros (27 million euros in Fiscal 2021).

The main assumptions used are as follows:

	FISCAL 2022		FISCAL 2021	
	DISCOUNT RATE	LONG-TERM GROWTH RATE	DISCOUNT RATE	LONG-TERM GROWTH RATE
On Site Services :				
Corporate Services	9.0%	2.2%	8.0%	2.2%
Energy & Resources	9.0%	2.5%	8.2%	2.6%
Government & Agencies	8.5%	2.0%	7.5%	2.1%
Sports & Leisure	8.4%	1.9%	7.3%	2.1%
Healthcare	8.6%	2.1%	7.3%	2.2%
Seniors	8.5%	1.8%	7.6%	2.0%
Schools	8.5%	1.9%	7.5%	2.0%
Universities	8.4%	2.0%	7.0%	2.0%
Other non-segmented activities	9.1%	2.3%	7.9%	2.0%
Benefits & Rewards Services	9.5%	2.4%	8.8%	2.7%
Americas	10.4%	2.9%	n/a	n/a
Europe	8.9%	1.9%	n/a	n/a
Rest of the world	13.0%	6.2%	n/a	n/a

The discount rates used by segment (group of CGUs) were set based on the weighted average of the discount rates for each geographic region, taking into account the relative weighting of each segment in the segment's revenues. The discount rates of the main regions are as follows:

	DISCOUNT RATE	
	FISCAL 2022	FISCAL 2021
Continental Europe	9.1%	7.9%
North America	8.4%	7.0%
United Kingdom and Ireland	8.3%	7.5%
Latin America	9.2%	9.1%
France	8.5%	7.6%

SENSITIVITY ANALYSIS

Bellon 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, 2022. The results of this analysis did not indicate any risk of impairment for any of the segments.

NOTE 7. LEASES

ACCOUNTING PRINCIPLES AND POLICIES

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 (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-19 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-19 pandemic which was recognized in the income statement during Fiscal 2022 and Fiscal 2021 in application of the practical expedient provided for by the amendments to IFRS 16 is not significant.

7.1 Lease liabilities

ACCOUNTING PRINCIPLES AND POLICIES

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, 2022, the lease liabilities amount to 943 million euros, including 759 million euros of non-current lease liabilities and 184 million euros of current lease liabilities. The change in lease liabilities during Fiscal 2022 breaks down as follows:

(in million euros)	FISCAL 2022	FISCAL 2021
Lease liabilities as of September 1	939	**1,357**
Increase/(Decrease)[1]	186	(94)
Repayment of the principal	(225)	(242)
Translation adjustments	75	7
Change in scope of consolidation	(33)	(9)
Other movements[2]	1	(78)
LEASE LIABILITIES AS OF AUGUST 31	**943**	**939**

(1) Impact of new leases entered into, rent indexation, contractual modifications, as well as changes in assessment of the likelihood that renewal and termination options will be exercised. During Fiscal 2021, some significant contracts were terminated early.
(2) For Fiscal 2021, the other movements are mostly due to the reclassification of assets held for sale.

Lease liabilities maturity breaks down as follows:

(in million euros)	FISCAL 2022	FISCAL 2021
< 1 year	184	176
1 to 3 years	260	227
3 to 5 years	185	171
> 5 years	314	366
LEASE LIABILITIES CARRYING VALUE	**943**	**939**

7.2 Right-of-use assets relating to leases

ACCOUNTING PRINCIPLES AND POLICIES

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. 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 million euros)	LAND AND BUILDINGS	SITES AND SPACES OPERATED UNDER CONCESSION AGREEMENTS	VEHICLES	EQUIPMENT	TOTAL
Gross value as of August 31, 2020	**570**	**877**	**125**	**23**	**1,595**
Increase	22	90	47	5	164
Translation Adjustments	3	5	1	—	9
Reclassifications[1]	(106)	—	1	—	(105)
Change in scope of consolidation	(5)	(1)	(5)	(1)	(13)
Other movements[2]	(46)	(276)	(19)	(7)	(348)
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**

(1) Corresponds mainly to the reclassification of assets held for sale (see note 3.2 "Disposed or held for sale activities").
(2) Corresponds mainly to significant contracts that were early-terminated.

(in million euros)	LAND AND BUILDINGS	SITES AND SPACES OPERATED UNDER CONCESSION AGREEMENTS	VEHICLES	EQUIPMENT	TOTAL
Amortization and impairment as of August 31, 2020	**(93)**	**(133)**	**(40)**	**(8)**	**(274)**
Amortization	(88)	(108)	(48)	(9)	(252)
Reversals	15	62	15	5	96
Impairment	(4)	(1)	—	—	(5)
Translation Adjustments	(1)	(2)	—	—	(3)
Reclassifications*	29	4	—	—	34
Change in scope of consolidation	1	1	2	—	4
Other movements	—	—	—	—	—
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
Translation Adjustments	(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)**

* Corresponds mainly to the reclassification of assets held for sale (see note 3.2 "Disposed or held for sale activities").

(in million euros)	LAND AND BUILDINGS	SITES AND SPACES OPERATED UNDER CONCESSION AGREEMENTS	VEHICLES	EQUIPMENT	TOTAL
Net carrying amount as of August 31, 2020	477	744	84	15	1321
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**

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

ACCOUNTING PRINCIPLES AND POLICIES

Associates are companies in which Bellon 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 Bellon 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. 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 2021 and Fiscal 2022 are shown below:

(in million euros)	FISCAL 2022	FISCAL 2021
Carrying amount as of September 1	**57**	**53**
Of which investments in companies accounted for using the equity method	**63**	**60**
Of which Provisions	**(6)**	**(7)**
Share of profit for the period	8	9
Other comprehensive income (loss)	—	3
Dividend paid for the period	(6)	(9)
Currency translation adjustment	6	—
Other movements	—	2
CARRYING AMOUNT AS OF AUGUST 31	**65**	**57**
Of which investments in companies accounted for using the equity method	**73**	**63**
Of which Provisions	**(8)**	**(6)**

NOTE 9. INCOME TAX

ACCOUNTING PRINCIPLES AND POLICIES

Income tax expense

Income tax expense for the year includes current taxes and deferred taxes. It includes the *cotisation sur la valeur ajoutée des entreprises (CVAE)*, a business tax assessed on corporate value-added generated by the 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 deducted from the expenses to which they relate.

Uncertain income tax liabilities related to tax positions are estimated in accordance with IFRIC 23 "Uncertainty over income tax treatments" and presented in Income tax payable. 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).

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.

Residual deferred tax assets on temporary differences and tax loss carry-forwards (after offset of deferred tax liabilities) are only recognized if their recovery is considered probable.

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

(in million euros)	FISCAL 2022	FISCAL 2021
Current income tax (expenses)/income	(211)	(107)
Withholding taxes	(9)	(7)
Deferred income tax (expenses)/income	(45)	14
INCOME TAX EXPENSE	**(264)**	**(101)**

As of Fiscal 2022, the change in deferred income tax income corresponds to the reversal of deferred tax assets and the non recognition of deferred tax assets previously recognized in new countries impacted by losses.

9.2 Income tax rate reconciliation

(in million euros)	FISCAL 2022	FISCAL 2021
Profit for the year before tax	969	237
Share of profit of companies accounted for using the equity method	(8)	(9)
Profit before tax excluding share of profit of companies accounted for using the equity method	**961**	**229**
Tax rate applicable to Sodexo S.A.	28.4%	32.02%
Theoretical income tax (expense)/income	**(273)**	**(73)**
Effect of jurisdictional tax rate differences	39	37
Permanently non-deductible expenses or non-taxable income	2	(1)
Other tax repayments/(charges), net	8	(18)
Tax loss carry-forwards used or recognized during the period but not recognized as a deferred tax asset in prior periods	4	8
Tax loss carry-forwards and temporary differences arising during the period or prior years but not recognized as a deferred tax asset*	(35)	(46)
Actual income tax expense	**(256)**	**(94)**
Withholding taxes	(9)	(7)
TOTAL INCOME TAX EXPENSE	**(264)**	**(101)**

* Including unrecognized deferred tax assets arising from non-recurring tax loss carry-forwards and temporary differences for 20 million euros in Fiscal 2022 (31 million euros in Fiscal 2021).

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 43.9% for Fiscal 2021 to 27.5% for Fiscal 2022. Income tax expense of 264 million euros is driven by tax loss carry-forwards and temporary differences arising during the period but not recognized as a deferred tax asset for 35 million euros, mainly in France due to material non-recurring expenses, where there no prospect of short-term recoverability.

9.3 Deferred taxes

Movements in deferred taxes were as follows in Fiscal 2022:

(in million euros)	AUGUST 31, 2021	CHANGE IN ACCOUNTING PRINCIPLES	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	154	(3)	151	(4)	(22)	21	146
Fair value of financial instruments	16	—	16	(13)	(2)	2	3
Goodwill	(200)	—	(200)	(4)	—	(36)	(240)
Intangible assets	(22)	10	(12)	(6)	—	(4)	(22)
Other temporary differences	18	—	18	(9)	1	(2)	8
Tax loss carry-forwards	97	—	97	(9)	—	10	98
TOTAL NET DEFERRED TAX ASSETS/ (LIABILITIES)	**63**	**7**	**70**	**(45)**	**(23)**	**(9)**	**(7)**
Of which deferred tax assets	**165**	**—**	**176**	**—**	**—**	**—**	**154**
Of which deferred tax liabilities	**(101)**	**—**	**(106)**	**—**	**—**	**—**	**(161)**

Movements in deferred taxes were as follows in Fiscal 2021:

(in million euros)	AUGUST 31, 2020	DEFERRED TAX BENEFIT/ (EXPENSE)	DEFERRED TAX RECOGNIZED IN OTHER COMPREHENSIVE INCOME	CURRENCY TRANSLATION ADJUSTMENT AND OTHER	AUGUST 31, 2021
Employee-related liabilities	151	1	(1)	3	154
Fair value of financial instruments	2	13	2	(1)	16
Goodwill	(199)	5	—	(6)	(200)
Intangible assets	(30)	9	—	(1)	(22)
Other temporary differences	38	(26)	3	3	18
Tax loss carry-forwards	77	13	—	7	97
TOTAL NET DEFERRED TAX ASSETS/(LIABILITIES)	**39**	**15**	**4**	**5**	**63**
Of which deferred tax assets	**137**	**—**	**—**	**—**	**165**
Of which deferred tax liabilities	**(97)**	**—**	**—**	**—**	**(101)**

As of August 31, 2022, the deferred tax assets arising from tax loss carry-forwards amount to 98 million euros (97 million euros as of August 31, 2021). 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 to 215 million euros as of August 31, 2022 (192 million euros as of August 31, 2021). France is the main country with unrecognized deferred tax assets on tax loss carry-forwards. Unrecognized deferred tax assets arising from tax losses generated within the French tax group in Fiscal 2022 amount to 8 million euros.

Temporary differences on employee-related liabilities relate primarily to post-employment benefits.

NOTE 10. PROVISIONS, LITIGATION AND CONTINGENT LIABILITIES

ACCOUNTING PRINCIPLES AND POLICIES

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 in 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 million euros)	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*	6	—	—	—	2	—	8
Other provisions	45	11	(9)	(5)	—	2	44
TOTAL PROVISIONS	**254**	**70**	**(85)**	**(37)**	**12**	**—**	**214**

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

(in million euros)	AUGUST 31, 2020	INCREASES/ CHARGES	REVERSALS WITH UTILIZATION	REVERSALS WITHOUT UTILIZATION	CURRENCY TRANSLATION ADJUSTMENT AND OTHER	CHANGES IN SCOPE OF CONSOLIDATION	AUGUST 31, 2021
Reorganization costs(1)	81	49	(54)	(12)	3	—	67
Employee claims and litigation	42	32	(14)	(4)	(1)	—	56
Tax and social security exposures	27	9	(4)	(3)	1	—	30
Contract termination and loss-making contracts	37	9	(14)	(1)	(5)	—	27
Client/supplier claims and litigation	18	16	(11)	—	—	—	23
Negative net assets of associates(2)	7	—	—	—	—	—	6
Other provisions	43	21	(18)	(4)	2	—	45
TOTAL PROVISIONS	**255**	**137**	**(114)**	**(24)**	**1**	**(1)**	**254**

(1) The provisions for reorganization mainly consist of the restructuring and right-sizing costs resulting from the rigorous measures implemented in the context of the Covid-19 pandemic in all segments and activities to adjust on-site staff costs, as government employment measures progressively fell apart, and to sustainably reduce the Selling, General and Administrative costs.
(2) 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 million euros)	AUGUST 31, 2022		AUGUST 31, 2021	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Reorganization costs	17	—	67	—
Employee claims and litigation	21	34	30	26
Tax and social security exposures	14	18	13	18
Contract termination and loss-making contracts	13	8	14	13
Client/supplier claims and litigation	23	14	14	9
Negative net assets of associates*	—	8	—	6
Other provisions	11	33	10	35
TOTAL PROVISIONS	**99**	**115**	**148**	**106**

* 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

The subsidiary Sodexo Pass do Brasil is in dispute with the Brazilian tax authorities regarding the tax deductibility of the amortization of goodwill recognized on the purchase of VR in March 2008. For the record, in Fiscal 2017, Sodexo Pass do Brasil received a tax reassessment notice from the Brazilian tax authorities for fiscal years 2010, 2011 and 2012 relating to the deductibility for tax purposes of the amortization of goodwill, with 150% penalties and late payment interest. The reassessment amounts to 573 million Brazilian real to date, *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 Group is firmly disputing this reassessment, which the Brazilian tax authorities originally envisaged during a previous tax audit covering fiscal years 2008 and 2009 but then abandoned. The Group considers that the tax amortization of goodwill was valid, both in terms of its underlying reasons and the way it has been recorded. Therefore, the Group considers that there is a strong probability of winning the dispute with the tax authorities, which has been confirmed by its tax advisors.

This dispute was presented on August 14, 2018 for judgment of the competent administrative court (CARF). The court ruled in favor of Sodexo Pass do Brasil as it considered that the goodwill and corresponding tax amortization were legitimately recognized on the acquisition of VR. The judgment therefore confirms that Sodexo Pass do Brasil acquired a full business structure when it purchased VR.

The Brazilian tax authorities challenged the decision by appealing to the Superior Court of Appeal (CSRF). Due to the pandemic, the review of the dispute by the CSRF was postponed several times, and was finally put on the agenda for the hearing of September 13, 2022. This collegiate hearing confirmed the ruling favorable to Sodexo Pass do Brasil by 7 votes to 1. The Group is awaiting written notification of this decision which would definitively end the dispute in its favor.

Consequently, the Group believes, after consulting its advisors, that the risk of an outflow of resources on final settlement of this dispute is low and considers that no provision is to be accounted for in its financial statements as of August 31, 2022.

It is recalled that the tax savings generated by this tax amortization were offset in the consolidated accounts of the Group by a deferred tax expense of the same amount for each of the financial periods concerned, in accordance with IFRS rules. The deferred tax liability related to the reassessed periods amounts to 29 million euros as of August 31, 2022 (24 million euros as of August 31, 2021).

During Fiscal 2021, the subsidiary Sodexo do Brasil Comercial also 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 198 million Brazilian real to date, *i.e.*, 38 million euros as of August 31, 2022 (of which 9 million euros in principal and 29 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 outcome of the final hearing favorable to Sodexo Pass do Brasil mentioned above.

The goodwill amount has been fully amortized. 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 balance of the related deferred tax liability amounts to 28 million euros as of August 31, 2022.

In addition, Sodexo and its main competitors have a different interpretation from that of the Tax Administration on the deductibility of PIS/COFIN on certain purchases that are made at a zero rate. Proceedings are still ongoing but suspended pending the decision of the Supreme Courts (which will judge in law on another taxpayer). Based on the opinion of its tax advisers, the Group considers that its chances of success in these proceedings are good and therefore did not consider it necessary at this stage to provision for appropriations deducted to date.

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 vigorously contests this decision considering that it demonstrates a flawed understanding of the practices in question and of the way in which the market operates. The Group has therefore lodged an appeal against the decision with the Paris Court of Appeal. The hearing was held on November 18, 2021, and the Court of Appeal is expected to render its decision on May 25, 2023.

Given the significant impact of the Covid-19 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 the decision of the Court of Appeal.

After consultation with its legal advisers, the Group considers that it has solid arguments capable of resulting in the reversal or revision of the decision of the Competition Authority. As a result, no provision has been made for this dispute.

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 income of 33.5 million euros has been recognized accordingly in other operating income in Fiscal 2022 (see note 4.2.2 Other operating income and expenses).

FRENCH TAX REASSESSMENT

Sodexo S.A. received in December 2021 a notification for a proposed tax reassessment concerning fiscal years 2016, 2017 and 2018 with interruption of the statute of limitations. After review with its tax advisors, the Company considers it has strong arguments to contest the proposed reevaluation.

OTHER DISPUTES

Group subsidiaries can also be subject to tax audits, a number of which may result in reassessments. The 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.

The Group 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 AND EARNINGS PER SHARE

ACCOUNTING PRINCIPLES AND POLICIES

Bellon treasury shares

Bellon shares held 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.

Earnings per share

Earnings per share is calculated by dividing profit for the period by the weighted average number of ordinary shares outstanding during the period, net of treasury shares.

In the calculation of diluted earnings per share, the denominator is increased by the number of potentially dilutive shares, and the numerator is adjusted for all dividends and interest recognized in the period and any other change in income or expenses that would result from conversion of the potentially dilutive shares.

Potential ordinary shares are treated as dilutive if and only if their conversion to shares would decrease earnings per share or increase loss per share.

11.1 Equity

11.1.1 Statement of changes in shareholders' equity

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

	FISCAL 2022			FISCAL 2021		
(in million euros)	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[1]	2	(1)	1	10	(1)	10
Share of other components of comprehensive income/(loss) of companies accounted for using the equity method	—		—	1	—	1
Remeasurements of net defined benefit obligation	33	(8)	25	6	—	5
Currency translation adjustment	266		266	44		44
TOTAL OTHER COMPREHENSIVE INCOME/ (LOSS) (GROUP SHARE)	**301**	**(9)**	**292**	**60**	**(1)**	**59**

(1) See note 12.3.

11.1.2 Policy for managing the Company's capital structure

Bellon 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 AND POLICIES

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 Sodexo 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, of values resulting from recent transactions or of valuations carried out by the depositary 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 (which is equivalent to acquisition cost as no significant transaction costs are incurred in acquiring such assets). 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, with the exception of changes in the fair value of financial assets related to the Benefits & Rewards Services activity which are recognized in operating income or expense.

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 counter-parties.

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.

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. Money-market instruments correspond to authorized "short-term" or "standard" money-market funds under the new regulation adopted by the European Union (market funds that are eligible to the presumption as to classification as cash equivalents pursuant to the common AMF and ANC position issued in November 27, 2018) and 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.

12.1 Financial income and expense

(in million euros)	FISCAL 2022	FISCAL 2021
Gross borrowing cost[1]	(93)	(94)
Interest income from short-term bank deposits and equivalent	15	6
NET BORROWING COST	**(78)**	**(88)**
Interest on financial lease liabilities IFRS 16[2]	(16)	(20)
Net foreign exchange gains/(losses)	3	(3)
Net interest cost on net defined benefit plan obligation	(2)	(3)
Interest income from loans and receivables at amortized cost	14	8
Other financial income	1	1
Other financial expense	(12)	(10)
NET FINANCIAL EXPENSE	**(90)**	**(115)**
Of which Financial income	**34**	**15**
Of which Financial expense	**(124)**	**(130)**

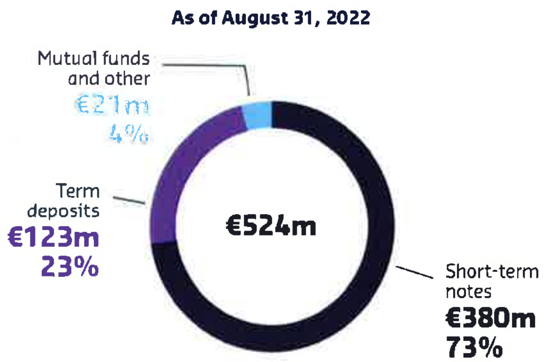
(1) Gross borrowing cost represents interest expense on financial liabilities at amortized cost and interest expense on hedging instruments.
(2) Interests on lease liabilities recognized in accordance with IFRS 16.

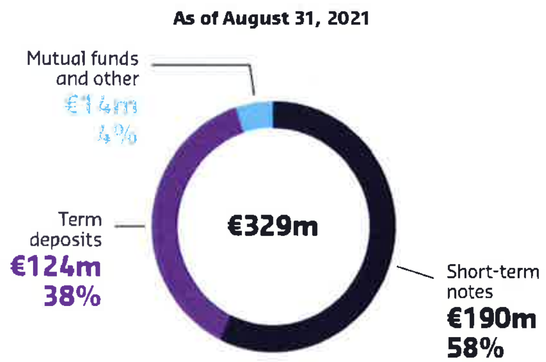
12.2 Cash and cash equivalents

(in million euros)	FISCAL 2022	FISCAL 2021
Marketable securities	524	329
Cash*	2,723	3,244
CASH AND CASH EQUIVALENTS	**3,247**	**3,572**
Bank overdrafts	(8)	(7)
CASH AND CASH EQUIVALENTS NET OF BANK OVERDRAFTS	**3,239**	**3,565**

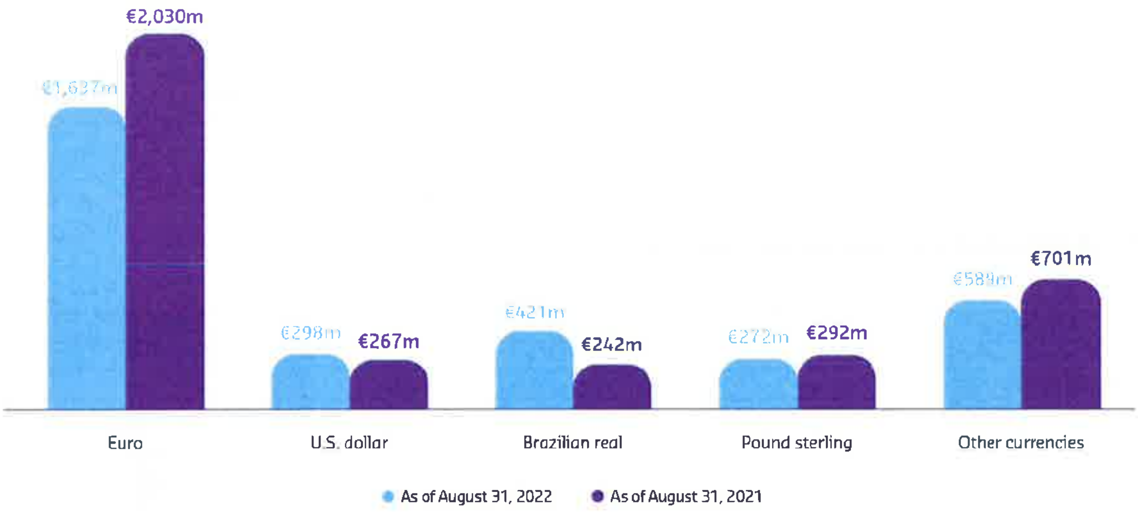
* Including 10 million euros allocated to the liquidity contract signed with an investment services provider, which complies with the Code of conduct drawn up by the French financial markets association *Association française des marchés financiers* – AMAFI) and approved by the French securities regulator (*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 2,710 million euros and a liability position of 17 million euros as of August 31, 2022.

More than 85% of the Group's cash and cash equivalents, restricted cash and financial assets related to the Benefits & Rewards Services activity, is held with A+, A1- or A2-rated financial institutions.

No significant amount of cash or cash equivalents was subject to any restrictions as of August 31, 2022.

12.3 Financial assets

12.3.1 Current and non-current financial assets

	FISCAL 2022		FISCAL 2021	
(in million euros)	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Investments in non-consolidated companies	**—**	**322**	**—**	**162**
Financial assets related to the Benefits & Rewards Services activity, including restricted cash	**1,257**	**—**	**1,062**	**—**
Cost*	1,257	—	1,062	—
Impairment	—	—	—	—
Receivables from investees	**—**	**79**	**—**	**17**
Cost	—	79	—	17
Impairment	—	—	—	—
Loans and deposits	**54**	**83**	**39**	**75**
Cost	54	120	39	104
Impairment	—	(37)	—	(29)
Derivative financial instruments	**3**	**—**	**16**	**—**
FINANCIAL ASSETS	**1,314**	**484**	**1,117**	**254**
Cost	1,314	557	1,117	335
Impairment	—	(73)	—	(81)

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

RESTRICTED CASH AND FINANCIAL ASSETS RELATED TO THE BENEFITS & REWARDS SERVICES ACTIVITY

Restricted cash corresponds to 960 million euros of "Financial assets related to the Benefits & Rewards Services activity" primarily in funds set aside to comply with regulations governing the issuance of service vouchers in France (304 million euros), Romania (191 million euros), Belgium (167 million euros), India (127 million euros) and China (80 million euros). The funds remain the property of Sodexo but are subject to restrictions on their use. They may not be used for any purpose other than to reimburse affiliates and must be kept separate from the Group's unrestricted cash. These funds are invested in interest-bearing instruments.

Restricted cash and financial assets related to the Benefits & Rewards Services activity break down as follows by currency:

(in million euros)	FISCAL 2022	FISCAL 2021
Euro	491	439
U.S. dollar	7	6
Brazilian real	156	206
Romanian Leu	191	123
Indian rupee	142	106
Yuan Renminbi	87	70
Other currencies	183	112
TOTAL RESTRICTED CASH AND FINANCIAL ASSETS RELATED TO THE BENEFITS & REWARDS SERVICES ACTIVITY	**1,257**	**1,062**

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

CARRYING AMOUNT (in million euros)	AUGUST 31, 2021	INCREASE/ (DECREASE) DURING THE PERIOD	IMPAIRMENT	CHANGES IN SCOPE OF CONSOLIDATION	CHANGE IN FAIR VALUE		CURRENCY TRANSLATION ADJUSTMENT AND OTHER	AUGUST 31, 2022
					INCOME	OCI[1]		
Investments in non-consolidated companies[2]	162	149	—	—		4	7	322
Financial assets related to the Benefits & Rewards Services activity, 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 DERIVATIVES 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 (see note 1.3).
(3) Increase/decrease related to receivables from investees include 62 million euros for The Grandir Group SAS's bonds convertible into shares (see note 1.3).

CARRYING AMOUNT (in million euros)	August 31, 2020	INCREASE/ (DECREASE) DURING THE PERIOD	IMPAIRMENT	CHANGES IN SCOPE OF CONSOLIDATION	CHANGE IN FAIR VALUE		CURRENCY TRANSLATION ADJUSTMENT AND OTHER	AUGUST 31, 2021
					INCOME	OCI		
Investments in non-consolidated companies	74	64	1	(1)	—	27	(3)	162
Financial assets related to the Benefits & Rewards Services activity, including restricted cash	1,103	(45)	—	(1)	—	(5)	10	1,062
Receivables from investees	17	(1)	—	—	—	—	1	17
Loans and deposits	140	(10)	(15)	—	—	—	1	113
FINANCIAL ASSETS EXCLUDING FINANCIAL DERIVATIVE INSTRUMENTS	**1,334**	**7**	**(14)**	**(2)**	**—**	**22**	**8**	**1,355**

12.4 Borrowings

Changes in borrowings during Fiscal 2022 and Fiscal 2021 were as follows:

(in million euros)	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)	—	(14)	53	5	—	31
TOTAL BORROWINGS	**6,429**	**303**	**(1,007)**	**9**	**197**	**58**	**5,987**

(1) The repayment 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) Changes in scope of consolidation related to other borrowings include written put options over non-controlling interests for 57 million euros including 44 million euros for Wedoogift.
(3) Including derivative financial instruments of 14 million euros recorded in liabilities as of August 31, 2022 (4 million euros as of August 31, 2021).

(in million euros)	AUGUST 31, 2020	INCREASES	REPAYMENTS	DISCOUNTING EFFECTS AND OTHER	CURRENCY TRANSLATION ADJUSTMENT	CHANGES IN SCOPE OF CONSOLIDATIO N	AUGUST 31, 2021
Bond issues	4,960	1,116	(57)	9	26	—	6,053
Private Placements and bank borrowings	314	313	(268)	—	—	—	359
Finance lease obligations	—	—	—	—	—	—	—
Other borrowings	29	44	(2)	(14)	1	(28)	30
TOTAL BORROWINGS EXCLUDING DERIVATIVE FINANCIAL INSTRUMENTS	**5,303**	**1,473**	**(327)**	**(5)**	**26**	**(28)**	**6,442**
Net fair value of derivative financial instruments	(4)	(1)	13	(10)	(11)	—	(13)
TOTAL BORROWINGS	**5,299**	**1,472**	**(314)**	**(15)**	**15**	**(28)**	**6,429**

12.4.1 Borrowings by currency

(in million euros)	FISCAL 2022 CURRENT	FISCAL 2022 NON-CURRENT	FISCAL 2021 CURRENT	FISCAL 2021 NON-CURRENT
Bond issues(1)				
U.S. dollar (USD)	11	1,212	18	1,056
Euro	7	4,080	613	4,076
Sterling pound	1	289	1	289
TOTAL	19	5,581	631	5,421
Private Placements and bank borrowings				
U.S. dollar (USD)	—	—	—	—
Euro	193	55	208	150
Other currencies	—	—	—	—
TOTAL	193	55	208	150
Other borrowings(2)				
Euro	8	55	—	8
Sterling pound	0	8	—	8
Other currencies	6	31	—	14
TOTAL	14	94	—	30
BORROWINGS EXCLUDING DERIVATIVE FINANCIAL INSTRUMENTS	**227**	**5,730**	**841**	**5,601**
Net fair value of derivative financial instruments(3)		32	(14)	1
BORROWINGS	**227**	**5,761**	**827**	**5,602**

(1) Including, as of August 31, 2022, 4,377 million euros bonds issued by Sodexo S.A. and 1,223 million euros bonds issued by Sodexo, Inc.
(2) Of which 78 million euros as of August 31, 2022 (25 million euros as of August 31, 2021) 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 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 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 year 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, 2022, 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, 2022 was 3.15%. Consequently, as of August 31, 2022, the Group no longer has any derivative instruments indexed to indices that are set to be discontinued.

Accrued interest on these bonds amounted to 11 million euros as of August 31, 2022.

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, 2022.

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 1.0%, with interest payable annually on April 27.

Accrued interest on these bonds amounted to 5 million euros as of August 31, 2022.

On June 26, 2019, Sodexo S.A. issued bonds for 250 million 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, 2022.

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, 2022.

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, 2022.

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 26 October 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, 2022.

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

12.4.3 Other borrowings

12.4.3.1 FORWARD SALE OF SHARES WITH SHARE PRICE HEDGE WITH CACIB

On April 16, 2020, Bellon SA signed an ELS (Equity Linked Swap) with Cacib (forward sale of Sodexo shares coupled with an interest rate swap against a change in the share price) for an amount of 200 million euro, of which 150 million euro was borrowed as of August 31, 2021.

This synthetic debt carries fixed rate interest.

12.4.3.2 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 Bellon'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 LIBOR 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, 2022 nor as of August 31, 2021.

Concerning the benchmark rate reform, the Group is finalizing the discussions with their counterparts to negotiate the change of the rates, which include essentially this multilateral credit facility.

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.

On May 20, 2020, the Group obtained a further two bilateral facilities totaling 250 million euros. One facility is a 150 million euros facility and matured in May 2021 and the second facility is a 100 million euros facility that matured in September 2021 following the execution of the option to extend the facility for a further 8 months in January 2021.

No amounts had been drawn down on any of these facilities as of August 31, 2022.

12.4.3.3 COMMERCIAL PAPER

As of August 31, 2022, there were outstanding commercial paper issued by Bellon SA for 55 million euro with a maturity date of November 2023.

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

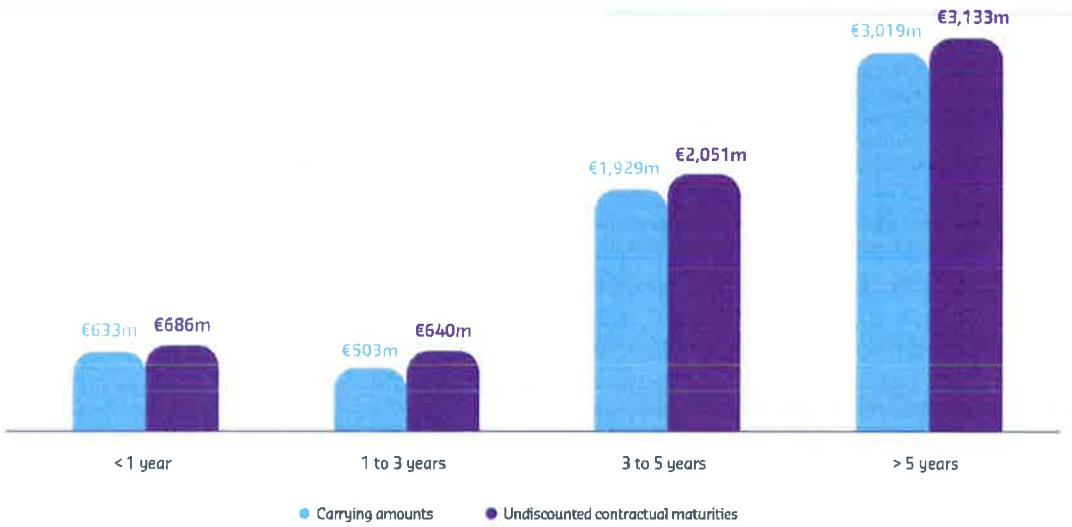
As of August 31, 2021, 95% of the Group's borrowings were at fixed rate. The average rate of interest as of the same date was 1.6%.

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, 2022

Borrowings excluding derivative financial instruments as of August 31, 2021



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 the derivative financial instruments are as follows:

DERIVATIVE FINANCIAL INSTRUMENTS (in million euros)	IFRS CLASSIFICATION	FISCAL 2022	FISCAL 2021
Currency instruments		**(4)**	**2**
Assets	Trading	1	6
Liabilities	Trading	(5)	(4)
Interest instruments*		**(27)**	**11**
Assets	Fair value hedge	3	11
Liabilities	Fair value hedge	(30)	—
NET DERIVATIVE FINANCIAL INSTRUMENTS		**(31)**	**13**

* 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:

	FISCAL 2022				FISCAL 2021			
(in million euros)	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	**176**	**18**	**8**	**202**	**45**	**8**	**1**	**54**
Canadian Dollar/Euro	142	—	—	142	—	—	—	—
Czech crown/Euro	16	—	—	16	—	—	—	—
Polish zloty/Euro	14	—	—	14	9	—	—	9
Other	4	18	8	30	36	8	1	45
Currency borrower positions	**(42)**	**(29)**	**(56)**	**(127)**	**(374)**	**(10)**	**(10)**	**(394)**
Pound Sterling/Euro	—	(7)	(56)	(63)	—	—	—	—
Brazilian real/Euro	—	—	—	—	—	—	—	—
Dollar/Euro	—	—	—	—	(302)	—	—	(302)
Other	(42)	(22)	—	(64)	(72)	(10)	(10)	(92)
TOTAL FACE VALUE	**134**	**(11)**	**(48)**	75	**(329)**	**(1)**	**(9)**	**(340)**
Fair value	—	—	**(31)**	**(31)**	**17**	**(4)**	—	**13**

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

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.

			FISCAL 2022		FAIR VALUE LEVEL			
FINANCIAL ASSETS (in million euros)	CATEGORY	NOTE	CARRYING AMOUNT	FAIR VALUE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Marketable securities	Financial assets at fair value through profit or loss	12.2	524	524	21	503	—	524
Restricted cash and financial assets related to the Benefits & Rewards Services activity	Financial assets at amortized cost	12.3	960	960	—	—	—	—
	Cash and cash equivalents	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 million euros)	CATEGORY	NOTE	FISCAL 2022 CARRYING AMOUNT	FAIR VALUE	FAIR VALUE LEVEL LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Bond issues*	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	—	—	—	—
Put options over non-controlling interests	Financial liabilities at fair value through profit or loss	12.4	79	79	79	—	—	79
Other borrowings	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	4.5	3,509	3,509	—	—	—	—
Derivative financial instrument liabilities	Derivative financial instrument	12.5	35	35	—	35	—	35

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

FINANCIAL ASSETS (in million euros)	CATEGORY	NOTE	FISCAL 2021 CARRYING AMOUNT	FAIR VALUE	FAIR VALUE LEVEL LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Marketable securities	Financial assets at fair value through profit or loss	12.2	328	328	15	313	—	328
Restricted cash and financial assets related to the Benefits & Rewards Services activity	Financial assets at amortized cost	12.3	773	773	—	—	—	—
	Cash and cash equivalents	12.3	289	289	289	—	—	289
Trade and other receivables	Financial assets at amortized cost	4.3	4,271	4,271	—	—	—	—
Other financial assets	Financial assets at fair value through other comprehensive income	12.3	162	162	—	—	162	162
	Financial assets at amortized cost	12.3	131	131	—	—	—	—
Derivative financial instrument assets	Derivative financial instrument	12.5	17	17	—	17	—	17

FINANCIAL LIABILITIES (in million euros)	CATEGORY	NOTE	FISCAL 2021 CARRYING AMOUNT	FAIR VALUE	FAIR VALUE LEVEL LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Bond issues*	Financial liabilities at amortized cost	12.4	6,053	6,283	6,283	—	—	6,283
Bank borrowings	Financial liabilities at amortized cost	12.4	359	359	1	—	—	1
Other borrowings	Financial liabilities at amortized cost	12.4	30	30	30	—	—	30
Bank overdrafts	Financial liabilities at amortized cost	12.2	7	7	7	—	—	7
Trade and other payables	Financial liabilities at amortized cost	4.3	4,434	4,434	—	—	—	—
Vouchers payable	Financial liabilities at amortized cost	4.5	3,133	3,133	—	—	—	—
Derivative financial instrument liabilities	Derivative financial instrument	12.5	4	4	—	4	—	4

* Fair value is calculated on the basis of listed bond prices as of August 31, 2021.

There were no transfers between the various fair value hierarchy levels between Fiscal 2021 and Fiscal 2022.

NOTE 13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY

The Group policies and procedures adopted by the Board of Directors, the Group Chairwoman and Chief Executive Officer, and the Group Chief Financial Officer 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, 2022, an increase or a decrease in interest rates would have had no material impact on profit before tax or on shareholders' equity as 96% 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 53 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.

Bellon S.A. uses derivative instruments to manage the Group's risk 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 million euros)	AUGUST 31, 2022				AUGUST 31, 2021			
	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 (USD)	839	46	31	316	619	20	7	220
Brazilian real (BRL)	105	17	13	78	82	12	6	64
Pound Sterling (GBP)	203	13	15	81	189	8	11	74

13.3 Exposure to liquidity risk

The nature of the Group's bank borrowings and bond issues as of August 31, 2022 is described in detail in note 12.4.

As of August 31, 2022, the same as prior year, more than 98% of the Group's consolidated borrowings was raised on capital markets, and bank financing covered less than 2% of the Group's financing needs. The maturity dates of the main borrowings range between Fiscal 2023 and Fiscal 2031.

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 538 million euros, of which 90 million are beyond 6 months (2.1% of total net accounts receivable as of August 31, 2022 *vs.* 1.6% as of August 31, 2021).

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 19% (17% as of August 31, 2021) of the Group's operating cash (including restricted cash and financial assets related to the Benefits & Rewards Services activity) and is with a banking group whose rating is A-1.

NOTE 14. OTHER INFORMATION

14.1 Subsequent events

Néant

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 2022 are not material.

14.2.2 Other commitments given

	FISCAL 2022				FISCAL 2021
(in million euros)	LESS THAN 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL	TOTAL
Financial guarantees to third parties	5	8	73	85	20
Site management commitments	—	—	—	—	—
Performance bonds given to clients	—	31	107	137	136
Other commitments	9	35	47	92	145
TOTAL OTHER COMMITMENTS GIVEN	**14**	**74**	**227**	314	**301**

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, the Group 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 Bellon is unable to provide alternative or additional resources to fulfill the obligation to the client).

In practice, 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.

At this time, no provision has been recorded in the consolidated statement of financial position with respect to these guarantees.

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

As of August 31, 2022, Bellon SA held 42.75% of the capital of Sodexo and 57.50% of the exercisable voting rights.

The main companies consolidated as of August 31, 2022 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".

		% INTEREST	% VOTING RIGHTS	PRINCIPAL ACTIVITY	COUNTRY
France					
	Bellon S.A.			Holding	France
	Sodexo S.A.			Holding	France
	Sodexo Entreprises (consolidated)			On-site	France
	Sodexo Santé Médico Social			On-site	France
	Société Française de Restauration et Services (consolidated)			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	
	Sodexo Energie et Maintenance			On-site	France
	Foodchéri			On-site	France
	Sodexo Pass International SAS			Holding	France
	Sodexo Pass France SA			Benefits & Rewards	France
	Glady (formerly named Wedoogift)	88 %	88 %	Benefits & Rewards	France
	Sofinsod SAS			Holding	France
Americas					
	Sodexo do Brasil Comercial SA (consolidated)			On-site	Brazil

		% INTEREST	% VOTING RIGHTS	PRINCIPAL ACTIVITY	COUNTRY
	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 (consolidated)			On-site	Canada
	Centerplate Canada			On-site	Canada
	Sodexo Chile SpA (consolidated)			On-site	Chile
	Sodexo, Inc. (consolidated)			On-site	United States
	Centerplate Ultimate Holdings, Corp.			On-site	United States
N	Frontline US			On-site	United States
	CK Franchising Inc.			On-site	United States
	Sodexo Global Services, LLC			Holding	United States
	Sodexo Peru SAC			On-site	Peru
Europe					
	Sodexo Services GmbH (consolidated)			On-site	Germany
	Sodexo Beteiligungs BV & Co. KG			On-site	Germany
	GA-tec Gebäude und Anlagentechnik GmbH			On-site	Germany
	Sodexo Services Solutions Austria GmbH			On-site	Austria
	Sodexo Belgium SA (consolidated)			On-site	Belgium
	Imagor SA			Benefits & Rewards	Belgium
	Sodexo Pass Belgium SA (consolidated)			Benefits & Rewards	Belgium
	Sodexo Iberia SA (consolidated)			On-site	Spain
	Sodexo Soluciones de Motivation Espana			Benefits & Rewards	Spain
	Novae Restauration SA			On-site	Switzerland
	Sodexo Italia SpA (consolidated)			On-site	Italy
	Sodexo Nederland BV (consolidated)			On-site	Netherlands
	Sodexo Pass Česka Republika AS			Benefits & Rewards	Czech Republic
	Sodexo Ltd (consolidated)			On-site	United Kingdom
	Sodexo Global Services UK Ltd			Holding	United Kingdom
	Sodexo Motivation Solutions UK Ltd			Benefits & Rewards	United Kingdom
	Sodexo Luxembourg SA			On-site	Luxembourg
	Sodexo Finances USD Ltd			Holding	United Kingdom
	Sodexo Holdings Ltd			On-site	United Kingdom
	Sodexo Finance Designated Activity Company			Holding	Ireland
	Sodexo Ireland Ltd			On-site	Ireland
	Sodexo Remote Sites Scotland Ltd			On-site	Scotland
	Sodexo Pass 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 Shanghaï			On-site	China
	Sodexo Singapore PTE Ltd			On-site	Singapore
	Kelvin Catering Services (Emirates) LLC	49 %	49 %	On-site	United Arab Emirates

14.5 Auditors' fees

(in million euros excluding VAT)	PWC		KPMG	
	FISCAL 2022	FISCAL 2021	FISCAL 2022	FISCAL 2021
	AMOUNT	AMOUNT	AMOUNT	AMOUNT
Audit of individual company financial statements and consolidated financial statements				
Bellon SA	0,0	0,0	0,0	0,0
Consolidated subsidiaries	5,4	6,0	4,7	4,4
TOTAL AUDIT SERVICES	**5,4**	**6,0**	**4,7**	**4,4**
Other services				
Bellon SA				
Consolidated subsidiaries	2,1	0,9	0,7	0,6
TOTAL OTHER SERVICES	**2,1**	**0,9**	**0,7**	**0,6**
TOTAL FEES	**7,5**	**6,9**	**5,4**	**5,0**

Services other than the certification of accounts provided by PricewaterhouseCoopers Audit and its network to the issuer and consolidated subsidiaries mainly consist of due diligence and, outside France, tax compliance services.

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.