BELLON

Statutory Auditors' report on the consolidated financial statements

(For the year ended August 31, 2021)

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

Statutory Auditors' report on the consolidated financial statements
(For the year ended August 31, 2021)

To the shareholders
BELLON S.A.
17/19, Place de la Résistance
92130 Issy-les-Moulineaux

Opinion

In compliance with the engagement 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, 2021.

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 as at August 31, 2021 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 for 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 those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de déontologie*) for statutory auditors' rules applicable to us, for the period from September 1, 2020 to the date of our report.

Justification of assessments

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects.

Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, 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 matters that, in our professional judgment, were the most significant in our audit of the consolidated financial statements:

- Bellon S.A. carried out impairment tests on goodwill and intangible assets with an indefinite useful life and also assessed whether any indication of impairment on assets with a finite useful life according to the terms described in Note 6.4 "Impairment of non-current assets" to the consolidated financial statements.
  We performed a critical review of 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 performed a review of the documentation prepared in this context, assessed the consistency of the data used, in particular with regard to the assumptions made for drawing up the business plans and we have verified that Note 6.4 "Impairment of non-current assets" to the consolidated financial statements provides appropriate information;

- Bellon S.A. makes provisions to cover risks relating to tax disputes, such as described in Note 10.2 "Litigation and contingent liabilities" to the consolidated financial statements.
  We held meetings with the Group tax department and local management to assess, where applicable, the latest status of any inspections in progress and tax adjustments notified by the tax authorities, monitored developments in any disputes in progress, consulted recent decisions and correspondence of Group companies with the tax authorities, gained an understanding of the correspondence between the companies concerned and their tax advisors, conducted a critical review of the estimates and positions adopted by management and reviewed subsequent events that support the estimate.

The matters mentioned above are based on estimates and underlying assumptions, which are inherently uncertain. As specified in Note 2.2 "Use of estimates" to the consolidated financial statements, actual results could differ significantly from these estimates in the presence of different assumptions or conditions.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and 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 Board of Directors' 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 consolidated non-financial statement required by Article L. 225-102-1 of the French Commercial Code (*Code de commerce*), is included in the Group's information given in the management report, it being specified that, in accordance with Article L. 823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein.

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

Responsibilities of management and those charged with governance for the consolidated

financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted y the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from 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 is expected to liquidate the Company or to cease operations.

The consolidated financial statements were approved by the Board of Directors.

Statutory auditors' responsibilities for 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 from 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 of users taken on the basis of these consolidated financial statements.

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

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his 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.

- Obtains an understanding of internal control 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.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.

- Assesses 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 his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtains 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 auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Neuilly-sur-Seine and Paris La Défense, December 20 and 21, 2021

The Statutory Auditors

PricewaterhouseCoopers Audit	KPMG Audit *Department of KPMG S.A.*
Agnès Hussherr	Hervé Chopin

CONSOLIDATED FINANCIAL STATEMENTS AS OF AUGUST 31, 2021

Summary

4.1 Consolidated financial statements 7

4.1.1 Consolidated income statement 7

4.1.2 Consolidated statement of comprehensive income 7

4.1.3 Consolidated statement of financial position 8

4.1.4 Consolidated cash flow statement 9

4.1.5 Consolidated statement of changes in shareholders' equity 10

4.2 Notes to the consolidated financial statements 11

NOTE 1. SIGNIFICANT EVENTS 11

NOTE 2. ACCOUNTING POLICIES 12

NOTE 3. MAIN CHANGES IN SCOPE OF CONSOLIDATION 13

NOTE 4. SEGMENT INFORMATION AND OTHER OPERATING ITEMS 16

NOTE 5. EMPLOYEE BENEFITS AND SHARE-BASED PAYMENT 22

NOTE 6. GOODWILL, OTHERS INTANGIBLE AND TANGIBLE ASSETS 28

NOTE 7. LEASES 35

NOTE 8. INVESTMENTS IN COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD 39

NOTE 9. INCOME TAX 39

NOTE 10. PROVISIONS, LITIGATION AND CONTINGENT LIABILITIES 41

NOTE 11. EQUITY AND EARNINGS PER SHARE 44

NOTE 12. CASH AND CASH EQUIVALENTS, FINANCIAL ASSETS AND LIABILITIES, AND FINANCIAL INCOME AND EXPENSE 45

NOTE 13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY 55

NOTE 14. OTHER INFORMATION 56

4 Consolidated financial statements

4.1 Consolidated financial statements

4.1.1 Consolidated income statement

(in millions of euro)	NOTES	FISCAL 2021	FISCAL 2020
Revenues	**4.1**	**17,428**	**19,322**
Cost of sales	**4.2**	**(15,006)**	**(16,842)**
Gross profit		**2,422**	**2,479**
Selling, General and Administrative costs	4.2	(1,862)	(1,926)
Share of profit of companies accounted for using the equity method that directly contribute to the Group’s business	8	4	4
Underlying operating profit	**4.1**	**564**	**557**
Other operating income	4.2	56	7
Other operating expenses	4.2	(295)	(510)
Operating profit		**326**	**54**
Financial income	12.1	15	29
Financial expenses	12.1	(130)	(325)
Share of profit of other companies accounted for using the equity method	8	4	5
Profit for the year before tax		**215**	**(237)**
Income tax expense	9.2	(101)	(98)
Net profit for the year		**114**	**(336)**
Of which:			
Attributable to non-controlling interests		80	(204)
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**34**	**(132)**

4.1.2 Consolidated statement of comprehensive income

(in millions of euro)	NOTES	FISCAL 2021	FISCAL 2020
NET PROFIT FOR THE YEAR		**114**	**(336)**
Components of other comprehensive income that may be reclassified subsequently to profit or loss		**121**	**(500)**
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	117	(502)
Currency translation adjustment reclassified to profit or loss	11.1	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	2
Components of other comprehensive income that will not be reclassified subsequently to profit or loss		**39**	**101**
Remeasurement of defined benefit plan obligation	5.1 and 11.1	14	30
Change in fair value of financial assets revalued through other comprehensive income	12.3 and 11.1	27	62
Tax on components of other comprehensive income that will not be reclassified subsequently to profit or loss	11.1	(2)	9
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), AFTER TAX		**160**	**(399)**
Comprehensive income		**274**	**(735)**
Of which:			
Attributable to equity holders of the parent		97	(264)
Attributable to non-controlling interests		177	(471)

4.1.3 Consolidated statement of financial position

Assets

(in millions of euro)	NOTES	AUGUST 31, 2021	AUGUST 31, 2020
Goodwill	6.1	6,017	5,970
Other intangible assets	6.2	631	673
Property, plant and equipment	6.3	461	566
Right-of-use assets relating to leases	7.2	903	1,321
Client investments	4.4	560	575
Investments in companies accounted for using the equity method	8	63	60
Non-current financial assets	12.3 and 12.5	254	201
Other non-current assets		31	23
Deferred tax assets	9.3	165	137
NON CURRENT ASSETS		**9,085**	**9,526**
Financial assets	12.3 and 12.5	55	51
Inventories		256	259
Income tax receivable	4.3	158	113
Trade and other receivables	4.3	4,273	4,067
Restricted cash and financial assets related to the Benefits & Rewards Services activity	4.5 and 12.3	1,062	1,103
Cash and cash equivalents	12.2	3,572	2,042
Assets held for sale	3.2	290	—
CURRENT ASSETS		**9,666**	**7,635**
TOTAL ASSETS		**18,751**	**17,161**

Shareholders' equity and liabilities

(in millions of euro)	NOTES	AUGUST 31, 2021	AUGUST 31, 2020
Share capital		0	0
Additional paid-in capital		285	285
Reserves and retained earnings		618	520
EQUITY ATTRIBUABLE TO EQUITY HOLDERS OF THE PARENT		**903**	**805**
NON-CONTROLLING INTERESTS		**1,668**	**1,466**
SHAREHOLDER'S EQUITY	**11.1**	**2,571**	**2,271**
Long-term borrowings	12.4 and 12.5	5,604	5,062
Long-term lease liabilities	7.1	763	1,126
Employee benefits	5.1	358	345
Other non-current liabilities	4.3	181	196
Non-current provisions	10.1	106	84
Deferred tax liabilities	9.3	101	97
NON CURRENT LIABILITIES		**7,112**	**6,911**
Bank overdrafts	12.2	7	6
Short-term borrowings	12.4 and 12.5	844	253
Short-term lease liabilities	7.1	176	6
Income tax payable		187	231
Current provisions	10.1	148	174
Trade and other payables	4.3	4,434	171
Voucher liabilities	4.5	3,133	4,021
Liabilities directly associated with assets held for sale	3.2	138	3,117
CURRENT LIABILITIES		**9,067**	**7,979**
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		**18,751**	**17,161**

4.1.4 Consolidated cash flow statement

(in millions of euro)	NOTES	FISCAL 2021	FISCAL 2020
Operating profit		**326**	**54**
Depreciation, amortization and impairment of intangible assets and property, plant and equipment[1]		601	896
Provisions		(1)	122
(Gains) losses on disposals		27	24
Other non-cash items		20	35
Dividends received from companies accounted for using the equity method	8	9	4
Net interest expense paid[2]		(72)	(258)
Interests paid on lease liabilities		(20)	(25)
Income tax paid		(146)	(201)
Operating cash flow		**744**	**649**
Change in inventories		—	21
Change in trade and other receivables		(264)	318
Change in trade and other payables		451	(627)
Change in vouchers payable		(16)	343
Change in financial assets related to the Benefits & Rewards Services activity		45	(93)
Change in working capital from operating activities		**216**	**(38)**
NET CASH PROVIDED BY OPERATING ACTIVITIES		**960**	**611**
Acquisitions of property, plant and equipment and intangible assets		(296)	(398)
Disposals of property, plant and equipment and intangible assets		72	17
Change in client investments	4.4	13	(12)
Change in financial assets and share of companies accounted for using the equity method		(19)	(20)
Business combinations	3.1	(62)	(20)
Disposals of activities	3.2	(11)	3
NET CASH USED IN INVESTING ACTIVITIES		**(303)**	**(430)**
Dividends paid to Sodexo S.A. shareholders	11.1	(13)	(11)
Dividends paid to non-controlling shareholders of consolidated companies		(11)	(252)
Purchases of treasury shares	11.1	—	—
Change in non-controlling interests		(24)	(130)
Proceeds from borrowings	12.4	1,383	3,518
Repayment of borrowings	12.4	(263)	(2,657)
Repayments of lease liabilities	7.1	(242)	(260)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES		**829**	**207**
NET EFFECT OF EXCHANGE RATES AND OTHER EFFECTS ON CASH		**44**	**(124)**
CHANGE IN NET CASH AND CASH EQUIVALENTS		**1,526**	**388**
NET CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		**2,036**	**1,773**
NET CASH AND CASH EQUIVALENTS, END OF YEAR	**12.2**	**3,566**	**2,036**

(1) Including 222 million euro corresponding to the accumulated impairment charges of the property, plant and equipment and intangible assets (goodwill) recognized in Fiscal 2020.

(2) Including 150 million euro indemnity due to early reimbursement of USPP in Fiscal 2020.

4.1.5 Consolidated statement of changes in shareholders’ equity

						TOTAL SHAREHOLDERS’ EQUITY		
(in millions of euro)	NUMBER OF SHARES OUTSTANDING	SHARE CAPITAL	ADDITIONAL PAID-IN CAPITAL	RESERVES AND COMPREHENSIVE INCOME	CURRENCY TRANSLATION ADJUSTMENT	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**

						TOTAL SHAREHOLDERS’ EQUITY		
(in millions of euro)	NUMBER OF SHARES OUTSTANDING	SHARE CAPITAL	ADDITIONAL PAID-IN CAPITAL	RESERVES AND COMPREHENSIVE INCOME	CURRENCY TRANSLATION ADJUSTMENT	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL
Notes	**11.1**			**11.1**				
Shareholders’ equity as of August 31, 2019	**24,255**		**153**	**1,364**	**(279)**	**1,238**	**2,372**	**3,610**
Restatement due to IFRIC 23 first application				(36)	—	(36)	(60)	(96)
Shareholders’ equity as of September 1, 2019	**24,255**		**153**	**1,328**	**(279)**	**1,202**	**2,312**	**3,514**
Net profit for the year				(132)	—	(132)	(204)	(336)
Other comprehensive income (loss), net of tax				(17)	(189)	(206)	(312)	(518)
Comprehensive income				—	—	—	—	—
Dividends paid				(10)	—	(10)	(264)	(274)
Treasury share transactions				—	—	—	—	—
Share-based payment (net of income tax)				—	—	—	—	—
Change in ownership interest without any change of control				(41)	—	(41)	(28)	(69)
Other			132	(139)	—	(7)	(39)	(45)
SHAREHOLDERS’ EQUITY AS OF AUGUST 31, 2020	**24,255**		**285**	**989**	**(468)**	**805**	**1,466**	**2,271**

4.2 Notes to the consolidated financial statements

Bellon S.A. 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, 2021 were approved by the Board of Directors on January 27, 2022 and will be submitted to the Annual Shareholders Meeting on May 18, 2022.

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

NOTE 1. SIGNIFICANT EVENTS

1.1 Impact of the Covid-19 Pandemic

Fiscal 2021 continued to be significantly impacted by the Covid-19 pandemic. However, in terms of performance there was a marked improvement between the first half and the second half, as the teams adapted constantly to the changing environment and performance lapped the start of the pandemic in 2020.

As the vaccination levels progressed in Europe and North America, the trend in revenues continued to improve in the second half in most markets. As a result, there was a return to growth against the particularly low levels of the previous year and a progressive improvement in profitability.

Management of liquidity

With sufficient cash flows provided by operating activities for investments and acquisitions, the Group's financial situation remains solid.

As mentioned in note 12.4 "Borrowings", Sodexo, Inc., a U.S. subsidiary of Sodexo S.A., issued on April 12, 2021 a bond for a total principal amount of 1.25 billion U.S. dollars in two tranches (500 million U.S. dollars due in April 2026 and 750 million U.S. dollars due in April 2031).

In addition, as mentioned in note 12.4.3.1, the Group has access to credit facilities that can be utilized at any time as needed for 1.8 billion euro (the confirmed credit facilities are undrawn as of August 31, 2021). Furthermore, with operating cash of 4.6 billion euro, the Group has access to 6.4 billion euro of liquidity as of August 31, 2021.

Therefore, as of the date of approval of the consolidated financial statements by the Board of Directors, the Group considers there is no risk of going concern.

Restructuring cost and right-sizing costs

As a continuation of the rigorous measures put in place at the beginning of the pandemic, the restructuring measures of the GET program continued during Fiscal 2021 to protect margins going forward and to reinforce the Group's agility to adapt to the new environment and seize new market opportunities.

These rigorous measures, implemented in all segments and activities to adjust on-site staff costs, as government employment measures progressively fall away, and to sustainably reduce the Selling, General and Administrative costs through the simplification of the Group structures resulted in the recognition in Other operating expenses of 153 million euro during Fiscal 2021 (see note 4.2.2 "Other operating income and expenses").

Recoverability of deferred tax assets

The Group has reassessed the recoverability of its deferred tax assets. Deferred tax assets whose recoverability was determined to be uncertain in the near term, after taking into account deductible temporary differences, were written down. The deductible temporary differences and unused tax loss carryforwards (tax credits) generated during Fiscal 2021 by the related subsidiaries were not recognized as deferred tax assets. The negative impact on consolidated tax expense was 46 million euro (see note 9 "Income tax").

NOTE 2. ACCOUNTING POLICIES

2.1 Basis of preparation of the financial statements

2.1.1 Basis of preparation of financial information for Fiscal 2021

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 2021. The Group does not anticipate the application of other non-mandatory new standards, amendments and interpretations to have a material impact on its consolidated financial statements.

Concerning the interest rate benchmarks reform, the Group has carried out an assessment work to assure the transition toward the new benchmarks and is finalizing the discussions with counterparties to negotiate the change of benchmarks (principally for multicurrency confirmed credit facility; see note 12.4.1). As of August 31, 2021, 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 low and no significant impact on the consolidated financial statements are anticipated when the new reform will be implemented.

2.1.2 New accounting standards and interpretations required to be applied

The accounting policies used by the Group to prepare its consolidated financial statements for the fiscal year ended August 31, 2021 are the same as those used for the consolidated financial statements as of August 31, 2020. Amendments or interpretations effective as of September 1, 2020 did not have a material 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. 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. The impacts on consolidated financial statements of the Group of the two decisions are currently being analyzed.

2.2 Use of estimates

The preparation of financial statements requires the management of the Group 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 period.

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 estimations and hypothesis a key factor in the establishment of the annual consolidated financial statements.

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

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 goodwill and 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).

2.3 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 leases 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 IFRS 13 "Fair Value Valuation" classification, there are 3 levels of Fair value:

- level 1: unadjusted quoted prices in an active market for identical assets or liabilities, used for the valuation of cash and cash equivalents;
- level 2: 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. The Group 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.

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 Bellon 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". As of August 2021, there is no hyperinflationary country in the Group perimeter.

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

During Fiscal 2021, goodwill totaling 94 million euro was recognized, mainly on the acquisition of Better World technology (Zeta subsidiary) in India and Wedoogift in France for Benefits & Rewards Services, Abri Dialogue and Hjemmehjælpen A/S for Homecare, and Fooditude and Nourish for Corporate Services.

The table below shows the impact of newly consolidated entities. It includes the values of the assets acquired and liabilities assumed, as provisionally estimated as of August 31, 2021:

(in millions of euro)	AUGUST 31, 2021
Intangible assets	11
Property, plant and equipment	3
Trade receivables	9
Cash and cash equivalents	7
Income tax payable	(1)
Trade and other payables	(10)
Net deferred tax	3
TOTAL IDENTIFIABLE NET ASSETS	**22**
CONSIDERATION TRANSFERRED	**116**
GOODWILL*	**94**

* Goodwill is recognized as the difference between 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	(69)
Cash acquired	7
Business combinations	**(62)**

Companies consolidated during Fiscal 2021 were integrated from the date of acquisition, and contributed for 20 million euro to consolidated revenue and for -2 million euro to the consolidated underlying operating profit of the period.

Goodwill variations during Fiscal 2021 and the comparative period are presented in note 6.1 “Goodwill”.

3.2 Disposed or held for sales 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 ("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 a certain number of activities, resulting in a net loss on disposal of 30 million euro recognized in "Other operating income and expenses" during Fiscal 2021 (see note 4.2.2 "Other operating income and expenses").

Assets and liabilities classified as “Assets held for sale” for 290 million euro and “Liabilities directly associated with assets held for sale” for 138 million euro mainly concern Childcare activities in France and in Spain, for which the Group has announced on July 27, 2021 to have entered exclusive negotiations in relation with their disposal with the group Grandir. The transaction is expected to be completed during the first half of Fiscal 2022. As the fair value of the assets held for sale is higher than the carrying value, no impairment has been recorded for these assets in the consolidated financial statements as of August 31, 2021.

NOTE 4. SEGMENT INFORMATION AND OTHER OPERATING ITEMS

ACCOUNTING PRINCIPLES AND POLICIES

Income statement

The Group presents its income statement by function.

Operating profit comprises the following components:

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

In order to better focus the Group's financial communication on recurring operating profit and to simplify benchmarking with competitors, the consolidated income statement changed from Fiscal 2018 to include a new 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.

REVENUES

Revenues reported by the Group 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 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 the customers (for example, a subcontractor), the Group evaluates whether or not it obtains control of goods or services before transferring control to the customer. When the Group controls the good or service before it is transferred to the customer, the revenue is recognized on a gross basis. Otherwise, when the control is not obtained, the Group considers not 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 vouchers are issued and sent to the client or the cards are credited. Commissions received from affiliates are recognized when the vouchers are reimbursed, or the cards are used. Profits from unreimbursed vouchers and cards are recognized based on their expiration date and the deadline for presentation for reimbursement by the affiliate.

Revenues are measured at the fair value of the consideration received or to be received, 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 with 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.

4.1 Segment information

ACCOUNTING PRINCIPLES AND POLICIES

The segment information presented below has been prepared based on internal management data as monitored by the Group Executive Committee, which is the Group'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.

The Group'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 the processes and methods used to deliver the services – and have similar economic characteristics (notably in terms of the 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.

With the exception of Rio Tinto contract, which represents just over 2%, no single Group client or other contract accounts represent more than 2% of the consolidated revenues.

4.1.1 By business segment

FISCAL 2021 (in millions of euro)	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

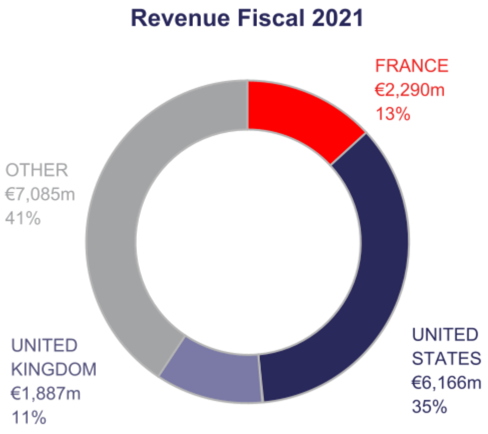
* Including Group's share of profit of companies accounted for using the equity method that directly contribute to the Group's business and excluding other operating income and expenses.

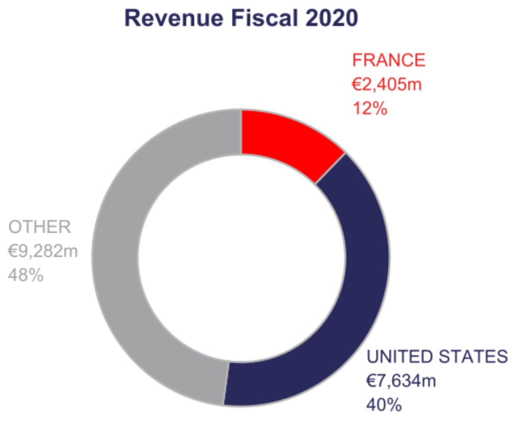
FISCAL 2020 (in millions of euro)	ON-SITE SERVICES	*BUSINESS & ADMINISTRATIONS*	*HEALTHCARE & SENIORS*	*EDUCATION*	BENEFITS & REWARDS SERVICES	ELIMINATIONS AND CORPORATE EXPENSES	GROUP TOTAL
Revenues (third-party)	18,554	*10,265*	*4,815*	*3,475*	767	—	19,322
Inter-segment sales (Group)	—	—	—	—	5	(5)	—
TOTAL REVENUES	**18,554**	***10,265***	***4,815***	***3,475***	**773**	**(5)**	**19,322**
Underlying operating profit*	478	*110*	*293*	*75*	202	(123)	557

* 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 56 countries, including three that each represent over 10% of consolidated revenues in Fiscal 2021: France (the Group's registration country), the United States and the United Kingdom (only France and United States exceeded this threshold in Fiscal 2020). Revenues in these countries are as follows:





As of August 31, 2021 (in millions of euro)	France	*United States*	*United Kingdom*	*Ohers*	TOTAL
Non current assets	1,600	*3,964*	*901*	2,107	8,572

As of August 31, 2020 (in millions of euro)	France	*United States*	*Others*	TOTAL
Non current assets	1,773	*4,016*	3,317	9,106

(1) 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 millions of euro)	FISCAL 2021	FISCAL 2020
Food services	9,052	11,181
Facilities Management services	7,634	7,373
Total On-site Services revenues	**16,687**	**18,554**
Benefits & Rewards Services	**745**	**773**
Eliminations	(3)	(5)
TOTAL CONSOLIDATED REVENUES	**17,428**	**19,322**

4.2 Operating expenses by nature and other operating income and expenses

4.2.1 Operating expenses by nature

(in millions of euro)	FISCAL 2021	FISCAL 2020
Employee costs	(9,280)	(9,983)
• Wages and salaries	(7,234)	(7,751)
• Other employee costs(1)	(2,046)	(2,232)
Purchases of consumables and change in inventory	(3,899)	(4,751)
Depreciation, amortization, and impairment losses(2)	(619)	(938)
• Amortization of intangible assets and property, plant and equipment and right-of-use assets relating to leases	(600)	(815)
• Impairment of intangible assets and property, plant and equipment and right-of-use assets relating to leases	(19)	(122)
Rent and attached charges(3)	(154)	(356)
Other operating expenses(4)	(3,155)	(3,236)
TOTAL NET OPERATING EXPENSES	**(17,107)**	**(19,263)**

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

(2) Including the depreciation of right-of-use assets relating to lease contracts of 252 million euro recognized in accordance with IFRS 16 (278 million euro in Fiscal 2020).
(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 decrease observed over the period relates mainly to the variable part of commissions due under concession arrangements and is explained by the decrease in revenues of the sites concerned.
(4) Other expenses mainly include professional fees, other purchases used for operations, sub-contracting costs and travel expenses.

As a result of the Covid-19 pandemic, significant measures were taken to reduce costs both on-site and off-site. Government grants in relation with partial unemployment paid to the Group were accounted as a reduction of employee expenses in accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance".

4.2.2 Other operating income and expenses

(in millions of euro)	FISCAL 2021	FISCAL 2020
Gains related to consolidation scope changes	31	2
Gain on disposals of non-current assets	12	—
Gains on changes of post-employment benefits	4	2
Other	9	3
OTHER OPERATING INCOME	**56**	**7**
Restructuring and rationalization costs*	(153)	(191)
Losses related to consolidation scope changes	(63)	(14)
Amortization of purchased intangible assets	(33)	(39)
Impairment of goodwill and non-current assets	(27)	(234)
Acquisition-related costs	(5)	(9)
Losses on changes of post-employment benefits	(5)	(4)
Losses on disposals of non-current assets	(2)	—
Other	(8)	(19)
OTHER OPERATING EXPENSES	**(295)**	**(510)**
TOTAL OTHER OPERATING INCOME AND EXPENSES	**(239)**	**(503)**

* Mainly corresponds to restructuring measures of the GET program (*cf.* note 10).

4.3 Trade and other receivables

4.3.1 Income tax, trade and other receivables

ACCOUNTING PRINCIPLES AND POLICIES

Trade and other receivables are initially recognized at fair value and are subsequently measured at amortized cost less impairment charges recognized in the income statement.

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

(in millions of euro)	AUGUST 31, 2021			AUGUST 31, 2020		
	GROSS AMOUNT	IMPAIRMENT	CARRYING AMOUNT	GROSS AMOUNT	IMPAIRMENT	CARRYING AMOUNT
Income tax receivable*	158	—	158	**113**	**—**	**113**
Advances to suppliers	12	—	12	5	—	5
Trade receivables	3,866	(158)	3,708	3,622	(145)	3,478
Other operating receivables	381	(13)	368	373	(13)	360
Prepaid expenses	184	—	184	196	—	196
Non-operating receivables	2	(1)	1	28	—	28
TOTAL TRADE AND OTHER RECEIVABLES	**4,445**	**(172)**	**4,273**	**4,224**	**(157)**	**4,067**

* As of Fiscal 2020, amount net of transferred receivables, of which 41 million euro of CICE tax credits, derecognized since substantially all risks and rewards incidental to the ownership of the account receivables had been transferred. There were no further receivables transferred in Fiscal 2021.

The maturities of trade receivables as of August 31, 2021 and August 31, 2020 respectively were as follows:

BREAKDOWN OF TRADE RECEIVABLES DUE AS OF AUGUST 31	AUGUST 31, 2021			AUGUST 31, 2020		
	GROSS AMOUNT	IMPAIRMENT	CARRYING AMOUNT	GROSS AMOUNT	IMPAIRMENT	CARRYING AMOUNT
Less than 3 months past due	350	(9)	341	403	(8)	395
More than 3 months and less than 6 months past due	86	(9)	77	81	(17)	64
More than 6 months and less than 12 months past due	39	(9)	30	58	(13)	43
More than 12 months past due	121	(93)	28	104	(81)	23
TOTAL TRADE RECEIVABLES DUE AS OF AUGUST 31	**597**	**(121)**	**476**	**646**	**(120)**	**526**
Total trade receivables not yet due as of August 31	3,269	(36)	3,234	2,975	(25)	2,950
TOTAL TRADE RECEIVABLES AS OF AUGUST 31	**3,866**	**(158)**	**3,708**	**3,622**	**(145)**	**3,478**

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 recognized at their nominal amount, which represents a reasonable estimate of fair value in light of their short maturities.

Bellon 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 Bellon.

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.

(in millions of euro)	AUGUST 31, 2021	AUGUST 31, 2020
Operating payables	147	183
Non-operating payables	34	13
OTHER NON-CURRENT LIABILITIES	**181**	**196**
Trade payables	2,181	1,900
Employee-related liabilities	1,258	1,026
Advances from clients	394	447
Tax liabilities	306	335
Other operating payables	156	136
Deferred revenues	108	115
Non-operating payables	32	63
TRADE AND OTHER CURRENT PAYABLES	**4,434**	**4,022**
TOTAL TRADE AND OTHER PAYABLES	**4,616**	**4,218**

As of August 31, 2021, the total amount of receivables transferred by Bellon's suppliers through the reverse factoring programs is 274 million euro (205 million euro as of August 31, 2020).

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, 2021 (in millions of euro)	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 Sodexo. For example, the Group may participate in financing the purchase of equipment or fixtures on the client site that are necessary to fulfill service obligations, or it may make a financial contribution that will be recovered over the life of the contract. They are recognized in accordance with the application of IFRS 15 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 on 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 test for which are detailed in note 6.4.

(in millions of euro)	FISCAL 2021	FISCAL 2020
Client investments as of September 1	**575**	**626**
Increases during the fiscal year	87	117
Decreases during the fiscal year	(101)	(106)
Impairment	(3)	(25)
Change in scope of consolidation	—	—
Currency translation adjustment and other movements	1	(37)
CLIENT INVESTMENTS AS OF AUGUST 31	**560**	**575**

4.5 Benefits & Rewards Services activity

(in millions of euro)	August 31, 2021	AUGUST 31, 2020
Trade and other receivables	1,295	1,274
Trade and other payables(1)	(329)	(285)
Voucher liabilities(2)	(3,133)	(3,117)
Vouchers in circulation	*(2,599)*	*(2,604)*
Voucher payables	*(370)*	*(352)*
Other(1)	*(164)*	*(161)*
WORKING CAPITAL EXCLUDING RESTRICTED CASH AND FINANCIAL ASSETS OF THE BENEFITS & REWARDS SERVICES ACTIVITY	**(2,166)**	**(2,128)**
Restricted cash and financial assets related to the Benefits & Rewards Services activity	1,062	1,103
Restricted cash	*773*	*770*
Market securities > 3 months	*289*	*333*
Cash and cash equivalents(1)	1,200	995
Bank overdrafts	(5)	(16)
OPERATING CASH ASSETS OF THE BENEFITS & REWARDS SERVICES ACTIVITY	**2,257**	**2,082**

(1) Including intragroup transactions.

(2) Voucher liabilities are accounted at fair value as current liabilities, which is the face value of vouchers in circulation and of vouchers back at Bellon 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), whose payment is expected within 12 months of the related service period.

These benefits are reported as current liabilities.

Post-employment benefits

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

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

The Group uses the projected unit credit method as the actuarial method for measuring its post-employment benefit obligations, on the basis of the national or Company-wide collective agreements effective within each entity.

Factors used in calculating the obligation include length of service, life expectancy, salary inflation, staff turnover, and macro-economic assumptions specific to countries in which the Group operates (such as inflation rate and discount rate).

Remeasurement 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, and any changes in the effect of the asset ceiling, is 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 the Group. Where the calculation of the net obligation results in an asset for the Group, the amount recognized for this asset may not exceed the present value of all future refunds and reductions in future contributions under the plan;
- the expense recognized in the income statement comprises:
  - current service cost, past service cost, if any, and the effect of plan settlements, all of which are recorded in operating income,
  - the interest expense (income) on the net defined benefit obligation (asset), calculated by multiplying the obligation (asset) by the discount rate used to measure the defined benefit obligation at the beginning of the period.

The Group contributes to multiemployer 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.

5.1.1 Long-term employee benefits

(in millions of euro)	August 31, 2021	AUGUST 31, 2020
Post-employment benefits – Net defined benefit plan obligation	172	196
Other long-term employee benefits	186	150
Post-employment benefits – Net defined benefit plan assets*	(10)	(3)
Employee benefits	**348**	**343**

* Included in "Other non-current assets" in the consolidated statement of financial position.

5.1.1.1 POST-EMPLOYMENT BENEFITS

Defined contribution plans

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

Contributions to defined contribution plans – which were recognized in operating expenses – amount to 401 million euro for Fiscal 2021, compared to 442 million euro for Fiscal 2020.

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

Defined benefit plans

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

- in France, the obligation primarily represents lump-sum benefits payable on retirement if the employee is still with the Company at retirement age. These obligations are covered by specific provisions in the consolidated statement of financial position;
- in the United Kingdom, 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 is for up to 100 million pounds Sterling for a duration of 12 years. 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 the Group 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 the Group. These plans are fully funded;
- in Italy, there is a legal obligation to pay a lump-sum retirement benefit ("TFR").

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

(in millions of euro)	FISCAL 2021			FISCAL 2020		
	BENEFIT OBLIGATION	PLAN ASSETS	NET BENEFIT OBLIGATION	BENEFIT OBLIGATION	PLAN ASSETS	NET BENEFIT OBLIGATION
As of September 1	**1,477**	**(1,284)**	**193**	**1,452**	**(1,210)**	**242**
Expense/(income) recognized in the income statement	33	(19)	13	39	(19)	21
Current service cost	*20*	*(1)*	*18*	*19*	—	*19*
Past service cost	*(8)*	—	*(8)*	*(2)*	—	*(2)*
Effect of settlements	—	—	—	—	—	—
Interest cost/(income)	*21*	*(18)*	*3*	*23*	*(19)*	*4*
Remeasurement losses/(gains)	50	(60)	(10)	5	(49)	(44)
Actuarial losses/(gains) arising from changes in demographic assumptions	*(11)*	—	*(11)*	*(4)*	—	*(4)*
Actuarial losses/(gains) arising from changes in financial assumptions	*59*	*(60)*	*(1)*	*13*	*(49)*	*(36)*
Experience adjustments	*2*	—	*2*	*(4)*	—	*(4)*
Currency translation adjustment	41	(41)	—	5	(5)	—
Contributions made by plan members	1	(1)	—	2	—	2
Employer contributions	—	—	—	—	(19)	(19)
Benefits paid from plan assets	(44)	41	(3)	(38)	38	—
Benefits paid other than from plan assets	(16)	(15)	(31)	(8)	—	(8)
Changes in scope of consolidation and other*	(106)	104	(2)	21	(20)	1
AS OF AUGUST 31	**1,436**	**(1,275)**	**161**	**1,478**	**(1,284)**	**194**
Of which:						
Partially funded plans	1,308	(1,275)	33	1,350	(1,284)	65
Unfunded plans	128	—	128	129	—	129

* Including for the fiscal year 2021 a benefit obligation decrease amounting to 104 million euro 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 euro in Fiscal 2021 (23 million euro in Fiscal 2020) and break down as follows:

- net expense of 8 million euro (net expense of 7 million euro in Fiscal 2020) in cost of sales;
- net expense of 6 million euro (net expense of 12 million euro in Fiscal 2020) in SG&A;
- net income of 4 million euro in Other Income and Expenses;
- net expense of 3 million euro in financial expenses (see note 12.1).

Defined benefit plan assets comprise:

Recognized net actuarial gains arising from changes in financial assumptions amounted to 59 million euro, of which 53 million euro 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, 2021 and 2020:

AUGUST 31, 2021	FRANCE	NETHERLANDS	UNITED KINGDOM	ITALY
Discount rate[1]	1.05 %	0.8 %	1.7 %	0.35 %
Salary long-term inflation rate[2]	2.25 %	N/A	3.8 %	N/A
General long-term inflation rate	1.75 %	1.75 %	3.3 % [3]	1.75 %
Net liability (in millions of euro)	88	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.

AUGUST 31, 2020	FRANCE	NETHERLANDS	UNITED KINGDOM[4]	ITALY
Discount rate[1]	1.2 %	0.95 %	1.7 %	0.65 %
Salary long-term inflation rate[2]	2.25 %	N/A	3.4 %	N/A
General long-term inflation rate	1.75 %	1.75 %	2.1 %-2.9 % [3]	1.75 %
Net liability (in millions of euro)	88	1	4	18
Average term of the plans (in years)	9	19	19	8

(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): 2.9%; Consumer Price Index (CPI): 2.1% for Fiscal 2020.
(4) Excluding 104 million euro 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 2021, a reduction of 1% in the discount rate would increase the gross obligation to 1,718 million euro (compared with 1,435 million euro based on the assumptions used as of August 31, 2021), while a rise of 0.5% in the general long-term inflation rate would increase the gross obligation to 1,529 million euro.

Based on estimates derived from reasonable assumptions, the Group will pay 19 million euro into defined benefit plans in Fiscal 2022.

Multiemployer plans

In the USA, as of August 31, 2021, the Company contributed to 78 multiemployer defined benefit pension plans under the terms of collective-bargaining agreements ("CBA") that cover its union-represented employees. The risks of participating in these multiemployer plans are different than those of single-employer plans in the following respects:

- assets contributed to the multiemployer plan are used to provide benefits to all beneficiaries of the plan, including beneficiaries of other participating employers;
- if a multiemployer 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 the Company ceases to participate in a multiemployer plan, entirely or partially in excess of a threshold, or if substantially all of the participating employers of a given plan cease to participate, the Company may be required to pay that plan an amount based on the value of unfunded vested benefits of the plan and the Company's *pro-rata* share of total plan contributions, referred to as withdrawal liability.

The Company does not have the ability to account for these multiemployer 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 multiemployer plans are accounted for as defined contribution plans.

The Company contributed 12 million euro to U.S. multiemployer defined benefit plans in Fiscal 2021 and 8 million euro in Fiscal 2020. Of the contributions made by the Company, 34% and 14% 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 186 million euro as of August 31, 2021 (150 million euro as of August 31, 2020), 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 2021 was 6 million euro (16 million euro in Fiscal 2020).

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, the Group 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 free share grants are subject to performance conditions;
- for the shares awarded from 2017 to 2019, the vesting period for all beneficiaries is four years, with no subsequent lock-up period. In addition, beneficiaries must still be working for the Group on the vesting date in order for the shares to vest;
- for the shares awarded in 2020, the vesting period for all beneficiaries is thirty-eight months, with no subsequent lock-up period. In addition, beneficiaries must still be working for the Group on the vesting date in order for the shares to vest;
- until 2018, the proportion of shares subject to a performance condition ranges from 0% to 80% (depending on the total number of shares awarded), except for the shares granted to the Group Chief Executive Officer which consist solely of performance shares;
- since 2019, all shares granted to the members of the Group Executive Committee are performance shares;
- in 2020, due to the health crisis, 80% of shares granted to the Group Executive Committee are subject to a performance condition except for the shares granted to the Group Chief Executive Officer which consist solely of performance shares.

The performance conditions other than those related to stock market performance ("non-market performance conditions") were as follows:

- for the shares awarded from 2017 to 2019, the non-market performance condition is based on annual growth in consolidated underlying operating profit (before exceptional items and excluding currency effects) over a four-year period and over a three-year period for the 2020 plan. For the 2018 plan, a portion of the shares is also subject to the achievement of Corporate Responsibility objectives. Since 2019, a condition based on organic growth has been added.

Since the 2015 plan, a portion of the shares awarded has also been subject to a stock market performance condition as follows:

- for the 2017 plans, a portion of the shares awarded to the members of the Group Executive Committee and to beneficiaries of more than 1,000 shares, are subject to a TSR performance condition. Sodexo's TSR must be positive and outperform the CAC 40 GR (Gross Total Return) index, published by Euronext, between January 25, 2017 and the date of the Annual Shareholders Meeting called to approve the Fiscal 2021 financial statements;
- for the 2018 plan, a portion of the shares awarded to the members of the Group Executive Committee and to beneficiaries of more than 250 shares, Sodexo's TSR will be compared to that of two peer groups. The first peer group is made up of 12 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. The second peer group comprises CAC 40 companies. In both cases, the number of shares that will vest will depend on Sodexo's ranking within the peer group, with no shares vesting if Sodexo's ranking is below the third quartile. The starting share price used will be the average of the share prices quoted over the thirty (30) calendar days preceding the plan grant date. The end share price used to measure the overall stock market performance will be the average of the share prices quoted over the thirty (30) calendar days preceding the performance assessment date (March 27, 2022);

- for the 2019 plan, Sodexo's TSR will be compared to that of the peer group made up of 12 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. This condition is only applicable to the shares awarded to the Group Chief Executive Officer and to the members of the Group Executive Committee;
- for the 2020 plan, Sodexo's TSR will be compared to that of the peer group made up of 8 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. This condition is only applicable to the shares awarded to the Group Chief Executive Officer and to the members of the Group Executive Committee.

MOVEMENTS IN FISCAL 2021 AND FISCAL 2020

The table below shows movements in free shares in Fiscal 2021 and Fiscal 2020:

	FISCAL 2021	FISCAL 2020
Outstanding at the beginning of the year	**2,447,754**	**3,241,464**
Granted during the year	922,840	10,000
Forfeited during the year	(640,922)	(354,213)
Delivered during the year	(414,045)	(449,497)
Outstanding at the end of the year	**2,315,627**	**2,447,754**

The weighted average fair value of the restricted shares granted in Fiscal 2021 is 64.92 euro per share (88.41 euro per shares granted in Fiscal 2020).

The table below shows the grant dates of restricted shares outstanding as of August 31, 2021, 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 14, 2017	International	4	2.4 %	0.0 %	N/A	18.1 %	13,000
April 27, 2018	International	4	2.7 %	0.0 %	N/A	21.3 %	710,480
September 13, 2018	International	4	2.7 %	0.0 %	N/A	21.3 %	25,400
June 19, 2019	International	4	3.0 %	0.0 %	N/A	21.9 %	679,740
November 6, 2019	International	4	3.0 %	0.0 %	N/A	21.9 %	8,000
November 20, 2020	International	3.2	2.0 %	0.0 %	N/A	38.8 %	879,007
TOTAL							**2,315,627**

* 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 five years and the implicit volatility expected by the market.

5.2.2 Expense recognized during the fiscal year

The expense recognized in the Fiscal 2021 income statement for restricted shares is 33 million euro (39 million euro in Fiscal 2020).

5.3 Group employees

The following table shows the headcount of Group employees:

	AUGUST 31, 2021	AUGUST 31, 2020
AVERAGE HEADCOUNT AS OF AUGUST 31	409,111	454,265
TOTAL HEADCOUNT AS OF AUGUST 31	412,099	422,723

5.4 Compensation, loans, post-employment benefits and other benefits granted to Board members and the Executive Committee of Bellon S.A.

The compensation, loans, post-employment benefits and other benefits granted to Board members, the Executive Committee, including the Group Chief Executive Officer of Bellon in office as of August 31, 2021 and August 31, 2020 respectively for Fiscal 2021 and Fiscal 2020 comprise the following:

(in euros)	2020-2021	2019-2020
Compensation paid by Bellon S.A. to members of its Executive and Supervisory Boards	866,682	850,015
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	124,600	154,600
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	1,080,294	808,777
Total	**2,321,576**	**2,063,392**

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

NOTE 6. GOODWILL, OTHERS 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 consolidated 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 millions of euro)	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 of the period result of the classification as asset held for sale of the goodwill affected to Childcare activities (see note 3.2 "Disposed or held for sale activities").

(in millions of euro)	AUGUST 31, 2019	INCREASES DURING THE PERIOD	DECREASES DURING THE PERIOD	IMPAIRMENT	RECLASSIFICATION	CURRENCY TRANSLATION ADJUSTMENT	AUGUST 31, 2020
Corporate Services	1,024	4	—	—	(35)	(55)	938
Government & Agencies	362	—	—	—	(34)	(6)	322
Sports & Leisure	439	—	—	(64)	18	(24)	369
Energy & Resources	329	—	—	—	(15)	(25)	289
Other non-segmented activities	438	13	—	—	88	(15)	523
Business & Administrations	**2,591**	**17**	**—**	**(64)**	**23**	**(125)**	**2,441**
Healthcare	1,040	—	—	—	(60)	(61)	920
Seniors	554	53	—	—	48	(40)	616
Healthcare & Seniors	**1,595**	**53**	**—**	**—**	**(11)**	**(101)**	**1,536**
Schools	441	5	(9)	(4)	73	(21)	484
Universities	901	—	—	—	(85)	(60)	756
Education	**1,342**	**5**	**(9)**	**(4)**	**(12)**	**(81)**	**1,240**
On-site Services	**5,528**	**75**	**(9)**	**(68)**	**—**	**(307)**	**5,217**
Benefits & Rewards Services	**631**	**12**	**—**	**(24)**	**—**	**(72)**	**547**
Sodexo	**206**						**206**
TOTAL	**6,364**	**87**	**(9)**	**(92)**	**—**	**(379)**	**5,970**

During the Fiscal 2020 the Group recognized an impairment charge of 92 million euro mainly in the Sports & Leisure segment.

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 millions of euro)	LICENSES AND SOFTWARE	CLIENT RELATIONSHIPS, TRADEMARKS AND OTHER	TOTAL
Gross value as of August 31, 2019	**652**	**980**	**1,632**
Acquisitions	116	54	170
Disposals	(52)	(57)	(109)
Translation Adjustments	(26)	(66)	(92)
Reclassifications	(15)	15	—
Change in scope of consolidation	3	—	3
Other	—	—	—
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*	(4)	(37)	(43)
Change in scope of consolidation	(12)	(17)	(29)
Other	—	—	—
Gross value as of August 31, 2021	**739**	**838**	**1,577**

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

6.2.2 Amortization and impairment of other intangible assets

(in millions of euro)	LICENSES AND SOFTWARE	CLIENT RELATIONSHIPS, TRADEMARKS AND OTHER	TOTAL
Amortization and impairment as of August 31, 2019	**(408)**	**(423)**	**(831)**
Amortization	(77)	(89)	(166)
Disposals	44	4	48
Impairment	(21)	(13)	(33)
Translation Adjustments	18	32	50
Reclassifications	13	(13)	—
Change in scope of consolidation	—	—	—
Other	—	—	—
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*	6	27	33
Change in scope of consolidation	11	8	19
Other	—	—	—
Amortization and impairment as of August 31, 2021	**(469)**	**(478)**	**(947)**

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

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

6.2.3 Net value of other intangible assets

(in millions of euro)	LICENSES AND SOFTWARE	CLIENT RELATIONSHIPS, TRADEMARKS AND OTHER	TOTAL
Net carrying amount as of August 31, 2019	244	557	801
Net carrying amount as of August 31, 2020	247	425	673
Net carrying amount as of August 31, 2021	**270**	**360**	**631**

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 the Group and the cost can be measured reliably. All other repair and maintenance costs are recognized as expenses during the period in which they are incurred, except costs incurred to improve productivity or extend the useful life of an asset, which are capitalized.

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

The useful lives generally used by the Group are:

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

The residual values and useful lives of items of property, plant and equipment are reviewed at each period end and, if necessary, 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 millions of euro)	LAND AND BUILDINGS	PLANT AND EQUIPMENT	CONSTRUCTION IN PROGRESS AND OTHER	TOTAL
Gross value as of August 31, 2019	**141**	**1,781**	**216**	**2,138**
Acquisitions	4	164	43	211
Disposals	(1)	(81)	(14)	(96)
Translation Adjustments	(2)	(71)	(6)	(78)
Reclassifications	(7)	6	(24)	(25)
Change in scope of consolidation	1	9	—	9
Other	—	—	—	—
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**

* 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 millions of euro)	LAND AND BUILDINGS	PLANT AND EQUIPMENT	CONSTRUCTION IN PROGRESS AND OTHER	TOTAL
Depreciation and impairment as of August 31, 2019	**(73)**	**(1,246)**	**(135)**	**(1,454)**
Amortization	(8)	(184)	(24)	(216)
Disposals	—	69	8	77
Impairment	(13)	(48)	(3)	(64)
Translation Adjustments	1	46	4	51
Reclassifications	5	8	5	19
Change in scope of consolidation	(1)	(6)	—	(6)
Other	—	—	—	—
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)**

* 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 SG&A costs.

6.3.3 Net book value of property, plant and equipment

(in millions of euro)	BUILDINGS	PLANT AND EQUIPMENT	CONSTRUCTION IN PROGRESS AND OTHER	TOTAL
Net carrying amount as of August 31, 2019	68	535	81	684
Net carrying amount as of August 31, 2020	49	446	72	566
Net carrying amount as of August 31, 2021	**19**	**374**	**68**	**461**

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, as reflected in the Group's organizational structure (see note 4.1):

- 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;
- the Benefits & Rewards Services activity corresponds to a single CGU.

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 and net working capital.

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 one to 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 prepares 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.

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.

Accumulated impairment charges against property, plant and equipment and intangible assets (including goodwill) amounted to 32 million euro as of August 31, 2021 (222 million euro as of August 31, 2020), and include a net loss of 27 million euro recognized in other operating expenses in Fiscal 2021 (188 million euro in Fiscal 2020).

The main assumptions used were as follows:

	FISCAL 2021		FISCAL 2020	
	DISCOUNT RATE	LONG-TERM GROWTH RATE	DISCOUNT RATE	LONG-TERM GROWTH RATE
Corporate Services	8.0 %	2.2 %	8.0 %	2.1 %
Energy & Resources	8.2 %	2.6 %	8.6 %	2.4 %
Government & Agencies	7.5 %	2.1 %	7.4 %	1.9 %
Sports & Leisure	7.3 %	2.1 %	7.3 %	1.9 %
Healthcare	7.3 %	2.2 %	7.4 %	2.0 %
Seniors	7.6 %	2.0 %	7.5 %	1.9 %
Schools	7.5 %	2.0 %	7.4 %	1.9 %
Universities	7.0 %	2.0 %	7.2 %	2.0 %
Other non-segmented activities	7.9 %	2.0 %	7.8 %	1.9 %
Benefits & Rewards Services	8.8 %	2.7 %	9.5 %	2.3 %

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 Group’s revenues:

	DISCOUNT RATE	
	FISCAL 2021	FISCAL 2020
Continental Europe	7.9 %	7.6 %
North America	7.0 %	7.2 %
United Kingdom and Ireland	7.5 %	7.3 %
Latin America	9.1 %	10.5 %
Rest of the world (excluding Latin America)	8.3 %	8.3 %
Group	7.6 %	7.2 %

SENSITIVITY ANALYSIS

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

- the results of the goodwill sensitivity analysis indicated no probable scenario where a change in the discount rate or long-term growth rate would result in the recoverable amount of segment assets becoming less than its carrying amount. In fact, the results of the impairment testing demonstrate that even an increase of 200 basis points in the discount rate or a reduction of 200 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 the management and in terminal value would result in the recognition of an impairment in the Group’s consolidated financial statements as of August 31, 2021. 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, as well as for its Personal & Home Services activity (mainly Childcare facilities). 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 2021 and Fiscal 2020 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 with 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 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, 2021, the lease liabilities amount to 940 million euro, including 763 million euro of non-current lease liabilities and 176 million euro of current lease liabilities. The change in lease liabilities during Fiscal 2021 breaks down as follows:

(in millions of euro)	FISCAL 2021	FISCAL 2020
Lease liabilities as of September 1	**1,357**	**1,490**
Increase/(Decrease)[1]	(94)	167
Repayment of the principal	(242)	(260)
Translation adjustments	7	(41)
Change in scope of consolidation	(9)	—
Other movements[2]	(78)	—
LEASE LIABILITIES AS OF AUGUST 31	**939**	**1,357**

[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 the Fiscal 2021, some significant contracts were terminated early.

[2] Mostly due to the reclassification of assets held for sale (see note 3.2 "Disposed or held for sale activities").

Lease liabilities maturity breaks down as follows:

(in millions of euro)	FISCAL 2021	FISCAL 2020
< 1 year	176	231
1 to 3 years	227	308
3 to 5 years	171	239
> 5 years	366	579
LEASE LIABILITIES CARRYING VALUE	**939**	**1,357**

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 millions of euro)	LAND AND BUILDINGS	SITES AND SPACES OPERATED UNDER CONCESSION AGREEMENTS	Vehicles	EQUIPMENT	TOTAL
Gross value as of September 1, 2019	**549**	**819**	**95**	**26**	**1,490**
Increase	42	120	42	7	212
Translation Adjustments	(12)	(30)	(3)	(3)	(48)
Reclassifications	—	(4)	—	(1)	(4)
Change in scope of consolidation	—	—	—	—	—
Other movements	(9)	(29)	(10)	(6)	(54)
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**

[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 millions of euro)	LAND AND BUILDINGS	SITES AND SPACES OPERATED UNDER CONCESSION AGREEMENTS	Vehicles	EQUIPMENT	TOTAL
Amortization and impairment as of September 1, 2019	**—**	**—**	**—**	**—**	**—**
Amortization	(95)	(123)	(49)	(11)	(278)
Reversals	4	4	8	3	18
Impairment	(2)	(20)	—	—	(22)
Translation Adjustments	2	5	1	1	9
Reclassifications	—	1	—	1	2
Change in scope of consolidation	—	—	—	—	—
Other movements	(2)	—	—	(1)	(3)
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)**

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

(in millions of euro)	LAND AND BUILDINGS	SITES AND SPACES OPERATED UNDER CONCESSION AGREEMENTS	Vehicles	EQUIPMENT	TOTAL
Net carrying amount as of September 1, 2019	549	819	95	26	1,490
Net carrying amount as of August 31, 2020	477	744	84	15	1,321
Net carrying amount as of August 31, 2021	**299**	**518**	**77**	**10**	**903**

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. The Group 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 2020 and Fiscal 2021 are shown below:

(in millions of euro)	FISCAL 2021	FISCAL 2020
Carrying amount as of September 1	**53**	**51**
Of which Investments in companies accounted for using the equity method	***60***	***62***
Of which Provisions	***(7)***	***(9)***
Share of profit for the period	9	9
Other comprehensive income (loss)	3	2
Dividend paid for the period	(9)	(3)
Currency translation adjustment	—	(3)
Other movements	2	(3)
CARRYING AMOUNT AS OF AUGUST 31	**57**	**53**
Of which Investments in companies accounted for using the equity method	***63***	***60***
Of which Provisions	***(6)***	***(7)***

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 because 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 which are always refunded by the French government if they have not been deducted from corporate income tax (including the Competitiveness and Employment Tax Credit (CICE) introduced in France under the third amended 2012 Finance Bill) 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.

9.1 Components of income tax expense

(in millions of euro)	FISCAL 2021	FISCAL 2020
Current income tax (expenses)/income	(107)	(185)
Withholding taxes	(7)	(1)
Deferred income tax (expenses)/income	14	88
INCOME TAX EXPENSE	**(101)**	**(98)**

As of Fiscal 2021, the change in deferred income tax income corresponds to deferred tax assets recognized in countries impacted by non-recurring losses relating to assets impairments and restructuring costs.

9.2 Income tax rate reconciliation

(in millions of euro)	FISCAL 2021	FISCAL 2020
Profit for the year before tax	237	(221)
Share of profit of companies accounted for using the equity method	(9)	(9)
Profit before tax excluding share of profit of companies accounted for using the equity method	**229**	**(230)**
Tax rate applicable to Sodexo S.A.	32.02 %	34.43 %
Theoretical income tax (expense)/income	**(73)**	**79**
Effect of jurisdictional tax rate differences	37	15
Permanently non-deductible expenses or non-taxable income	(1)	(43)
Other tax repayments/(charges), net	(18)	(18)
Tax loss carry-forwards used or recognized during the period but not recognized as a deferred tax asset in prior periods	8	1
Tax loss carry-forwards and temporary differences arising during the period or prior years but not recognized as a deferred tax asset*	(46)	(131)
Actual income tax expense	**(94)**	**(97)**
Withholding taxes	(7)	(1)
TOTAL INCOME TAX EXPENSE	**(101)**	**(98)**

* Including unrecognized deferred tax assets arising from non-recurring tax loss carry-forwards and temporary differences for 31 million euro.

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 -42.6% for Fiscal 2020 to 43.9% for Fiscal 2021. Income tax expense of 101 million euro is driven by tax loss carry-forwards and temporary differences arising during the period but not recognized as a deferred tax asset for 46 million euro, 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 2021:

(in millions of euro)	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
Intangible assets	(30)	9	—	(1)	(22)
Goodwill	(199)	5	—	(6)	(200)
Other temporary differences	38	(26)	3	3	18
Tax loss carry-forwards	77	13	—	7	97
TOTAL NET DEFERRED TAX	**39**	**15**	**4**	**5**	**63**
Of which Deferred tax assets	**137**	**—**	**—**	**—**	**165**
Of which Deferred tax liabilities	**(97)**	**—**	**—**	**—**	**(101)**

Movements in deferred taxes were as follows in Fiscal 2020:

(in millions of euro)	AUGUST 31, 2019	IFRIC 23 IMPACT	SEPTEMBER 1, 2019	DEFERRED TAX BENEFIT/(EXPENSE)	DEFERRED TAX RECOGNIZED IN OTHER COMPREHENSIVE	CURRENCY TRANSLATION ADJUSTMENT AND OTHER	AUGUST 31, 2020
Employee-related liabilities	140	—	140	31	(9)	(11)	151
Fair value of financial instruments	8	—	8	(5)	—	(1)	2
Intangible assets	(42)	—	(42)	11	—	1	(30)
Goodwill	(248)	—	(248)	4	—	45	(199)
Other temporary differences	(3)	—	(3)	51	10	(20)	38
Tax loss carry-forwards	93	(6)	87	(4)	—	(6)	77
TOTAL NET DEFERRED TAX	**(52)**	**(6)**	**(58)**	**88**	**1**	**7**	**39**
Of which Deferred tax assets	**99**	**(6)**	**93**	**—**	**—**	**—**	**137**
Of which Deferred tax liabilities	**(151)**	**—**	**(151)**	**—**	**—**	**—**	**(97)**

As of August 31, 2021, the deferred tax assets arising from tax loss carry-forwards amount to 97 million euro (77 million euro as of August 31, 2020). 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 192 million euro as of August 31, 2021 (170 million euro as of August 31, 2020), including 10 million euro generated by subsidiaries prior to their acquisition (19 million euro as of August 31, 2020). 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 2021 amount to 39 million euro.

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 millions of euro)	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	0	67
Employee claims and litigation	42	32	(14)	(4)	(1)	0	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	—	—	—	0	—	6
Other provisions	43	21	(18)	(4)	2	0	45
TOTAL PROVISIONS	**255**	**137**	**(114)**	**(24)**	**1**	**(1)**	**254**

(1) Mainly consists of the restructuring costs and right-sizing. The increase of the period corresponds to the execution of the GET program (see note 1).

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

(in millions of euro)	AUGUST 31, 2019	INCREASES/CHARGES	REVERSALS WITH UTILIZATION	REVERSALS WITHOUT UTILIZATION	CURRENCY TRANSLATION ADJUSTMENT AND OTHER	CHANGES IN SCOPE OF CONSOLIDATION	AUGUST 31, 2020
Reorganization costs	4	78	(2)	(1)	1	—	81
Employee claims and litigation	43	22	(9)	(4)	(11)	—	42
Tax and social security exposures	22	16	—	(1)	(10)	—	27
Contract termination and loss-making contracts	13	29	(9)	(1)	(4)	8	37
Client/supplier claims and litigation	18	6	(1)	(5)	(1)	1	18
Negative net assets of associates*	9	—	—	—	(3)	—	7
Other provisions	37	16	(8)	(7)	4	1	43
TOTAL PROVISIONS	**146**	**168**	**(28)**	**(18)**	**(23)**	**10**	**255**

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

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

Current and non-current provisions are as follows:

(in millions of euro)	AUGUST 31, 2021		AUGUST 31, 2020	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Reorganization costs	67	—	79	2
Employee claims and litigation	30	26	23	19
Tax and social security exposures	13	18	12	15
Contract termination and loss-making contracts	14	13	25	13
Client/supplier claims and litigation	14	9	17	1
Negative net assets of associates*	—	6	—	7
Other provisions	10	35	16	27
TOTAL PROVISIONS	**148**	**106**	**171**	**84**

* 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 Group 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 year 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 recognized on the purchase of VR in March 2008. The reassessment amounted to 88 million euro (breaking down as 24 million euro in principal and 64 million euro in penalties and late payment interest).

Sodexo Pass do Brasil 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 Company considers that the goodwill amortization was valid, both in terms of its underlying reasons and the way it has been recorded. Therefore, the Company considers that there is a strong probability of winning the dispute with the tax authorities, and this has been confirmed by its tax advisors. Consequently, no provision was recorded for this dispute in the consolidated statement of financial position as of August 31, 2017.

This dispute was presented on August 14, 2018 for a judgment of the competent administrative court. The court ruled in favor of Sodexo Pass do Brasil as it considered that the goodwill and corresponding 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.

This judgment can be reversed on appeal. The Group believes, after consulting its advisers, that the risk of change in this judgement is low.

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 financial periods concerned, in accordance with the IFRS rules. The deferred tax liability related to the reassessed periods amounts to 24 million euro as of August 31, 2021 (30 million euro as of August 31, 2020).

During Fiscal 2021, Sodexo do Brasil Comercial received a tax reassessment notice mainly linked to the tax deductibility of the amortization of goodwill recognized on the purchase of Puras. The reassessment is covering the period from 2015 to 2017 and raise to 29 million euro (of which 8 million in principal and 21 million euro in penalties and late payment interests). In August 2021, the competent administrative Court ruled in favor of the Company. The Group considers it has strong arguments to contest the tax reassessment and prevail in court.

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 23 million euro as of August 31, 2021.

In addition, the Group 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 euro. This decision was formally notified to Sodexo Pass France and Sodexo S.A. on February 6, 2020. Given the significant impact of the Covid-19 pandemic on the Group's activities and performance, Sodexo obtained a decision from the Tax Authorities allowing it to defer payment of the fine without any penalty being due, subject to providing a guarantee in the same amount. The payment date is scheduled for December 15, 2021.

Sodexo nevertheless vigorously contests the decision which demonstrates a flawed understanding of the practices in question and of the way in which the market operates. Sodexo has therefore lodged an appeal against the decision with the Paris Court of Appeal. The appeal proceeding is ongoing and the hearing is scheduled for November 18, 2021. 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 to be commenced 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 euro 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.

At the closing date, the Hungarian state has still not paid the award and the Group considers it would be premature to record any income. The Group continues to seek all legal measures available to enforce the decision.

FRENCH TAX REASSESSMENT

Sodexo S.A. received in June 2021 a notification for a proposed tax reassessment concerning Fiscal 2017 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 certain of which may result in reassessments. 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 Sodexo S.A. itself and/or by other Group companies are shown as a reduction in consolidated shareholders' equity at their acquisition cost.

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

Commitments to purchase non-controlling interests

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

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

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 2021			FISCAL 2020		
(in millions of euro)	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)	10	(1)	10	(29)	—	(29)
Share of other components of comprehensive income/(loss) of companies accounted for using the equity method	1	—	1	1	—	1
Remeasurements of net defined benefit obligation	6	(0)	5	15	(3)	12
Currency translation adjustment	44	—	44	(189)	—	(189)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS) (GROUP SHARE)	**60**	**(1)**	**59**	**(202)**	**(3)**	**(206)**

(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 the Group becomes a party to the contractual provisions of the instrument.

The fair values of financial assets and derivative instruments are generally determined on the basis of quoted market prices, 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

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 millions of euro)	FISCAL 2021	FISCAL 2020
Gross borrowing cost[1]	(94)	(128)
Interest income from short-term bank deposits and equivalent	6	18
NET BORROWING COST	**(88)**	**(110)**
Interest on financial lease liabilities IFRS 16[2]	(20)	(25)
Net foreign exchange gains/(losses)	(3)	2
Net interest cost on net defined benefit plan obligation	(3)	(4)
Interest income from loans and receivables at amortized cost	8	5
Other financial income	1	3
Other financial expense[3]	(10)	(167)
NET FINANCIAL EXPENSE	**(115)**	**(296)**
Of which Financial income	**15**	**29**
Of which Financial expense	**(130)**	**(325)**

(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 starting September 1, 2019 in accordance with IFRS 16.

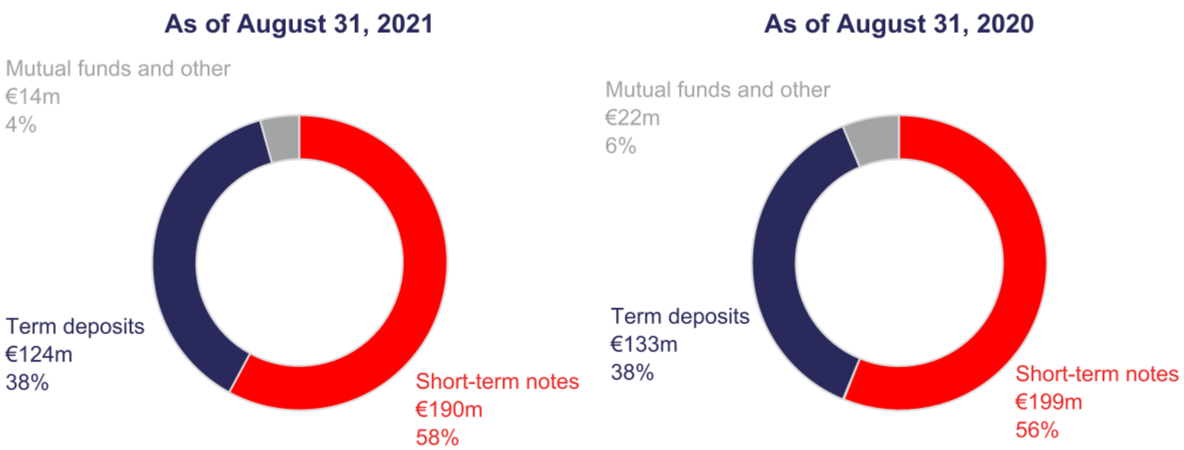
(3) Including, in Fiscal 2020, a 150 million euro indemnity due to anticipated refund of USPP (note 12.4.3.3).

12.2 Cash and cash equivalents

(in millions of euro)	AUGUST 31, 2021	AUGUST 31, 2020
Marketable securities	329	354
Cash*	3,244	1,688
CASH AND CASH EQUIVALENTS	**3,572**	**2,042**
Bank overdrafts	(7)	(6)
CASH AND CASH EQUIVALENTS NET OF BANK OVERDRAFTS	**3,565**	**2,036**

* Including 5 million euro 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 comprised:



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

(in millions of euro)	AUGUST 31, 2021	AUGUST 31, 2020
Euro	2,063	976
U.S. dollar*	267	197
Brazilian real	242	231
Pound sterling	292	50
Other currencies	701	582
CASH AND CASH EQUIVALENTS NET OF BANK OVERDRAFTS	**3,565**	**2,036**

This currency allocation is presented after clearing the positive and negative positions of the Group's two cash pools with an asset position of 3,226 million euro and a liability position of 22 million euro as of August 31, 2021.

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, 2021.

12.3 Financial assets

12.3.1 Current and non-current financial assets

(in millions of euro)	AUGUST 31, 2021		AUGUST 31, 2020	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Investments in non-consolidated companies	—	162	—	74
Financial assets related to the Benefits & Rewards Services activity, including restricted cash	**1,062**	**—**	**1,103**	**—**
Cost*	1,062	—	1,103	—
Impairment	—	—	—	—
Receivables from investees	**—**	**17**	**—**	**17**
Cost	—	17	—	17
Impairment	—	—	—	—
Loans and deposits	**39**	**75**	**40**	**100**
Cost	39	104	40	115
Impairment	—	(29)	—	(15)
Derivative financial instruments	**16**	**—**	**11**	**11**
FINANCIAL ASSETS	**1,117**	**254**	**1,154**	**202**
Cost	1,117	335	1,154	248
Impairment	—	(81)	—	(46)

* 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 773 million euro 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 (311 million euro), Romania (123 million euro), Belgium (104 million euro), India (99 million euro) and China (64 million euro). The funds remain the property of Bellon Group 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. Restricted cash is invested in interest-bearing instruments.

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

(in millions of euro)	AUGUST 31, 2021	AUGUST 31, 2020
Euro	439	470
U.S. dollar	6	5
Brazilian real	206	211
Other currencies	411	417
TOTAL RESTRICTED CASH AND FINANCIAL ASSETS RELATED TO THE BENEFITS & REWARDS SERVICES ACTIVITY	**1,062**	**1,103**

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

CARRYING AMOUNT (in millions of euro)	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	114
FINANCIAL ASSETS EXCLUDING FINANCIAL DERIVATIVES INSTRUMENTS	**1,334**	**7**	**(14)**	**(2)**	**—**	**22**	**8**	**1,355**

CARRYING AMOUNT (in millions of euro)	AUGUST 31, 2019	INCREASE/(DECREASE) DURING THE PERIOD	IMPAIRMENT	CHANGES IN SCOPE OF CONSOLIDATION	CHANGE IN FAIR VALUE		CURRENCY TRANSLATION ADJUSTMENT AND OTHER	AUGUST 31, 2020
					INCOME	OCI		
Investments in non-consolidated companies	188	3	—	3	—	(87)	(33)	74
Financial assets related to the Benefits & Rewards Services activity, including restricted cash	1,120	93	—	—	—	—	(110)	1,103
Receivables from investees	17	—	—	—	—	—	—	17
Loans and deposits	145	19	(9)	—	—	—	(15)	140
FINANCIAL ASSETS EXCLUDING FINANCIAL DERIVATIVE INSTRUMENTS	**1,470**	**115**	**(9)**	**3**	**—**	**(87)**	**(158)**	**1,334**

12.4 Borrowings

Changes in borrowings during Fiscal 2021 and Fiscal 2020 were as follows:

(in millions of euro)	AUGUST 31, 2020	INCREASES	REPAYMENTS	DISCOUNTING EFFECTS AND OTHER	CURRENCY TRANSLATION ADJUSTMENT	CHANGES IN SCOPE OF CONSOLIDATION	AUGUST 31, 2021
Bond issues(1)	4,960	1,116	(57)	9	26	—	6,053
Private Placements and bank borrowings	314	313	(268)	—	—	—	359
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(2)	(4)	(1)	13	(10)	(11)	—	(13)
TOTAL BORROWINGS	**5,299**	**1,472**	**(314)**	**(15)**	**15**	**(28)**	**6,429**

(1) The increase of 1,116 million euro mainly corresponds to the issuance of new bonds for 1,043 million euro by Sodexo, Inc. (see note 12.4.2).

(2) Including derivative financial instruments of 4 million euro recorded in liabilities as of August 31, 2021 (19 million euro as of August 31, 2020).

(in millions of euro)	AUGUST 31, 2019	INCREASES	REPAYMENTS	DISCOUNTING EFFECTS AND OTHER	CURRENCY TRANSLATION ADJUSTMENT	CHANGES IN SCOPE OF CONSOLIDATION	AUGUST 31, 2020
Bond issues	2,468	2,526	(37)	—	3	—	4,960
Private Placements and bank borrowings	1,989	990	(2,627)	—	(41)	2	314
Finance lease obligations	5	—	—	(5)	—	—	—
Other borrowings	34	5	(11)	(2)	(3)	6	29
TOTAL BORROWINGS EXCLUDING DERIVATIVE FINANCIAL INSTRUMENTS	**4,496**	**3,521**	**(2,675)**	**(7)**	**(41)**	**8**	**5,303**
Net fair value of derivative financial instruments	(11)	(3)	5	1	4	—	(4)
TOTAL BORROWINGS	**4,485**	**3,518**	**(2,670)**	**(6)**	**(37)**	**8**	**5,299**

12.4.1 Borrowings by currency

(in millions of euro)	AUGUST 31, 2021		AUGUST 31, 2020	
	CURRENT	NON-CURRENT	CURRENT	NON-CURRENT
Bond issues[(1)]				
U.S. dollar (USD)	18	1,056	—	—
Euro	613	4,076	12	4,670
Sterling pound	1	289	1	277
TOTAL	**631**	**5,421**	**13**	**4,947**
Private Placements and bank borrowings				
U.S. dollar (USD)	—	—	22	18
Euro	208	150	211	59
Other currencies	—	—	4	—
TOTAL	**208**	**150**	**237**	**77**
Other borrowings[(2)]				
Euro	0	8	3	15
Sterling pound	0	8	—	—
Other currencies	0	14	—	11
TOTAL	**0**	**30**	**3**	**26**
BORROWINGS EXCLUDING DERIVATIVE FINANCIAL INSTRUMENTS	**841**	**5,601**	**255**	**5,050**
Net fair value of derivative financial instruments[(3)]	(14)	1	(5)	1
BORROWINGS	**827**	**5,602**	**249**	**5,050**

(1) Including, as of August 31, 2021, 4,979 million euro bonds issued by Sodexo S.A. and 1,074 million euro bonds issued by Sodexo, Inc.

(2) Of which 25 million euro as of August 31, 2021 (24 million euro as of August 31, 2020) 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. 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. The interest rate applicable on these floating interest rate swaps at August 31, 2021 was 1.29%.

Accrued interest on these bonds amounted to 9 million euro as of August 31, 2021.

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

- 500 million euro 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 euro 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 euro as of August 31, 2021.

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

- 700 million euro 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 euro 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 euro as of August 31, 2021.

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 interests on this bond amounted to 1 million euro as of August 31, 2021.

On May 22, 2018, Sodexo S.A. issued bonds for 300 million euro redeemable in May 2025 and bearing interest at an annual rate of 1.125%, with interest payable annually on May 22. Accrued interests on this bond amounted to 1 million euro as of August 31, 2021.

On October 14, 2016 Sodexo S.A. issued bonds for 600 million euro 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 euro of bonds. Accrued interests on these bonds amounted to 2 million euro as of August 31, 2021.

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

- a 600 million euro 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;
- a 500 million euro 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 interests on these bonds amounted to 9 million euro as of August 31, 2021.

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

12.4.3 Other borrowings

12.4.3.1 Equity linked swap with CACIB

On April 16, 2020, Bellon SA signed an Equity Linked Swap agreement (forward sale of Sodexo shares with a swap exchanging changes in interest rates for changes in Sodexo share prices) with CACIB for an amount of 200 million euro. This synthetic debt carries fixed rate interest.

12.4.3.2 CREDIT FACILITIES

July 2011 multicurrency confirmed credit facility

On July 18, 2011, Sodexo S.A. contracted a multicurrency credit facility for a maximum of 600 million euro 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 euro 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, 2021 nor as of August 31, 2020.

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

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

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

No amounts had been drawn down on any of these facilities as of August 31, 2021.

12.4.3.3 COMMERCIAL PAPER

Borrowings under the Bellon S.A., Sodexo S.A. and Sodexo Finance commercial paper programs are nil either as of August 31, 2021 nor of August 31, 2020.

12.4.3.4 U.S. PRIVATE PLACEMENTS

During Fiscal 2020, Sodexo S.A. and Sodexo, Inc. reimbursed the outstanding nominal amount of loans taken out between 2011 and 2018 from U.S. investors (1,557 million U.S. dollars). In accordance with the terms of the USPP loans, this repayment resulted in the payment of an indemnity of 168 million U.S. dollars (150 million euro).

As a result of this operation, Bellon is no longer subject to compliance with any financial covenant in respect of borrowings issued by the Group.

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, 2021, 95% 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, 2020, 100% 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

August 31, 2021 **Carrying amounts** (in millions of euro)	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**	**Total**
Bond issues	631	489	1,914	3,019	6,053
Private placements and bank borrowings	209	150	0	0	359
Other borrowings	1	14	15	0	30
Total Borrowings	**841**	**653**	**1,929**	**3,019**	**6,443**

August 31, 2021 **Undiscounted contractual maturities** (in millions of euro)	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**	**Total**
Bond issues	685	633	2,044	3,156	6,517
Private placement and bank borrowings	209	150	0	0	359
Other borrowings	2	16	16	0	34
Impact of derivative financial instruments excluding those related to PPP companies	(1)	(8)	(8)	(23)	(41)
Total Borrowings	895	790	2,051	3,133	6,868

August 31, 2020 **Carrying amounts** (in millions of euro)	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**	**Total**
Bond issues	13	588	1,490	2,869	4,960
Private placements and bank borrowings	238	74	-	3	314
Other borrowings	4	16	9	-	29
Total Borrowings	**255**	**678**	**1,499**	**2,872**	**5,303**

August 31, 2020 **Undiscounted contractual maturities** (in millions of euro)	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**	**Total**
Bond issues	51	694	1,582	2,955	5,282
Private placement and bank borrowings	238	74	0	3	315
Other borrowings	4	18	10	0	32
Impact of derivative financial instruments excluding those related to PPP companies	5	0	0	0	5
Total Borrowings	298	786	1,592	2 ,958	5,634

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 Group's derivative financial instruments are as follows:

DERIVATIVE FINANCIAL INSTRUMENTS (in millions of euro)	IFRS CLASSIFICATION	AUGUST 31, 2021	AUGUST 31, 2020
Interest instruments		**2**	**3**
Assets	*Trading*	6	19
Liabilities	*Trading*	(4)	(16)
Currency/cross-currency instruments*		**11**	**—**
Assets	*Fair value hedge*	11	—
Liabilities	*Fair value hedge*	—	—
Cross-currency swaps		**—**	**1**
Assets	*Cash flow hedge*	—	4
Liabilities	*Cash flow hedge*	—	(3)
NET DERIVATIVE FINANCIAL INSTRUMENTS		**13**	**4**

* Corresponds 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:

	AUGUST 31, 2021				AUGUST 31, 2020			
(in millions of euro)	LESS THAN 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL	LESS THAN 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Currency lender positions	**45**	**8**	**1**	**54**	**53**	**4**	**—**	**57**
Czech crown/Euro	—	—	—	—	45	—	—	45
Polish zloty/Euro	9	—	—	9	—	—	—	—
Other	36	8	1	45	8	4	—	12
Currency borrower positions	**(374)**	**(10)**	**(10)**	**(394)**	**(719)**	**(1)**	**(1)**	**(721)**
Pound Sterling/Euro	—	—	—	—	(3)	—	—	(3)
Brazilian real/Euro	—	—	—	—	(23)	—	—	(23)
Dollar/Euro	(302)	—	—	(302)	(677)	—	—	(677)
Other	(72)	(10)	(10)	(92)	(16)	(1)	(1)	(18)
TOTAL FACE VALUE	**(329)**	**(1)**	**(9)**	**(340)**	**(666)**	**3**	**(1)**	**(663)**
Fair value	**17**	**(4)**	**—**	**13**	**6**	**(2)**	**—**	**4**

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.

FINANCIAL ASSETS (in millions of euro)	CATEGORY	NOTE	AUGUST 31, 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	4,273	4,273	—	—	—	—
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		12.5	17	17	—	17	—	17

FINANCIAL LIABILITIES (in millions of euro)	CATEGORY	NOTE	AUGUST 31, 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	359	—	—	359
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		12.5	4	4	—	4	—	4

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

FINANCIAL ASSETS (in millions of euro)	CATEGORY	NOTE	AUGUST 31, 2020 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	354	354	22	332	—	354
Restricted cash and financial assets related to the Benefits & Rewards Services activity	Financial assets at amortized cost	12.3	727	727	—	—	—	—
	Cash and cash equivalents	12.3	376	376	376	—	—	376
Trade and other receivables	Financial assets at amortized cost	4.3	4,067	4,067	—	—	—	—
Other financial assets	Financial assets at fair value through other comprehensive income	12.3	74	74	—	—	74	74
	Financial assets at amortized cost	12.3	157	157	—	—	—	—
Derivative financial instrument assets		12.5	23	23	—	23	—	23

FINANCIAL LIABILITIES (in millions of euro)	CATEGORY	NOTE	AUGUST 31, 2020 CARRYING AMOUNT	FAIR VALUE	FAIR VALUE LEVEL LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Bond issues*	Financial liabilities at amortized cost	12.4	4,960	5,100	5,100	—	—	5,100
Bank borrowings	Financial liabilities at amortized cost	12.4	314	315	315	—	—	315
Other borrowings	Financial liabilities at amortized cost	12.4	29	29	29	—	—	29
Bank overdrafts	Financial liabilities at amortized cost	12.2	6	6	6	—	—	6
Trade and other payables	Financial liabilities at amortized cost	4.3	4,022	4,022	—	—	—	—
Vouchers payable	Financial liabilities at amortized cost	4.5	3,117	3,117	—	—	—	—
Derivative financial instrument liabilities		12.5	(19)	(19)	—	(19)	—	(19)

* Fair value is calculated on the basis of listed bond prices as of August 31, 2020.

There were no transfers between the various fair value hierarchy levels between Fiscal 2020 and Fiscal 2021.

NOTE 13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICY

The Group policies and procedures adopted by the Board of Directors, the 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, 2021, an increase or a decrease in interest rates would have had no material impact on profit before tax or on shareholders' equity as 95% of all liabilities at those dates were at a fixed rate of interest.

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

Because the Group has operations in 56 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 millions of euro)	AUGUST 31, 2021				AUGUST 31, 2020			
	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)	619	20	7	220	766	8	(13)	217
Brazilian real (BRL)	82	12	6	64	92	13	13	60
Pound Sterling (GBP)	189	8	11	74	175	7	7	61

13.3 Exposure to liquidity risk

The nature of the Group's bank borrowings and bond issues as of August 31, 2021 is described in detail in note 12.4.

As of August 31, 2021, and as of August 31, 2020, more than 99% of the Group's consolidated borrowings was raised on capital markets and bank financing covered less than 1% of the Group's financing needs. The maturity dates of the main borrowings range between Fiscal 2022 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 476 million euro, of which 58 million are beyond 6 months (1.6% of total net accounts receivable as of August 31, 2021 *vs*. 2% as of August 31, 2020).

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, in Fiscal 2011 the Group implemented 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 17% (13% as of August 31, 2020) 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

On October 26, 2021, the Group has early redeemed in full its outstanding 600 million euro bonds with ISIN XS1080163709 issued in June 2014, bearing an annual interest coupon of 1.75% and due to mature on January 24, 2022. This redemption without penalties reduces the cost of debt and the non performing surplus cash deposits.

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 2021 are not material.

14.2.2 Other commitments given

(in millions of euro)	AUGUST 31, 2021				AUGUST 31, 2020
	LESS THAN 1 YEAR	1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL	TOTAL
Financial guarantees to third parties	—	20	—	20	1
Site management commitments	—	—	—	—	—
Performance bonds given to clients	21	8	107	136	184
Other commitments	6	139	1	145	131
TOTAL OTHER COMMITMENTS GIVEN	**28**	**167**	**109**	**301**	**316**

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 12-year guarantee given by Sodexo S.A. in October 2012 to the Trustee of the UK pension plan (*i.e.*, until October 2024) for a maximum of 100 million pounds Sterling in order to cover Sodexo UK’s obligations in connection with the plan.

14.3 Scope of consolidation

Bellon SA holds 42.75% of the capital of Sodexo SA, a French société anonyme headquartered in Issy-les-Moulineaux, France, and 57.25% of voting rights.

Taking into consideration Sodexo SA’s treasury shares and the shares held in Bellon SA by the Sodexo group, Bellon SA’s interest in Sodexo SA is 37.6%. Summarized financial information for Sodexo is as follows (in millions of euro based on the financial statements prepared in accordance with IFRS – this information is presented at 100%):

(in millions of euro)	2020-2021	2019-2020
Revenues	17,428	19,321
Operating profit (1)	339	65
Profit for the year	137	(319)
Comprehensive income	368	(1,163)

(1) Including share of profit of companies consolidated by the equity method that directly contribute to the Group’s business.

(In millions of euro)	2020-2021	2019-2020
Non-current assets	9,360	9,730
Current assets	9,632	7,623
Total assets	**18,991**	**17,353**

Total shareholders' equity	3,175	2,773
Non-current liabilities	6,962	6,834
Current liabilities	8,853	7,745
Total liabilities and shareholder's equity	**18,991**	**17,353**

		% 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
	Segsmhi (Le Lido)			On-site	France
	Sogeres			On-site	France
	Lenôtre SA (consolidated)			On-site	France
	Umanis			On-site	France
	Sodexo Sports et Loisirs			On-site	France
	Sodexo Justice Services			On-site	France
	Société d'Exploitation des Vedettes Paris Tour Eiffel (SEVPTE)			On-site	France
	Yachts de Paris			On-site	France
	Sodexo Energie et Maintenance			On-site	France
	Foodchéri			On-site	France
	Sodexo Pass International SAS			Holding	France
	Sodexo Pass France SA			Benefits & Rewards	France
	Sofinsod SAS			Holding	France
Americas					
	Sodexo do Brasil Comercial SA (consolidated)			On-site	Brazil
	Sodexo Pass do Brasil Serviços E Comércio SA			Benefits & Rewards	Brazil
	Sodexo Facilities Services Ltda			On-site	Brazil
	Sodexo S.A.S.			On-site	Colombia
	Sodexo Canada Ltd (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
	CK Franchising Inc.			On-site	United States
	Inspirus LLC			Benefits & Rewards	United States
	Sodexo Global Services, LLC			Holding	United States
	Sodexo Peru SAC			On-site	Peru
	Sodexo Mexico SA de CV			On-site	Mexico
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
	Centerplate Europe Ltd			On-site	United Kingdom
	Centerplate ISG Limited	60 %	60 %	On-site	United Kingdom
	Sodexo Iberia SA (consolidated)			On-site	Spain
	CenterplateISG Espana S.L.U.	60 %	60 %	On-site	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
	Entegra Europe UK Limited			On-site	United Kingdom
	Sodexo Luxembourg SA			On-site	Luxembourg
	Sodexo Finances USD Ltd			Holding	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 AS - Norway	On-site	Norway
Sodexo AB	On-site	Sweden

Asia, Pacific, Middle East, Africa		
Sodexo Australia Pty Ltd (consolidated)	On-site	Australia
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
Sodexo Services Asia	Holding	Singapore
Kelvin Catering Services (Emirates) LLC	On-site	United Arab Emirates

14.5 Auditors' fees

	PWC		KPMG	
(in millions of euro excluding VAT)	2020-2021	2019-2020	2020-2021	2019-2020
Audit of individual company financial statements and consolidated financial statements				
Issuer	0.0	0.1	0.0	0.1
Consolidated subsidiaries	6.0	5.9	4.4	4.5
TOTAL AUDIT SERVICES	**6.0**	**6.0**	**4.4**	**4.6**
Other services				
Issuer				
Consolidated subsidiaries	0.9	0.6	0.6	0.7
TOTAL OTHER SERVICES	**0.9**	**0.6**	**0.6**	**0.7**
TOTAL FEES	**6.9**	**6.6**	**5.0**	**5.3**

Services other than the certification of accounts provided by PricewaterhouseCoopers Audit and its network to the consolidated subsidiaries mainly consist of technical consultations 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.