

Post employment benefit obligations

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Principle

- Commitments perimeter
 - Pensions benefits
 - Healthcare
- 2 possible schemes
 - Defined contribution plan
 - Defined benefit plan
- International accounting rules for defined benefit plans
 - Estimation of the present value of commitments earned by employees over their years of working in the firm
 - = post employment benefit obligation
 - = present value of future expected payouts under the plans
 - Based on the projected unit credit method
 - Obligation's offset by any asset that the firm has committed to post-employment plans to fund future plan benefits
 - Liability = unfunded obligations = benefit obligations – fair value of plan assets
- Subjectivity of post employment benefits based on various forecasts
 - Wages
 - Worker attrition
 - Expected lives of retirees

Yearly adjustments of post employment obligations

- Current service cost
 - Principle: higher benefits for each additional year of service
 - Example: pension benefits = 2% of career-average pay x number of years worked
 - Definition: value of incremental benefits earned from another year of service
 - Impact: increase in the yearly firm's obligation
 - Expensed in the income statement
- Interest cost
 - Principle: increase in the present value of the firm's obligation by the passage of time
 - Formula: obligation at the beginning of the year x discount rate
 - Expensed in the income statement, net of the return on plan assets
- Actuarial gains and losses
 - Impact of the changes in the actuarial assumptions
- Past service cost
 - Impacts of amendments of post-employment plans
 - Expensed in the income statement
- Benefits paid to retirees
- Other: impacts of various changes
 - FX rates
 - Plan curtailments
 - Plan settlements

Accounting principle

Provisions for pensions and other post-employment benefits

Group companies provide their employees with various employee benefit plans depending on local laws and practice.

- **Under defined contribution plans**, the Group pays fixed contributions into a fund and has no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Contributions to these plans are expensed as incurred.
- **Under defined benefit plans**, the Group's obligation is measured using the projected unit credit method based on the agreements effective in each company. Under this method, each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. The final obligation is then discounted. The actuarial assumptions used to measure the obligation vary according to the economic conditions prevailing in the relevant country. The obligation is measured by independent actuaries annually for the most significant plans and for the employment termination benefit, and regularly for all other plans. Assumptions include expected rate of future salary increases, estimated average years of service, life expectancy and staff turnover rates (based on resignations only).

Actuarial gains and losses arise from the effects of changes in actuarial assumptions and experience adjustments (differences between results based on previous actuarial assumptions and what has actually occurred). All actuarial gains and losses arising on defined benefit plans are recognised immediately in other comprehensive income.

Past service cost, corresponding to the increase in the benefit obligation resulting from the introduction of a new benefit plan or modification of an existing plan, is expensed immediately.

The expense in the income statement comprises:

- service cost, i.e., the cost of services provided during the year, recognised in trading profit;
- past service cost and the effect of plan curtailments or settlements, generally recognised in "Other operating income and expenses";
- interest cost, corresponding to the discounting adjustment to the projected benefit obligation net of the return on plan assets, recorded in "Other financial income and expenses". Interest cost is calculated by applying the discount rate defined in IAS 19 to the net obligation (i.e., the projected obligation less related plan assets) recognised in respect of defined benefit plans, as determined at the beginning of the year.

The provision recognised in the statement of financial position is measured as the net present value of the obligation less the fair value of plan assets.

Provisions for other in-service long-term employee benefits

- **Other in-service long-term employee benefits**, such as jubilees, are also covered by provisions, determined on the basis of an actuarial estimate of vested rights as of the reporting date. Actuarial gains and losses on these benefit plans are recognised immediately in profit or loss.

Example: Casino (1/2)

8.2.1 Breakdown of provisions for pensions and other post-employment benefits and for long-term employee benefits

(€ millions)	2020			2019		
	Non-current portion	Current portion	Total	Non-current portion	Current portion	Total
Pensions	307	11	317	310	10	319
Jubilees	33	1	34	35	1	36
Bonuses for services rendered	12	1	12	11	-	12
Provisions for pensions and other post-employment benefits and for long-term employee benefits	351	12	363	357	11	367

8.2.2 Presentation of pension plans

DEFINED CONTRIBUTION PLAN

Defined contribution plans are plans in which the Company pays regular contributions into a fund. The Company's obligation is limited to the amount it agrees to contribute to the fund and it offers no guarantee that the fund will have sufficient assets to pay all of the employees' entitlements to benefits. This type of plan predominantly concerns employees of the Group's French subsidiaries, who participate in the government-sponsored basic pension scheme.

In 2020, defined contribution plans represented a cost of €260 million, of which 93% concerned the Group's French subsidiaries (€252 million excluding discontinued operations and 92%).

DEFINED BENEFIT PLAN

In certain countries, local laws or conventional agreements provide for the payment of a lump sum to employees either when they retire or at certain times post-retirement, based on their years of service and final salary at the age of retirement.

8.2.3 Main assumptions used in determining total defined benefit obligations (pension plans)

Defined benefit plans are exposed to risks concerning future interest rates, salary increase rates and mortality rates.

The following table presents the main actuarial assumptions used to measure the projected benefit obligation:

	France		International	
	2020	2019	2020	2019
Discount rate	0.7%	0.6%	4.8% - 5.9%	6.1% - 6.6%
Expected rate of future salary increases	1.0% - 1.9%	1.0% - 1.7%	3.25%	3.5%
Retirement age	62-65 years	62-65 years	57-62 years	57-62 years

For French companies, the discount rate is determined by reference to the Bloomberg 15-year AA corporate composite index.

SENSITIVITY ANALYSIS

A 50-basis point increase (decrease) in the discount rate would have the effect of reducing the projected benefit obligation by 5.7% (increasing the projected benefit obligation by 6.1%).

A 50-basis point increase (decrease) in the expected rate of salary increases would have the effect of increasing the projected benefit obligation by 6.0% (reducing the projected benefit obligation by 5.6%).

8.2.4 Change in retirement benefit obligations and plan assets

The following tables show a reconciliation of the projected benefit obligations of all Group companies to the provisions recognised in the consolidated financial statements for the years ended 31 December 2020 and 31 December 2019.

(€ millions)	France		International		Total	
	2020	2019	2020	2019	2020	2019
Projected benefit obligation at 1 January	332	341	6	8	338	349
Items recorded in the income statement	1	7	-	(1)	1	6
Service cost	18	19	-	-	18	19
Interest cost	2	5	-	-	2	6
Past service cost	-	-	-	(2)	-	(2)
Curtailments/settlements	(19)	(17)	-	-	(19)	(17)
Items included in other comprehensive income	13	13	(1)	-	13	13
(1) Actuarial (gains) and losses related to:	13	13	-	-	13	13
(i) changes in financial assumptions	11	16	-	-	11	17
(ii) changes in demographic assumptions	(2)	(3)	-	-	(2)	(3)
(iii) experience adjustments	4	-	-	-	4	-
(2) Effects of movements in exchange rates	-	-	(1)	-	(1)	-
Other	(17)	(29)	(1)	(1)	(18)	(30)
Paid benefits	(14)	(12)	(1)	(1)	(14)	(13)
Changes in scope of consolidation	-	-	-	-	-	-
Other movements	(3)	(17)	-	-	(3)	(17)
Projected benefit obligation at 31 December	A	329	332	5	334	338
Weighted average duration of plans					17	17

(€ millions)	France		International		Total	
	2020	2019	2020	2019	2020	2019
Fair value of plan assets at 1 January	19	21	-	-	19	21
Items recorded in the income statement	-	-	-	-	-	-
Interest on plan assets	-	-	-	-	-	-
Items included in other comprehensive income	1	(2)	-	-	1	(2)
Actuarial (losses) gains (experience adjustments)	1	(2)	-	-	1	(2)
Effect of movements in exchange rates	-	-	-	-	-	-
Other	(2)	-	-	-	(2)	-
Paid benefits	(2)	-	-	-	(2)	-
Changes in scope of consolidation	-	-	-	-	-	-
Other movements	-	-	-	-	-	-
Fair value of plan assets at 31 December	B	17	19	-	17	19

(€ millions)	France		International		Total	
	2020	2019	2020	2019	2020	2019
NET POST-EMPLOYMENT BENEFIT OBLIGATION	A-B	312	313	5	6	317
Unfunded projected benefit obligation under funded plans		102	102	-	-	102
Projected benefit obligation under funded plans		120	121	-	-	120
Fair value of plan assets		(17)	(19)	-	-	(17)
Projected benefit obligation under unfunded plans		209	211	5	6	215

Plan assets consist mainly of units in fixed-rate bond funds.

Example: Casino (2/2)

RECONCILIATION OF PROVISIONS RECORDED IN THE STATEMENT OF FINANCIAL POSITION

(€ millions)	France		International		Total	
	2020	2019	2020	2019	2020	2019
At 1 January	313	320	6	8	319	328
Expense for the year	1	7	-	(1)	1	6
Actuarial gains or losses recognised in equity	13	15	-	-	13	15
Effect of movements in exchange rates	-	-	(1)	-	(1)	-
Paid benefits	(12)	(12)	(1)	(1)	(12)	(13)
Partial reimbursement of plan assets	-	-	-	-	-	-
Changes in scope of consolidation	-	-	-	-	-	-
Other movements	(3)	(17)	-	-	(3)	(17)
At 31 December	312	313	5	7	317	319

BREAKDOWN OF EXPENSE FOR THE YEAR

(€ millions)	France		International		Total	
	2020	2019	2020	2019	2020	2019
Service cost	18	19	-	-	18	19
Interest cost ⁽ⁱ⁾	2	5	-	-	2	6
Past service cost	-	-	-	(2)	-	(2)
Curtailments/settlements	(19)	(17)	-	-	(19)	(17)
Expense for the year	1	7	-	(1)	1	6
Expense for the year of discontinued operations	-	(1)	-	-	-	(1)
Expense for the year of continuing operations	1	6	-	(1)	1	5

(i) Reported under "Other financial income and expenses".

UNDISCOUNTED FUTURE CASH FLOWS

(€ millions)	Statement of financial position	Undiscounted cash flows					
		2021	2022	2023	2024	2025	Beyond 2025
Post-employment benefits	317	11	7	13	15	20	832

(€ millions)	2020			2019		
	Non-current portion	Current portion	Total	Non-current portion	Current portion	Total
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Consolidated statement of financial position

ASSETS (€ millions)	Notes	31 December 2020	31 December 2019 (restated) ⁽ⁱ⁾	1 January 2019 (restated) ⁽ⁱ⁾
Goodwill	10.1	6,656	7,489	8,682
Intangible assets	10.2	2,061	2,296	2,265
Property, plant and equipment	10.3	4,279	5,113	5,843
Investment property	10.4	428	493	497
Right-of-use assets	7.1.1	4,888	5,602	5,312
Investments in equity-accounted investees	3.2.3	191	341	500
Other non-current assets	6.9	1,217	1,183	1,151
Deferred tax assets	9.2.1	1,035	784	666
Total non-current assets		20,754	23,300	24,916
Inventories	0	3,209	3,775	3,834
Trade receivables	6.7	941	836	905
Other current assets	6.8	1,770	1,536	1,383
Current tax assets		167	111	165
Cash and cash equivalents	11.1	2,744	3,572	3,730
Assets held for sale	3.4.1	932	2,818	8,464
Total current assets		9,763	12,647	18,481
TOTAL ASSETS		30,517	35,948	43,397

EQUITY AND LIABILITIES (€ millions)	Notes	31 December 2020	31 December 2019 (restated) ⁽ⁱ⁾	1 January 2019 (restated) ⁽ⁱ⁾
Share capital	12.2	166	166	168
Additional paid-in capital, treasury shares, retained earnings and consolidated net profit (loss)		3,097	4,603	6,312
Equity attributable to owners of the parent		3,263	4,769	6,480
Non-controlling interests	12.8	2,856	3,488	5,203
Total equity	12	6,118	8,256	11,682
Non-current provisions for employee benefits	8.2	351	357	366
Other non-current provisions	13.1	374	458	475
Non-current borrowings and debt, gross	11.2	6,701	8,100	6,782
Non-current lease liabilities	7.1.1	4,281	4,761	4,327
Non-current put options granted to owners of non-controlling interests	3.3.1	45	61	63
Other non-current liabilities	6.10	201	181	469
Deferred tax liabilities	9.2.2	508	566	667
Total non-current liabilities		12,461	14,485	13,150
Current provisions for employee benefits	8.2	12	11	11
Other current provisions	13.1	189	153	157
Trade payables		6,190	6,580	6,668
Current borrowings and debt, gross	11.2	1,355	1,549	2,199
Current lease liabilities	7.1.1	705	723	657
Current put options granted to owners of non-controlling interests	3.3.1	119	105	126
Current tax liabilities		98	48	127
Other current liabilities	6.10	3,059	2,839	2,613
Liabilities associated with assets held for sale	3.4.1	210	1,197	6,008
Total current liabilities		11,937	13,206	18,565
TOTAL EQUITY AND LIABILITIES		30,517	35,948	43,397

(i) Previously published comparative information has been restated (Note 1.3).

Appendix: calculation and booking of retirement provisions

<i>Amounts in €</i>			
Features of the post employment benefits obligations			
Pension benefits in number of monthly wage			5
Age at the Beginning of the Year (BoY)			40
Retirement age (years old)			63
Seniority in the firm (years)			15
Expected life years)			85
Probability to be in the firm when retirement, at the BoY			60%
Probability to be in the firm when retirement, at the EoY			62%
Average monthly wage at the BoY			3 000
Average yearly growth rate of wage			6,25%
Expected monthly wage when retirement			5 500
Discount rate (AA corporate bonds)			1,50%
Retirement loading rate			40%
Calculation of the increase in retirement provisions			
	BoY	EoY	
Future commitment	27 500	27 500	
Future commitment including loading rate	38 500	38 500	
Seniority	15	16	
Number of years till retirement	23	22	
Total seniority when retirement	38	38	
Current seniority / Total seniority	15/38	8/19	
Discount factor	0,71	0,72	
Probability to work in the firm when retirement	60%	62%	
Yearly commitment	6 474,42	7 243,29	
Increase in yearly commitment = charge			768,87

Booking in statutory accounts under French GAAP					
			31/12		
681		Operating provision		768,87	
	153	Provision for employee benefits			768,87
Booking under IFRS GAAP					
			31/12		
661		Interest expense (6 474,42 x 1,5%)		97,12	
681		Operating provision (768,87 - 97,12)		671,76	
	153	Provision for employee benefits			768,87