

## 6.4 RISK MANAGEMENT

### 6.4.1 Group policies

Sodexo faces a number of internal and external risks and uncertainties in the conduct of its business and in the implementation of its strategy. To confront these risks and uncertainties, the Group has established an organization and policies intended to identify, evaluate, and manage them in order to limit any adverse impacts.

Sodexo has established and implemented internal control procedures that are intended to ensure:

- compliance with laws and regulations and application of Group policies;
- the effectiveness of its internal processes, notably those relating to the safeguarding of its assets;
- the reliability and integrity of financial and non-financial information.

Internal control procedures play a major role in the conduct of the Group's business, by contributing to the management of risks.

#### Strategy, long-term objectives and general policies of the Group

The Group's strategy, long-term objectives and general policies were initially defined by Mr. Pierre Bellon and have been subsequently adjusted over the years by the Board of Directors, with support from the Chief Executive Officer and the Executive Committee. They are set out in the first chapter of this document and are presented each year during the Shareholders Meeting.

The Group's internal control procedures are based on these principles.

#### General policies of the Group

Group policies cover such areas as strategic planning, human resources development, finance, procurement, consumer and customer focus, health safety and environment, sustainable development, data protection and internal audit. Each policy has four parts: goals, procedures, improvement metrics, and research and innovation. Sodexo continues to develop its policies to make them easier to understand and apply.

In light of the Group's changing environment and its expanding portfolio of services and solutions, these policies are regularly updated and approved by the Board of Directors.

#### Strategic planning process

The Board of Directors and senior management work together to constantly improve the strategic planning process and promote buy-in at all levels of the organization.

The Group's fundamental principles demonstrate how Sodexo was able to start from scratch in 1966 and become a major international group with 412,000 employees, in 56 different countries, and world leader in Quality of Life services. In a profoundly changing world, Sodexo has defined priorities to enable it to continue to grow its revenues and underlying operating profit in the future.

Periodically, and particularly during the September Board meeting, the Group Chief Executive Officer, the heads of the Group corporate functions and of the main segments and activities present their strategic plans. Through this process, directors and senior executives all contribute to evolving the strategy and policies of the Group.

#### Human resources development policy

The Group's four overriding human resources priorities are:

- anticipate and adapt the staffing requirements of operations in terms of numbers, skills and competencies to enhance operational efficiency;
- continue to develop a performance-based culture based on shared priorities and indicators, by offering training and learning for individual development;
- promote an inclusive work environment and embrace diversity in all its dimensions;
- in a particularly challenging and uncertain economic context, limit the social impact of the crisis as much as possible and maintain individual motivation.

The main human resources policies are focused on: the profile of a Sodexo leader and senior manager, Group organizational rules, succession planning for senior managers, senior managers' training and skills enhancement, employee engagement, compensation, and innovation and research in the area of human resources administration.

Finally, annual tracking of improvement metrics by the Executive Committee and Board of Directors serves to validate action plans aimed at advancing these policies. These metrics include engagement surveys, employee retention, internal promotion, and the representation of women in senior management.

Sodexo is making significant advances in the area of diversity, particularly in relation to gender balance at all levels of the organization and is also establishing partnerships with organizations for people with disabilities.

## Financial policies

Sodexo's financial objectives are twofold, namely:

### TO PRESERVE ITS FINANCIAL INDEPENDENCE

Financial independence is a fundamental principle, because it enables the Group to hold firm to its values, pursue a long-term strategic vision, ensure management continuity and guarantee the business's lasting success.

Sodexo's financial independence is guaranteed by the family shareholding. As of August 31, 2021, Sodexo's family holding company, Bellon SA, held 42.8% of the shares and 57.2% of the exercisable voting rights. This financial independence is based on three simple principles:

- choosing low capital-intensive activities;
- continuously maintaining sufficient liquidity to fund growth, reimburse medium-term debt, and pay dividends to shareholders;
- preserving a strong balance sheet and sound financial ratios.

### TO ENHANCE THE ATTRACTIVENESS OF ITS SHARES TO LOYAL, LONG-TERM SHAREHOLDERS

Financial policies establish rules applicable to areas such as investment approvals, and the management of working capital, cash and debt.

Sodexo's financial policies require all decisions involving external financing to be made by the Group Chief Financial Officer, the Chief Executive Officer or the Board of Directors, depending on the amount and type of the transaction.

The Group Finance Department prepares a ten-year financing plan for the Group each year.

Financial policies are designed to prevent any speculative positions being taken and to avoid risk in connection with financing and cash management activities.

## Procurement policy

The objectives of the procurement function are documented in the Group's procurement policies and processes. The performance of Sodexo's procurement teams in the main countries where it does business is measured through savings metrics, which enable the Group to gauge the impacts of procurement initiatives and demonstrate the savings achieved.

Sodexo's priority is to ensure that suppliers and subcontractors that deliver Sodexo products and services have the right skills, capabilities and potential to carry out the tasks assigned to them. Our risk management guidelines set out the procurement procedures that our teams are required to follow in terms of working with and managing suppliers and subcontractors. The level of the initial evaluation and the management procedures for suppliers and sub-contractors directly depend on the product supplied or service rendered. It includes verifying issues such as food safety and traceability, certification to conduct work particularly in the Facilities Management area, along with financial due diligence checks.

In line with the procurement policy, suppliers and subcontractors must sign the Sodexo Supplier Code of conduct which sets out Sodexo's requirements for adopting responsible best practices concerning ethical, social and environmental issues.

## Business Integrity Guide

The Business Integrity Guide sets out the Group's standards for achieving business integrity. Adherence to these uncompromising standards is part of what it means to be an employee of an industry-leading, best-in-class company. Sodexo employees must never compromise adherence to this guide for financial or other business objectives or personal gain. Sodexo does not tolerate any practice that is not born of honesty, integrity and fairness, anywhere in the world where it does business.

## Corporate Responsibility

Since its creation in 1966, Sodexo's vocation has been to improve the Quality of Life for its employees and all whom it serves and contribute to the economic, social and environmental development of the communities, regions and countries in which it operates. We have formalized this commitment in our Corporate Responsibility roadmap, Better Tomorrow 2025.

Better Tomorrow 2025 focuses on Sodexo's role as an employer, as a service provider and as a corporate citizen as well as on the impacts that it has on individuals, on communities and on the environment. It has 9 measurable commitments to action by 2025 with interim targets.

Sodexo's **commitment to the environment** as a service provider is to source responsibly and provide management services that reduce carbon emissions. Since 2009, Sodexo has implemented a low carbon strategy which is motivated by our desire to improve Quality of Life. Our strategy takes into account the business opportunities, risks and their financial implications.

In particular, these commitments are demonstrated through the following actions:

- long-term technical partnership agreement with World Wildlife Fund (WWF) to work on carbon reduction throughout Sodexo's supply chain;
- tackling waste by engaging with clients and supply partners to provide innovative solutions on food waste through the deployment of the program WasteWatch;
- partnering with the Future 50 Foods Initiative. The Future 50 Foods Report identifies under-utilized plant-based foods that optimize nutrient density and reduce environmental impact. Sodexo has rolled out plant-based recipes containing the Future 50 foods in kitchens in Belgium, the United States, France and the United Kingdom;
- combined management focus on achievement of the 34% carbon emissions reduction target, compared to 2017 baseline year.

In the **area of nutrition** for the health and wellness of consumers, Sodexo is committed to food safety and encouraging our guests to develop good eating habits and healthy lifestyles. With the help of our nutritionists, we create balanced, nourishing meals adapted to the lifestyles and the diversity of the tastes of our consumers around the world.

In the **area of social, economic and environmental development in the cities, regions or countries where Sodexo is present**, we focus on the following actions:

- supporting the fight against hunger through Stop Hunger a global network created 25 years ago;
- working with local and small businesses and contributing to local economies through the Partner Inclusion program which allows thousands of local businesses to integrate Sodexo's value chain;
- promoting gender balance with a target of having at least 40% woman among Sodexo's senior leaders by 2025 (during Fiscal 2020-2021 we reached 43% for this indicator and we are committed to ensuring that the Group maintains its lead on the subject of gender diversity and does not fall below 40%), and 100% of employees working within entities having gender-balanced management teams.

Sodexo is committed to respecting human rights wherever it does business. This commitment, with its core policies and procedures are based on international texts such as the Universal Declaration of Human Rights, the International Labour Organization's Declaration of Fundamental Principles and Rights at Work; it is also based on the principles set forth in the OECD Guidelines for Multinational Enterprises and the United Nations' Guiding Principles on Business and Human Rights.

### Health, safety and environment policy

Sodexo's ambition is to be the safest place to work for our employees. This ambition is reflected in our commitment to reach zero harm and a culture of care, for the people who work for us, for our clients, and for the consumers we serve every day.

Sodexo's global Health, Safety and Environment policy describes the Company's commitments, including working in partnership with our clients, consumers, suppliers and local communities, towards a zero harm culture where injuries and health issues are prevented and the environment is protected.

### Information systems policies

The Group Information Systems and Technologies Department has defined three core objectives:

- provide a first-class experience to our customers and consumers as well as to our own employees by making the best use of available technologies;
- continuously improve Sodexo's performance through productivity gains, extensive data analysis, respecting obligations of compliance and strong relationships with our partners (solution and cloud providers, integrators);

- protect Sodexo's digital assets in a context where cyber risk is increasingly pervasive and complex.

To meet these three core objectives, the Information Systems and Technologies Department has put in place numerous procedures, notably in the following areas:

- Group Information Systems Governance;
- Information and Systems Security;
- Mobile Terminal Allocation and Security;
- IS&T Capital Expenditure Programs;
- Third Party Security.

### Data Protection policy

Sodexo's Global Data Protection Policy describes how Sodexo entities collect, use, store, share, delete or otherwise process personal data and how data subjects can exercise their rights. This policy applies to the global organization of Sodexo entities when the European data protection law, namely, the General Data Protection Regulation (or "GDPR") is applicable. This policy applies to the processing of personal data collected by Sodexo, directly or indirectly, from all individuals including, but not limited to Sodexo's job applicants, our employees, clients, consumers, suppliers or subcontractors, our shareholders or any third parties (for further details of the compliance program relating to GDPR and other data protection laws, please refer to section 6.3.5).

### Internal audit policy

Internal audit activities include reviewing and assessing the adequacy and effectiveness of governance, risk management and internal control systems and processes. This includes assessing:

- the reliability of financial and non-financial information;
- compliance with existing policies, procedures, laws and regulations;
- the methods used to safeguard assets;
- the effectiveness of governance, operations and the resources used.

The internal audit team is also responsible for alerting the Chairwoman of the Board of Directors, the Audit Committee and the Executive Committee to any material risks and informing them of the causes of identified weaknesses.

The internal audit team has defined several procedures, primarily covering the identification of internal audit priorities for the coming fiscal year, the planning and execution of internal audits, the drafting of Internal Audit Reports and the follow up of action plans to implement the team's recommendations.

A series of internal audit performance indicators has been developed. These include such issues as the percentage of internal audit recommendations that have been implemented, the average time required to issue Internal Audit Reports, the annual audit plan completion rate, internal auditor rotation rates, the satisfaction rate among audited units.

## Delegations of authority

Principles and policies in this area are supplemented by job descriptions, annual targets and, for senior executives, clearly defined delegations, which are reviewed annually and formally communicated to each executive by his or her superior.

The Chief Executive Officer delegates certain authority to the members of the Group Executive Committee, who themselves delegate to members of their executive teams in regions and countries.

Delegations of authority cover business areas throughout the Group, and notably business development, human resources, procurement, investments and finance.

Delegations of authority must comply with the Group's policies.

## Improvement metrics

All progress can be measured. Accordingly, Sodexo has developed improvement metrics allowing for progress to be measured in five main areas: Business Development, Management, Procurement, Human Resources and Corporate Responsibility.

The Group Finance Department coordinates the process and monitors operational improvement metrics for activities and entities using a Group dashboard.

Making progress in these areas is critical for future growth in underlying operating profit, operating cash flow and revenue.

The improvement metrics are presented each year to the Board of Directors and the Group Executive Committee in order to track progress in the areas concerned.

### Development metrics:

- client retention rate;
- client and consumer satisfaction rates;
- comparable unit growth;
- new business development rate.

### Management metrics:

- contract profitability;
- profitability of the different activities and client segments;
- gross operating margin and on-site costs;
- general and administrative expenses by subsidiary, by client segment and by function.

### Procurement metrics:

- percentage of purchases made from referenced suppliers;

- number of referenced products, reduction in the number of deliveries on a site, etc.;
- pricing and product inflation management.

## Corporate Responsibility metrics

### Employer metrics, including:

- employee engagement rate for which Sodexo has targeted a level comparable to that of firms ranked as the best employers worldwide. This indicator is measured annually by an engagement survey;
- employee retention for total workforce and for site managers;
- internal promotion, which is measured by the number of employees promoted to site manager, to a middle manager or a senior management position;
- representation of women in senior management;
- percentage reduction in LTIR;
- percentage of workforce working in countries implementing action plans to integrate people with disabilities into the workplace.

### Nutrition, health and wellness metrics, including:

- percentage of client sites implementing actions that proactively address the Sodexo 10 Golden Rules of Nutrition, Health and Wellness.

### Economic, social and environmental development metrics, including:

- percentage of spend with contracted suppliers having signed the Sodexo Supplier Code of conduct;
- business value benefiting SMEs (in euro).

### Environmental protection metrics, including:

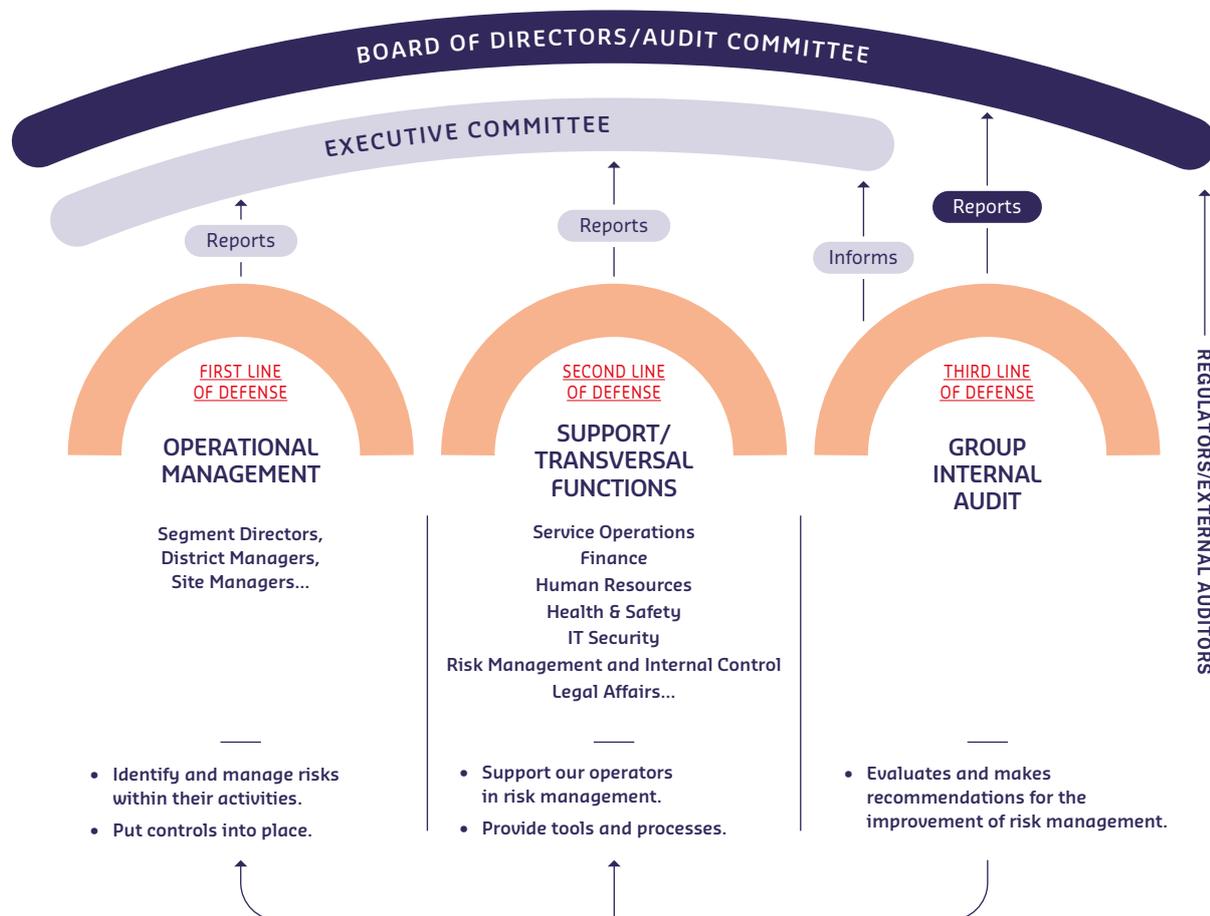
- measure of the consumption of products, identified as having an impact on the environment (for example palm oil);
- percentage of sustainable fish and seafood;
- percentage reduction in carbon emissions intensity (compared to 2017 baseline).

Sodexo selected an independent firm to audit a representative selection of social, environmental and societal data demonstrating the progress made in the area of Corporate Social Responsibility. The conclusions of this audit are presented in section 2.8 of this document.

## 6.4.2 Risk management and internal control organization

### 6.4.2.1 Key participants and roles

The key participants in the risk management and internal control system are organized using the 3 Lines of Defense model, as shown below:  
**SODEXO'S RISK MANAGEMENT AND INTERNAL CONTROL MODEL**



#### Operational management

The first line of defense mainly consists of operational directors and managers who identify and manage risks within their activities. They put controls and action plans in place for the risks identified.

#### Support and transversal functions

The second line of defense consists of global support functions who are there to support operators in their risk management. They define the procedures and standards and provide standardized tools and processes to enable operational staff to put in place the appropriate controls.

#### Internal audit

The third line of defense is internal audit, which gives an independent evaluation of the risk management and internal control system to the Executive Committee and Board of Directors. It makes recommendations to the first and second lines of defense for the improvement of risk management and internal control and monitors action plans (see 6.4.4).

### 6.4.2.2 Risk Management Governing Bodies

#### Executive Committee

Sodexo's Executive Committee has overall responsibility for establishing procedures to manage risk. Its role includes designing and leading on the internal control system, with support from senior leaders and the second line of defense functions in their own area of expertise.

#### Board of Directors and Audit Committee

Sodexo's Board of Directors role is to provide oversight of the risk management and internal control system, and ensure that it is functioning effectively. As a specialized Board Committee, the Audit Committee follows up in detail on Sodexo's principal risks and the efficacy of the controls used to mitigate them (see 6.2.1.6) and reports back to the main Board.

Sodexo has put in place a robust procedure for the identification and assessment of major risks, designed to ensure that risks are evaluated and managed at the appropriate level within the

organization. Measures to manage risks are implemented either at the site, country, regional or global level, depending on their nature. The Group's internal control procedures rely on the fundamental principles defined by the Board of Directors.

### 6.4.2.3 Approach to Risk Assessment

Sodexo uses a hybrid risk assessment approach, both "bottom-up" from operators and "top-down" from senior management.

On an operational level, the leadership Committees of each of Sodexo's main entities carry out an annual risk assessment, facilitated by risk and internal control managers. The results of these assessments are recorded in a global risk management tool. Risks thus identified are owned and managed at the local level.

Additionally, a series of interviews with Sodexo's senior leaders across the world is carried out by Group internal audit on an annual basis to identify key risks impacting Sodexo's business and the achievement of its objectives.

The results of all the risk assessments and the senior leader interviews are evaluated in the development of the Group risk profile which comprises the principal risks that might impact Sodexo's Strategic Agenda. The profile is shared with Sodexo's Executive Committee for comment, before being submitted to the Audit Committee and the Board of Directors.

### 6.4.2.4 Risk Assessment Methodology

Sodexo assesses its risks in 3 stages using a standard global methodology:

- **risk identification:** the first step is the identification of risks that may impact Sodexo's ability to achieve its objectives, whether it be at site, country, regional or global level. Several risk identification methods are used, including surveys and risk

registers, but the recommended and most widely used method for both bottom-up and top down assessments is by individual interview with key stakeholders;

- **risk evaluation:** risks identified in the previous step are then evaluated using three risk criteria:
  - impact – the effect or consequence the risk will have,
  - likelihood – the frequency or probability of the risk occurring,
  - level of control – the level of control already in place to reduce the risk;
- **risk prioritization:** following evaluation, risks are then prioritized for further actions to treat them.

The main risk factors to which the Group is exposed are described in section 6.4.3 of this Universal Registration Document.

### 6.4.2.5 Link between internal control and risk assessment

As described above, risk assessment is used to identify, evaluate and prioritize risks. Once they have been assessed, risks are treated to reduce their effect. Ways of treating risks include putting in place action plans and implementing controls. Controls therefore form an important part of the range of measures that can be used to mitigate risks, and Sodexo's internal control procedures are part of an ongoing process of managing the Group's risk exposure.

Sodexo's risk management and internal control system is based on the internal control reference framework recommended by the French securities regulator (Autorité des marchés financiers – AMF). The five components of the reference framework are the control environment (integrity, ethics, competencies, etc.), evaluation of risks (identification, analysis and management of risks), control activities (methods and procedures), information and communication (collection and sharing of information) and monitoring (follow-up and eventual updating of processes).

## 6.4.3 Risk factors

### 6.4.3.1 Principal Risks & Risk Management Measures

#### Summary of Sodexo’s Principal Risk Factors

The summary table of Sodexo’s principal risks shows a classification of the risks by reference to the pillars of Sodexo’s Strategic Agenda, as well as risks from the external environment. As outlined in 6.4.2.4, each risk is assessed using impact and probability to give an evaluation of the inherent risk, and then a third criteria

“level of control” is used to evaluate the overall net risk. The table below shows the net risk assessment. The most significant risks are presented at the top of each category, and the materiality of each risk shown is using a two-level rating scale, as follows:

#### RISK MANAGEMENT AND MAIN RISKS

		MEDIUM	HIGH
<u>CLIENTS/ CONSUMERS</u>	Client retention	■	■
	Consumer expectations	■	
	Bidding risks	■	
	Competition	■	
<u>OPERATIONAL EFFICIENCY</u>	Client contract execution	■	■
	Technology and information security	■	
<u>TALENT</u>	Talent management and development	■	■
	Resource planning	■	
<u>CORPORATE RESPONSIBILITY</u>	Food, services and workplace safety	■	
	Environmental impact	■	
<u>EXTERNAL ENVIRONMENT</u>	Pandemic risks	■	
	Compliance with laws and regulations	■	

## Description of Principal Risk Factors

The tables describing Sodexo's principal risk factors (see below) give an estimate of their timeframe (short-term, medium-term or long-term), their possible impact and examples of measures implemented to reduce these risks.

The risk timeframe is shown as follows:

Short-term (less than a year) ■  
 Medium-term (1 to 3 years) ■ ■  
 Long-term (over 3 years) ■ ■ ■

### CLIENT RETENTION

#### Risk of not keeping and renewing contracts with Sodexo's existing clients.

**Risk Timeframe: Medium-term** ■ ■ **Category: Client & Consumer Centric**

##### Impact

Client needs have significantly changed over the course of the Covid-19 pandemic. Many clients are allowing their employees to return to the workplace on a hybrid model, working both at home and in the office on a regular basis. This means that Sodexo's food offer has to be more flexible to be able to reach consumers in both places and that the traditional workplace food offering – an on-site kitchen providing food to on-site employees at set hours – is evolving.

Sodexo needs to work with its clients pro-actively as a partner to adapt to changing circumstances and continue to meet evolving client needs.

A lack of ability to adapt to the client's current circumstances, an inability to transform our services to remain attractive to meet client/consumer demand, or any changes in client outsourcing strategy could mean that the client is not retained, possibly leading to:

- less growth;
- decrease in profitability;
- loss of credibility in the market place.

##### Examples of Mitigating Activities

- On-site teams continually listening to the client and the consumer.
- Strengthening of the client relationship management process to ensure alignment with client expectations on an on-going basis.
- Rise with Sodexo, a combined On-site Services and Benefits & Rewards Services global program dedicated to the re-opening of client offices and sites, and any changes in their daily operations.
- Ability to offer new services to respond to client challenges (disinfection cleaning, digital retail, virtual concierge).
- Client relationship management tool to track and monitor retention related activity.
- Risk reviews carried out with key accounts every six months to review retention risks.
- Monitoring at global level of retention in the client portfolio.

### CONSUMER EXPECTATIONS

#### Increasing consumer expectations around personalized and innovative services, healthy food choices and a comfortable environment; increasing consumer expectations in relation to Company business conduct and environmental impact.

**Risk Timeframe: Short/Medium-term** ■ ■ **Category: Client & Consumer Centric**

##### Impact

"Empowered consumers" is one of 11 megatrends that Sodexo has identified in its markets. Consumers are increasingly voicing their opinions and clients are taking their opinions into account. Moreover the Covid-19 pandemic has accelerated both the empowerment trend and new consumer behaviors. Consumers expect to be able to consume food in different ways and at a time of their choosing. They expect more choice, more convenience, healthier options and socially responsible behavior from the companies from which they receive service. Specific examples that Sodexo has had to take into account include:

- increased use of digital platforms for delivery of meals;
- rise of demand from our consumers for plant-based food that is less carbon intensive;
- reduction of single use plastics to reduce marine pollution.

If Sodexo cannot adapt its consumer offer or cannot anticipate and meet consumer expectations for innovation and in relation to environmental impact or business conduct, its revenues, as well as its reputation, could be affected.

##### Examples of Mitigating Activities

- Digitally enabled food services with apps that offer mobile ordering, cashless services, rewards programs and digital management of meal benefits (e.g. Bite+, Zeta in India).
- Partnership with meal delivery platforms including Uber Eats and Deliveroo.
- Roll-out of 10 Golden rules of nutrition, health and well-being.
- Sodexo employs more than 5,400 dieticians worldwide.
- Mindful by Sodexo menus that concentrate on ingredient transparency and high quality nutrition.
- Removal of key single use plastic food service items at all sites in Europe: takeaway bags, straws, plates, cutlery and stirrers.
- Sodexo's Code of conduct, the "Business Integrity Guide" sets out Sodexo's standards for business integrity.
- Global Ethics & Compliance Committee supports programs throughout the Company.

## BIDDING RISKS

### Risks relating to the commercial and contractual model and the scope of services included in a client contract.

Risk Timeframe: Long-term 

Category: Client & Consumer Centric

#### Impact

Some of Sodexo's client contracts are long-term and may run between five and ten years. This is particularly relevant for the Business & Administrations segment.

Inaccurate pricing assumptions, a lack of definition or detail in the scope of services and inadequate contractual clauses during a bid proposal can lead to low margins or even losses on the contract, either in the startup phase or at a later date. In particular, new types of services such as on-site health checks and wellness services need to be appropriately charged and contractually documented, and meet all local medical and data protection regulations.

#### Examples of Mitigating Activities

- Benchmark exercises, site visits, full due diligence and the use of technical expertise are all part of the process to establish unit costs, seasonality of services and base-line estimates (monitoring of cost and performance indicators to verify the relevance and competitiveness of our offer).
- Identification of the main contractual risks (from the analysis) and the deployment of measures to compensate these risks.
- System of review of projects by different stakeholders according to their size, stake and scope.
- Strict execution of Sodexo's key processes for contract design & solution and mobilization.
- Existence of a Medical Advisory Council, a team of external experts to advise on the development of new protocols and standards.
- Early involvement of data privacy specialists in any new project or service.

## COMPETITION

### Sodexo faces both established competitors and new digital entrants at the local, national and international levels: risk of market share loss and loss of growth momentum.

Risk Timeframe: Long-term 

Category: Client & Consumer Centric

#### Impact

Losing ground to competitors reflects a lack of understanding of the evolution of client needs and entails a lack of growth in revenues and lower profitability.

#### Examples of Mitigating Activities

- Combined On-site Services and Benefits & Rewards Services programs such as Rise with Sodexo, widens the choice that can be offered to consumers in both activities.
- Creation of new multichannel offers to better respond to consumer expectations.
- Investment in digital technology including digital applications, innovative food solutions such as restaurant delivery and digital retail services, robotics to enhance cleaning and the use of artificial intelligence to improve services help Sodexo enhance the consumer experience and take advantage of the opportunities created.
- Strategic acquisitions to expand Sodexo's offers.
- STEP: Sodexo's performance management framework designed to drive operational performance through common operational indicators.
- Identification of savings to be redeployed in investment for growth.
- Strengthening of commercial teams on the ground.

**CLIENT CONTRACT EXECUTION**

**Risks relating to the execution of a client contract: poor service delivery, non-fulfilment of contractual and performance obligations, over delivery of additional services not defined in the contract, poor management of food and labor costs, inability to pass through inflation.**

**Risk Timeframe: Short/Medium-term**

**Category: Operational Efficiency**

**Impact**

Poor service delivery to clients or non-fulfilment of contract obligations could lead to client dissatisfaction, possible contractual penalties and ultimately the loss of the client.

Over-delivery of additional services not defined in the contracts and without related invoicing could lead to a shortfall in revenues and loss of profitability on the contract.

Poor management of food and labor costs could result in reduced profitability on the contract.

Increases in food inflation driven by rising commodity, transport and packaging costs, and labour inflation driven by a labour shortage in the food services sector could mean increased costs for Sodexo. If Sodexo is not able to pass the inflation through to the client via indexation clauses, or is able to do it, but not quickly enough, then it could result in loss of profitability on the contract.

**Examples of Mitigating Activities**

- Strict execution of Sodexo key processes defined for contract mobilization.
- "I Promise": tools and techniques to help site managers manage their contracts and improve the services they deliver.
- Definition of operational standards and best practices that are shared to improve performance (e.g. Innovhub).
- Tools such as the Site Management System to ensure proper training of employees and the execution of quality inspections.
- DRIVE: integrated food management process.
- STEP: Sodexo's performance management framework.
- Robust price revision process to manage contractual inflation with our clients.
- Strict monitoring of loss-making contracts.

**TECHNOLOGY & INFORMATION SECURITY**

**Risks around managing the confidentiality, availability and integrity of Sodexo's information technology assets; managing cloud systems and third-party suppliers, managing Sodexo and client data; risks from external cyber threats.**

**Risk Timeframe: Short/Medium-term**

**Category: Operational Efficiency**

**Impact**

On a daily basis, Sodexo IT systems across 56 countries process the data of 412,000 Sodexo employees and 100 million consumers; including patients in hospitals and children in Childcare.

In addition, the demand for new innovative and efficient services creates a fast changing and highly interconnected architecture, while the scale of operations also makes Sodexo a target for cyber criminals who want to exploit its weaknesses and gain access to the data of the thousands of clients and suppliers, to whom Sodexo is connected. In the last year, there has been a surge in the number of international companies being targeted by sophisticated phishing and ransomware attacks.

Within this challenging environment, information security issues such as poor data integrity, loss of data confidentiality and lack of availability of key systems, or collaboration services, could result in high cost and/or high-volume impacts such as:

- inaccurate financial reporting;
- contractual penalties;
- regulatory fines (e.g. GDPR, Brazilian data protection law LGPD, card payment information standard PCI-DSS);
- reputational damage with shareholders, clients, consumers, suppliers and employees.

**Examples of Mitigating Activities**

- Group Information & Systems Security Policy aligned to ISO 27001 framework, with detailed security directives on key topics (e.g. security by design, cloud services, incident management).
- Investment in security infrastructure, tools and services such as multi-factor authentication, laptop encryption, security risk assessments, security operations center and email monitoring.
- Global Data Center consolidation strategy focused on using trusted hosting partners (e.g. Microsoft Azure) to provide secure and efficient services.
- Company-wide collaboration on security and compliance topics such as data privacy, cyber threats, new technologies and IT internal controls facilitated by formal Governance Committees and cross entity network groups.
- Globally coordinated cyber security initiatives to specifically address and strengthen the resilience of remote working facilities.

**TALENT MANAGEMENT AND DEVELOPMENT****Risk of not having the right people in the right place at the right time.****Risk Timeframe: Short/Medium-term**  **Category: Talent****Impact**

Sodexo is a company of people serving people. Sodexo's 412,000 employees are central to its long-term growth objectives.

A lack of attention to employee performance management and development could lead to:

- a decrease in service quality jeopardizing retention and therefore long-term profitable growth;
- reactive vs. proactive talent management, leading to loss of top talent.

In addition, the extended duration of the Covid-19 pandemic increases the risk that both front-line and back-office staff suffer from mental and physical fatigue. This could lead to Sodexo losing talented people to other job sectors.

**Examples of Mitigating Activities**

- Training and development programs to reskill and upskill Sodexo employees..
- Design of a new performance and reward framework to help retain, develop and motivate people.
- Annual talent reviews at management level.
- Global Next Generation Leader program designed to strengthen leadership bench.
- Succession plans are included in executives' individual objectives.
- Sodexo Supports Me: Employee Assistance Program that provides counseling to help employees across the world meet the challenges of everyday life, both at work and outside.

**RESOURCE PLANNING****Inability to anticipate client needs in terms of skills and workforce.****Risk Timeframe: Short/Medium-term**  **Category: Talent****Impact**

In the context of the Covid-19 pandemic, client needs change on a regular basis in terms of services and volume. Sodexo must know how to adapt its resources in the short and medium term. Globally, Sodexo's ability to develop the skills of its employees and adjust its workforce to adapt to client needs is influenced by:

demographic issues;

- the constantly changing needs of our clients;
- a volatile regulatory environment;
- the availability of the required skills.

Any inability to adjust the resources, skills and workforce could lead to client contracts not being served properly.

In particular, as the food services, hospitality and events sectors re-open, there is intense competition to recruit staff, leading to a global staff shortage in the short term.

**Examples of Mitigating Activities**

- Development of local training centers to skill current and future employees (*e.g.*: CEDEX in Latam, Food Services Apprenticeship Training Center in France).
- Design of competency models and career paths to help employees develop within the Company.
- Development and trialing of Strategic Workforce Planning in some segments (Energy & Resources) and regions (China) to better anticipate labor needs.
- Development of operational and strategic plans including a skills and workforce dimension.

**FOOD SERVICES AND WORKPLACE SAFETY****Consumer illness or injury caused by technical services, consumer illness caused by food services, work-related Injury/ illness of Sodexo employee or contractor.****Risk Timeframe: Short/Medium-term**  **Category: Corporate Responsibility****Impact**

Ensuring the safety of consumers, clients and Sodexo employees is a critical priority (and particularly as the pandemic continues to make its presence felt in many countries).

Potential illness, injury or loss of life of consumers, clients or Sodexo employees could mean:

- loss of client confidence in Sodexo;
- significant lost time due to injury and illness;
- fines and potential litigation;
- impact on Company reputation.

**Examples of Mitigating Activities**

- Appropriate use of Personal Protective Equipment.
- Reinforcement of existing global HSE safety policy and standards for food safety, personal hygiene and infection control.
- Existence of a Medical Advisory Council, a multi-disciplinary team that advises on measures to ensure safe procedures that adhere to all local regulations.
- Partnership with Bureau Veritas to establish the Rise Safe hygiene verification label for the health and safety services used by our clients.
- Sodexo Safety Nets – 7 measures for accident prevention.
- Employee training.
- Leadership Safety Walks.
- Incident and accident reporting.
- Quick Share process to share lessons learned from investigations.
- Global HSE Committee that reviews incidents and the effectiveness of processes on a quarterly basis.

**ENVIRONMENTAL IMPACT**

**Adverse environmental impact from Sodexo's activities: poor management of food waste, ineffective actions to mitigate climate change.**

**Risk Timeframe: Long-term** — — — **Category: Corporate Responsibility**

**Impact**

- Poor food waste management could result in a loss of client and consumer confidence and a decreased ability to attract new clients.
- Ineffective climate change actions could result in Sodexo's carbon emissions staying the same or even increasing.

**Examples of Mitigating Activities**

- WasteWatch global program to reduce food waste.
- Renewed partnership with WWF in Fiscal 2020 focused on reducing the Company's environmental impact and achieving its carbon reduction target.
- Connecting financing costs of the Group to action on food waste performance.
- Environmental awareness campaigns – WasteLess week.
- Founder member and participation in the International Food Waste Coalition.
- Local and responsible sourcing.
- Roll-out of plant-based recipes in units using ingredients selected for their lower environmental impact and higher nutritional value.
- Measurement and tracking of carbon footprint of Sodexo's food purchases.
- Member of the Climate Group's RE100 initiative with a commitment to switching to 100% renewable electricity by 2025 at directly operated sites.

**PANDEMIC RISKS**

**Risks associated with the uncertainty surrounding the global pandemic**

**Risk Timeframe: Short/Medium-term** — — **Category: External Risk**

**Impact**

Undoubtedly the uncertainty surrounding this risk has decreased in the last year. The large-scale roll-out of Covid-19 vaccinations has meant that the transmission rate of the virus, the number of serious infections and deaths has decreased significantly. This has led to a staged reduction of government restrictions in many countries. However, the rapid spread of the Delta variant, which is more contagious, and the risk in breakthrough infections in fully vaccinated individuals as well as emerging evidence that vaccine effectiveness reduces after a number of months means that clients and consumers remain cautious.

Clients are re-opening sites, but often on a staged basis, so that employees return to work on a rotation basis where they are in the workplace one or two days a week. Some national governments still have a work at home regulation in place.

It is possible that targeted national or local lockdowns will continue in FY22 as countries continue to manage their virus response.

Any delay in re-opening sites by clients or new closures as a result of another increase in infection rates would result in less revenue generation on those sites and reduced profitability for Sodexo.

**Examples of Mitigating Activities**

- Rise with Sodexo: a global multi-activity program for client sites, that includes workspace optimization, safety guidance, disinfection cleaning and employee well-being services.
- Precise and pro-active management of our workforce to adapt to changing environments.
- Rigorous follow-up on the execution of our services with strong contract management including renegotiation of some terms and conditions.
- Continued focus on management of cash and client receivables.
- GET restructuring program to simplify the organization and reduce costs.
- Continued focus on strict control of selling, general and administrative costs.

## COMPLIANCE WITH LAWS AND REGULATIONS

The nature of Sodexo's business and its worldwide presence mean that it is subject to a wide variety of laws, including labor law, anti-trust law, anti-corruption law, data protection and privacy, and health, safety and environmental law.

**Risk Timeframe: Medium-term** — **Category: External Risk**

### Impact

The wide range of services that Sodexo proposes means that it is subject to very specific laws and regulations for each activity at both the global and local level. As examples:

- as a food operator, Sodexo has a legal requirement to provide accurate allergen information about the food and drinks it serves;
- the emission of vouchers and cards in Benefits & Rewards Services requires compliance with anti-money-laundering laws in some countries;
- working with sensitive populations like children and seniors in Personal & Home Services requires back-ground checks of our employees.

Any non-compliance of Sodexo with laws and regulations or a lack of knowledge and awareness of laws and regulations either at a country level or a global level could mean:

- harm to employees, clients and consumers;
- damage to Sodexo's reputation;
- potential financial penalties;
- criminal action being brought against the Company and its directors.

### Examples of Mitigating Activities

- Legal teams deployed at the central and local levels, who provide advice to operational staff.
- Legal teams specialized by area of expertise, having recourse to external experts.
- Awareness training sessions for our employees.
- Global Ethics and Compliance Committee ensures coordination and coherence of deployment of compliance programs amongst countries.
- Sodexo Speak Up offers Sodexo employees and partners a confidential way to report activities or behaviors that are contrary to the Code of conduct or simply illegal.

### 6.4.3.2 Emerging Risks

In carrying out its risk assessment, Sodexo also considers risks arising from changes in the external environment. This includes a consideration of emerging risks that are new external risks or existing external risks that have evolved with time, or have been triggered by changed circumstances. They may be perceived to be potentially significant, but might not yet be fully understood, and/or the consequences may be difficult to quantify.

For Sodexo, the change in consumer behaviors arising from the Covid-19 pandemic is an emerging risk. The Covid-19 pandemic has triggered a change in daily working patterns that appears to be becoming permanent in many countries. This means that there are fewer people in the workplace and more consumers working from home for significant periods of the working week, thus reducing the number of consumers for whom we can provide services on-site. The crisis has also accelerated the acceptance of digital technology for food services. During the pandemic, consumers became used to ordering food digitally and getting it delivered, and now expect the same ease and flexibility of choice across all food service providers. To mitigate this risk, Sodexo is evolving its strategy and developing new client and consumer food offers.

We also identify the effects of climate change as an increasingly important emerging risk. Climate change events such as extreme weather or natural resource crises could create food product shortages in certain countries, which could impact Sodexo's ability to source them. To mitigate this risk, Sodexo uses a broad range of suppliers and continually adapts its menus to take account of availability of products.

For possible adverse effects from Sodexo's activities on the environment, which are already identified as part of the main risk profile, please refer to 6.4.3.1 Environmental impact risk.

### 6.4.3.3 Risk coverage

#### 6.4.3.3.1 Insurance coverage

Sodexo's general policy is to transfer non-retained risks, especially intensity risks, to the insurance market. Insurance programs are contracted with world class insurers.

The main insurance programs are as follows:

- liability insurance, which covers personal injury, property damage or consequential loss caused to third parties. This category notably includes operational, product, after-delivery and professional liability insurance. Since June 1, 2016, Sodexo has implemented a worldwide liability insurance program benefiting all countries in which the Group operates, including the United States and Canada;
- property insurance, which mainly covers the risk of fire and explosion, water damage, natural disasters, and (in some countries) acts of terrorism. As a general rule, the sum insured is equal to the value of the insured property; however, some insurance contracts cap the amount paid out under the policy;
- workers' compensation. In countries with no government-provided coverage (primarily the United States, Canada and Australia), Sodexo has contracted workers' compensation programs;

- crime insurance specifically for to Benefits & Rewards Services, to partially transfer the risks of fraud, falsification and theft to the insurance market;
- marine cargo insurance for covering loss or theft of goods during shipment;
- employment practices liability which provides coverage for wrongful termination, sexual harassment, discrimination and workplace torts. This program was originally implemented in the USA and Canada, but has been expanded globally from June 1, 2017;
- cyber risk insurance, which responds to cyber events such as intrusion, denial of service attacks, data breach. It covers the forensics, privacy breach and data restoration costs as well as any business interruption arising out of a cyber event. In a very tough market, the cyber risk insurance is reviewed regularly and implemented according to the best possible conditions.

In addition, Sodexo maintains compulsory insurance as legally required in the countries where it operates.

#### 6.4.3.3.2 Self-Insured Risks

Retained or self-insured risks correspond to the deductibles specified in the insurance programs contracted by Sodexo. They consist for the most part of frequency risks (*i.e.*, risks that recur regularly) but from time to time may also include intensity risks (*i.e.*, risks representing substantial amounts). In some countries, these retained risks correspond to deductibles under employer's liability, workers compensation, third-party automobile and property insurance. Deductibles range from 5,000 U.S. dollars to 5 million U.S. dollars per occurrence. Sodexo also self-insures frequency risks and low amplitude risks through two captive insurance companies. The American company, incorporated in the State of Hawaii, manages the deductibles of the Workers' Compensation, Automobile Liability and General Liability insurance program as well as reinsurance on the General Liability. The Irish company, based in Dublin, provides:

- direct insurance and re-insurance for motor own damage and third party liability risks;
- reinsurance on the property, marine, general liability and cyber insurance program.

The maximum exposure of our captives on a single risk amounts to 7.5 million U.S. dollars per claim and in aggregate per year.

#### 6.4.3.3.3 Placing of risk and total cost

On the occasion of its most recent policy renewals, Sodexo maintained the scope and level of its coverage, as regards in particular, general liability insurance and professional liability insurance, especially for risks associated with Facilities Management activities.

The total cost of the main insurance programs and self-insured risks (excluding workers' compensation) of fully-consolidated Group companies, represents around 0.25% of consolidated revenue.

### 6.4.3.4 Description of internal control process, including controls relating to the preparation and accounting disclosure

The risk management and internal control approach applied within the Group consists of:

- the identification and assessment of risks;
- the description of the control environment, both at Group and subsidiary levels;
- documentation and self-assessment of these controls, both at local and Group level;
- independent testing of the effectiveness of these controls, by independent persons.

The internal control process is facilitated by a network of local internal control managers and coordinators embedded in the business, supported by a small central internal control team. Their role is to:

- facilitate entity risk assessments by carrying out risk interviews;
- assist in the documentation of controls with control owners;
- support the implementation of new controls;
- carry out entity testing of strategic controls relating to the control environment and process controls;
- support Group internal audit in the follow-up of the implementation of its recommendations.

A very large number of Group entities prepare a detailed report (Company Level Control Report) on their control environment based on the five components of the reference framework and which includes an evaluation of the subsidiary's principal risks, a description of risk management measures and an assessment of their effectiveness.

The most significant Group entities go beyond this initial phase, and evaluate the effectiveness of additional controls determined by their own risk assessment (Process Level Controls). Some of these controls are also subject to effectiveness tests performed by independent persons (Group Internal Auditors).

An executive summary of the status of internal controls and the progress achieved is submitted to the Audit Committee at the end of the fiscal year.

### 6.4.3.5 Description of internal controls relating to the preparation of accounting and financial disclosure

Group Finance is responsible for ensuring the reliability of financial and accounting information.

A process is in place to produce and analyze financial information at both operational sites and in the Group and local Finance teams.

Local Finance teams produce a monthly cumulative income statement starting at the beginning of the fiscal year, a balance sheet, and a statement of cash flows. They also regularly produce projections for the full year. Financial statements are consolidated on a monthly basis by Group Finance.

At the half-year, the external auditors conduct a limited review of the interim financial statements.

At the end of the fiscal year, the Chief Executive Officers and Chief Financial Officers of the segments and regions certify the reliability of their financial statements, prepared in accordance with IFRS standards. The external auditors of the main entities express a view on these financial statements in accordance with their mandate from Sodexo's shareholders. Group Finance monitors changes to IFRS standards and interpretations and ensures that the accounting treatments applied by all entities are compliant with Group rules.

Twice a year, Group Finance identifies the events that may have led to one or several assets being impaired, notably goodwill and intangible assets (in accordance with IFRS). Where appropriate, the carrying amount of the asset concerned is written down in the financial statements.

Segment Chief Executive Officers and their Executive Committees, as well as Region Chairs and Chief Financial Officers review operational and financial reporting (comprising improvement metrics for client retention, sales development and comparable unit revenue growth) before presenting it to the Group Executive Committee, and then to the Chairwoman of the Board of Directors. In addition, quarterly reviews with each of the Group's activities, segments and regions give the Group Chief Executive Officer and Group Chief Financial Officer insight into performance trends for the segments and regions based on the financial reporting and operational information.

Procedures are in place to identify off-balance sheet commitments. This term covers all rights and obligations that may have an immediate or future impact on Sodexo's financial position but are not recognized (or are only partially recognized) in the balance sheet or income statement. These include items such as assets pledged as security; guarantees relating to operating contracts (for example bid bonds or performance bonds), to borrowings, or to claims and litigation; lease obligations not recognized in the balance sheet; commitments under call or put options. Off-balance sheet commitments are presented regularly to the Board of Directors.

#### 6.4.4 Group Internal Audit Department

The Senior Vice President Group internal audit reports directly to the Chairwoman of the Board, thus ensuring the independence of the Group Internal Audit Department within the organization. The Senior Vice President Group internal audit meets the Chairwoman of the Board on a monthly basis and works closely with the Chairwoman of the Audit Committee, holding informal meetings (approximately four times per year).

Group Insurance works closely with the relevant executives in the entities to:

- implement global insurance programs, negotiated at the Group level, available for all entities and supported by insurance companies recognized within the Insurance Industry for their financial solidity;
- put in place insurance coverage to protect the interests of employees, clients, shareholders and the Group;
- identify and evaluate the key insurable risks faced by Sodexo, with particular attention to the emergence of new risk factors associated with changes in our activities;
- reduce contractual risk, in particular by means of limitation of liability clauses or hold-harmless agreements;
- achieve the appropriate balance between risk retention (self-insurance) and the insurance market in covering the potential financial consequences of Sodexo's risk exposure; and
- achieve optimization by financing some of the Group's risks through the use of captive insurance companies.

The Sodexo Legal Department (comprised of a Group team and regional and local teams) works pro-actively with business development and operational teams to ensure legal compliance and support contract negotiations, so that risks pertain solely to contractual obligations for services and are limited in value and duration.

Lastly, using the financial information reported and consolidated, the Chief Executive Officer, assisted by Group Finance, prepares the Group's financial communication. The Chief Executive Officer also relies on the operating data required to prepare the Universal Registration Document. The interim and annual results press releases are submitted to the Board of Directors for approval.

To enable the Chief Executive Officer to provide reliable information on the Group's financial situation, a Disclosure Committee comprising representatives from the Group's corporate functions reviews all financial information prior to publication. Members represent the following functions: Financial Control, Financial Communications, Legal, Human Resources, Sustainable Development, Communications and Board Secretary.

Sodexo's Group internal audit activities are certified by the French Internal Audit and Internal Control Institute (IFACI). This internationally recognized certification attests to Sodexo's compliance with and application of 30 general requirements of the Professional Internal Audit Standards (independence, objectiveness, competence, methodology, communication, supervision and continuous assurance program).

IFACI certification is a high-level confirmation of quality and performance that:

- powerfully conveys Sodexo's rigorous approach to evaluating its risk management and internal control processes;
- benchmarks Sodexo's processes against best market practices;
- enables the Group to sustainably strengthen its internal audit practices.

The Internal Audit Department performs internal audits of Group entities based on an internal audit plan established annually.

The audit plan is based on the Group Risk Profile (which is established using the approach described under 6.4.2.3 Approach to Risk Assessment) and input from the Chairwoman of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer and other key Sodexo stakeholders. The Audit Committee reviews and approves this annual audit plan.

The responsibilities of the Internal Audit Department include:

- ensuring, with the related functional teams, that employees throughout the organization are aware of and diligently apply Group policies;
- ensuring that delegations of authority and procedures have been established and communicated to the appropriate levels of management, and checking that they are properly implemented;
- helping to assess entities' internal controls, issuing action plans designed to remedy identified control weaknesses, and monitoring implementation of these action plans.

The Internal Audit Department may also conduct special assignments at the request of the Chairwoman of the Board, the Audit Committee, the Chief Executive Officer or the Executive Committee.

During Fiscal 2021, the Group Internal Audit Department, with an average of 23 staff, conducted 42 audits in 26 countries. The number of audits was still impacted by the Covid-19 crisis and travel restrictions. Most of the audit assignments were conducted remotely. In addition, the network of close to 85 internal control

coordinators provides specific support to be given to internal audit engagements and to rectify weaknesses identified by the internal audit team.

The Internal Audit Department regularly tracks implementation of post-audit action plans by Group entities. An overall progress report is updated regularly and submitted on a quarterly basis to the Chief Executive Officer, the Group Chief Financial Officer, the Chairwoman of the Board and the Audit Committee. All audits are followed up within a maximum of 12 months.

In Fiscal 2021, the Internal Audit Department carried out a post-audit quality survey with all audited entities. All (100%) of them considered that the quality of audits was satisfactory.

The Group Internal Audit Department also conducts an independent evaluation of internal control.

Finally, the Internal Audit Department assesses the external auditors' independence and reviews the annual budgets for external auditors' fees (for both statutory audit work and other engagements) prior to their approval by the Audit Committee.

**Risk management and the reinforcement of internal control are a permanent strategic priority for the Group.**

Internal controls cannot provide an absolute guarantee that all risks have been eliminated. Sodexo nevertheless endeavors to ensure that the most effective internal control procedures feasible are in place in each of its entities.

In compliance with the July 2010 recommendation issued by the French securities regulator (*Autorité des marchés financiers* – AMF), this report is prepared on the basis notably of the "Reference Framework" produced by the French Market Advisory Group and published by the AMF.