

## 1.3 Organization and internal control

The scope of application of internal control and risk management procedures encompasses all of the Group's companies and employees, from governance bodies to individual employees. The operational and functional management structures are responsible for implementing these procedures.

Groupe SEB is an international entity, organized primarily into geographical zones by continent, each with their own ranges of products to sell. In addition, operations are managed by activity, covering a

group of product lines and trademarks. Lastly, functional management supports operations transversally across all of the Group's businesses. The primary aim of this functional management is to ensure that activities are consistent and effective and to oversee the control functions (e.g. by means of financial standards, IT tools, quality rules, etc.).

The Group's conduct and operational processes are based on two key documents: the Group's Code of Ethics and the Internal Control Manual, which sets out what is expected of employees.

### ORGANIZATION OF INTERNAL CONTROL AND KEY PLAYERS

The key control activities are identified within the functional departments described below, which report directly to a member of the Group Executive Committee.



### Audit and Internal Control department

The Audit and Internal Control department is tasked with evaluating compliance with the Group's internal rules and procedures and detecting non-compliance with local legislation. This department is also required to evaluate the efficient conduct of operations and to ensure that business risks are identified and mitigated.

To achieve this, the Audit and Internal Control department is focused on three parallel activities:

- **defining and rolling out internal control procedures** ("Internal Control Manual"). This document covers all of the Group's control processes. It is circulated to all the Group's entities once a year, after Internal Control has carried out its annual update to reflect changes in operations, regulations and management systems;
- **implementation of a multi-year audit plan**, based on prioritizing the entities to be covered according to several parameters: assessment of the level of risk (size of the subsidiary, geography, information system, environmental factors, etc.); frequency of audit coverage; and lastly, the rating of the most recent audit. The plan is approved by the Audit and Compliance Committee each year;
- **coordination and oversight of risk mapping**. The Group's risk map is updated every year using the process described on p. 47 "Risk identification and control process".

The Group's Audit and Internal Control team consisted of twelve auditors, three internal controllers and one Head of Audit and Internal Control as at 31 December 2020.

### Legal department

The role of the Legal department is to ensure compliance with any legal and regulatory requirements that affect the Group in the various countries in which it operates, to protect its assets (particularly its intellectual assets) and its businesses as a whole. It also protects the Group's interests by means of effectively managing risks and litigation. The Legal department is led by the General Counsel, who is a member of the Group Executive Committee and Secretary of the Board of Directors of SEB S.A.

Its main tasks are based on the following activities:

- **providing Legal support for operations**, regarding all types of regulations, drawing up and updating contract strategy (purchase of goods and services, terms of sale, sales promotions, after-sales service, etc.), negotiation support, oversight of legal firms consulted, pre-litigation and litigation management, coordination of all the Group's lawyers, defense strategy for intellectual creations, protection of industrial property titles (trademarks and trade dress in particular), and legal watch;
- **protecting intellectual property assets**, including legal support for the increasingly digital side of the business (connected products, data marketing, etc.), managing international intellectual property before and during litigation and managing anti-counterfeit operations;
- **ensuring Compliance**: instituting a compliance policy (anti-corruption measures, GDPR, etc.) in line with all Group-wide corporate, operational and continental functions;
- **corporate governance**: overseeing around 150 subsidiaries, including two listed companies, SEB S.A. and Supor, ensuring insider trading is prevented, managing shareholder services, negotiating finance contracts and supporting the Group's real estate projects;
- **coordinating the Group's insurance program**, described in detail on p. 62 "Insurance", allowing for an appropriate insurance program for the Group's activities and risks;
- **participating in the acquisition strategy**: preparatory agreements, merger control, contract negotiation, and post-acquisition restructuring.

## Financial Communication and Investor Relations department

The Financial Communication and Investor Relations department works closely with the other departments within the Finance Function, with the operational, support and continental management structures, and with the Sustainable Development and Corporate Communications departments in order to carry out two key tasks related to the status of SEB S.A. as a listed company:

- **developing and disseminating the Group's financial communications.** This communication takes place according to a specific timetable and in compliance with the regulatory framework (AMF \*, ESMA \*, etc.), ensuring in particular the dissemination of clear, accurate, precise and true financial information, as well as conformity to the principles of equal treatment of investors and consistency of information. The documents and materials produced, published and circulated (Universal Registration Document, the AGM convening notice, press releases, the finance section of the Group website [www.groupeseb.com](http://www.groupeseb.com), analyst and investor presentations, letters to shareholders, etc.) undergo a structured, traceable, production process and are prepared in close collaboration with the Group's various functions. They are reviewed by concerned business Managers and finally approved by the Executive Committee. The Financial Communication department, in conjunction with the Legal department, coordinates the MAR (Market Abuse regulation) Committee described on p. 44;
- **identifying the shareholder base and investor relations** throughout the year, through physical or telephone conferences, roadshows, analyst/investor days or individual meetings. These exchanges are intended to give the market information about the Group's strategy, performance and outlook, and to maintain and fuel interest in the stock. In 2020, nearly all events took place remotely, due to the health crisis. These events led to nearly 1,000 contacts.

## Finance and Treasury department

The Group's Finance and Treasury department is tasked with ensuring the liquidity of Group operations, the security, transparency and efficiency of treasury and finance operations, and hedging against all financial risks. Its areas of work are as follows:

- **managing financial resources to ensure the Group's liquidity;**
- managing and securing cash flows (cash management);
- **quantifying and hedging against financial risks** (particularly currency, interest rates and raw materials risks);
- monitoring relations with banks;
- **financing projects**, particularly acquisitions;
- **overseeing strategies for hedging customer risk.**

## Introduction to the Group

### Organization and internal control

#### Group Controlling department

The Group Controlling department coordinates budget planning and control, using a handbook of management procedures and rules applicable to all entities, including Group budgeting, re-projections and management reporting methods.

Its key oversight responsibilities are as follows:

- **budgeting process.** Guidelines and recommendations are circulated to the various entities for budgeting purposes. The Group Controlling department consolidates and oversees the various budgetary adjustments before a budget is approved by the Executive Committee and the Board of Directors;
- **re-projections:** throughout the year, as the Group's business evolves, the Group Controlling department alerts the Executive Committee in the event of a deviation from the budget, quantifies the impact of corrective measures and coordinates re-projections at key times during the year. These are then consolidated and approved at the Executive Committee level;
- **reporting and analysis of operational performance:** every month, to enable effective Group oversight, the Group Controlling department consolidates all information from a single, centralized management tool to establish dashboards for the Executive Committee and Group management. The dashboards include appropriate analyses of significant deviations and trends.

#### Accounting and Tax department

The Accounting and Tax department is responsible **for ensuring that the Group's accounting principles** and standards are compliant with commonly accepted international accounting standards. It defines the Group's accounting standards and oversees their distribution and application, particularly through training courses. It is responsible for preparing the Group's Consolidated Financial Statements and closes the Group's Financial Statements, in collaboration with the entities, in a timely manner.

The Group Accounting and Tax department oversees and **coordinates the Shared Service Centers for Accounting and Management Services. These entities**, in France, Poland, Germany, the United States, and China, help improve the Group's internal control system through the sharing of best practices, standardization of procedures and the division of tasks.

The Group Accounting and Tax department also ensures compliance with tax **regulations and obligations in all countries** where the Group operates. It also ensure the:

- **monitoring tax inspections carried out by tax authorities in all of the Group's entities;**
- **ensuring consistency in the tax procedures used by the entities;**
- **liaising with tax consultants to verify that the Group's main activities are compliant with current legislation.**

#### Sustainable Development department

The Sustainable Development department drives **and coordinates the sustainable development policy**. It documents and rolls out short- and medium-term action plans, in line with the Group's priority criteria, in each division and on every continent, thus promoting appropriate conduct.

In addition, the Sustainable Development department is responsible **for the content of the Group's Code of Ethics** and ensures that it is properly circulated and understood in all the entities. As the principles of the Code of Ethics are included in the Internal Control Manual, the ethical compliance of our subsidiaries is regularly checked on site by the internal audit teams.

Conformity to the values mentioned in the Code of Ethics does not stop with the company: the Sustainable Development department also monitors the **application of these principles by suppliers**, by means of a Responsible Purchasing Charter, which is circulated to and signed by all its partners, and regular outsourced audits. This last measure is fully in keeping with our action plans for compliance with the "SAPIN II" and "Duty of Vigilance" laws.

Each of the Group's plants is organized to prevent any pollution (of air, water, or soil) or environmental accidents and to reduce its carbon and environmental impact (particularly in terms of energy, water, and waste). To achieve this, **each plant complies with local environmental regulations** as well as standards shared by all Group sites. The regulations, and changes in them, are monitored locally by Health, Safety and Environment coordinators.

Measures to assess risks, prevent pollution and reduce environmental impact are implemented locally and coordinated at Group head office: a dedicated staff member is responsible for setting environmental goals and defining shared standards. The Sustainable Development department **also ensures the implementation of performance indicators**, which are then monitored and consolidated.

Environmental risk is overseen by a dedicated Group team which regularly monitors changes in regulations and transcribes these regulations into the Group's standards. The processes are then rolled out to the plants.

As part of its **compliance** policy, the Sustainable Development department appoints an external service provider to audit the Group's industrial sites in countries presenting ethical, social and environmental risks.

## Personnel Administration department

The Group had nearly 33,000 employees at 31 December 2020, divided between more than 100 operational entities worldwide. The Personnel Administration department is responsible for ensuring the consistency of personnel management processes. It is organized around the following main areas:

- **defining personnel management rules applicable** to all of the Group's businesses, in line with local regulations: management of working time and leave, business expenses, tools available to personnel (computers, telephones, cars, etc.), and the payroll process (checks, approval and security);
- **rolling out and overseeing a single personnel** management tool at Group level, in accordance with local personal data protection regulations. This includes the administrative process related to employee entry, performance monitoring, and exit;
- **managing the Shared Service Center dedicated to payroll for all French entities**, ensuring the division of tasks and a strict level of control. The Personnel Administration department also reviews the standard processes for setting up outsourced payroll management;
- **keeping people safe**: the Personnel Administration department is responsible for drawing up safety rules, particularly in countries identified as risky (Ministry of Foreign Affairs) and coordinates the monitoring of traveling employees with an external partner to ensure their safety.

## Purchasing department

The Group has two purchasing departments, one which manages the purchasing of components and raw materials required to manufacture products, as well as indirect purchases, and the other that manages the purchasing of finished products. The scale of the financial flows involved means that the Purchasing department is central to the Group's internal control process:

- **managing centralized purchasing**, one department based at head office in France and the other close to our suppliers in Asia for finished products. Both departments use the same organizational principles: operational buyers located close to where the need is (plants, R&D centers, markets) and category buyers, who determine the Group's purchasing strategy. This centralized oversight begins with the implementation of standard processes and strict rules on how to manage purchases (calls for tenders, purchase requests, approvals, etc.);
- **overseeing suppliers**, mainly by category managers, through performance indicators and reviews and audits of suppliers, relating not only to operational aspects (quality, supply chain, etc.) but also responsibility and ethical, social and environmental compliance, in partnership with the Sustainable Development department;
- **monitoring purchasing performance**: establishing purchasing strategies, objectives and analysis to optimize efficiency and strengthen control. A dashboard makes it possible to accurately monitor key indicators and adjust the action to be taken.

### Information Systems department

Groupe SEB's information systems are designed to guarantee the security, integrity, availability and traceability of information.

Several priority areas within the Information Systems department help to improve the Group's control environment, including:

- **operational tools (ERP, business software, office automation, communication, etc.):** the Information Systems department oversees operations for the Group's tools and participates in an Information Systems Steering Committee, described on p. 44;
- **network architecture:** the Information Systems department ensures the consistency, availability, and integrity of the Group's networks;
- **security of information systems and personal data protection:** a Group Head of IT Security or Chief Information Security Officer (CISO) was recruited in July 2020 to reinforce the existing security system. His role is to define the IT security strategy in order to address the cybersecurity challenges the organization faces. He ensures that the mapping of cyber risk is up to date and that adequate protection measures and systems are in place to address the various risks identified. In charge of IT systems security, he defines and implements the Group's security policy, oversees the Group's key security indicators, monitors the implementation of security rules in projects, and takes the necessary information, awareness and risk prevention measures. This activity is supported by an Information Systems Security Committee (described on p. 44). With regard to personal data protection requirements, the CISO works with the Head of Personal Data Protection and the Legal and Personnel Administration departments: this cross-functional organization is described on p. 43 ("Cybersecurity and Information Systems failure risk");
- **digital applications:** The Information Systems department ensures the implementation of software components and infrastructure to ensure the quality, security and availability of the service provided to consumers: downloadable applications on mobile phones and tablets to facilitate the use of connected products and give access to digital content, photos, recipes, etc.

### Supply Chain department

The distribution of the Group's businesses across all continents requires constant optimization of the production process, flows, procurement and logistics.

The role of the *Supply Chain* department is to ensure customers are satisfied and products are available, while optimizing costs and inventories. To achieve this, the department must have a comprehensive overview of the issues, from our suppliers to our customers and use sales forecasts to control scheduling, to provide a high level of customer service. Specifically, this involves:

- **reviewing our optimal logistical footprint between** our industrial facilities and our customers, as well as the global deployment of our OPS program, which enables us to guarantee high quality at optimum cost, in the drive for continuous improvement of our performance;
  - **defining and rolling out stock management procedures** that apply to all the Group's warehouses, outsourced or not, including a receipt and dispatch management process, an inventory management process and security requirements at storage sites;
  - **oversight of product flows:** defining and optimizing product flows (with a view to improving the flexibility of industrial sites) in line with international regulations and in compliance with customs regulations.
- With a view to continually improving customer service, the Group is in the process of changing the structure of its supply chain, which will be organized along three key principles:
- centralized calculation of demand, based on market data and the use of statistical forecasting tools, as well as centralized management of logistics centers to optimize our distribution network;
  - maintaining the structures required to serve our customers on continents and within markets. These structures will define our logistics offerings by customer type and implement them, from taking orders to delivery;
  - centralizing the «Planning» *function* in our Business Units which, based on demand calculated by the central function, will schedule production and supplies to service the markets. The BUs are also responsible for product offerings, plants and marketing plans.

## Industrial Efficiency department

Ensuring the competitiveness of our industrial operations has always been a central concern for the Group. Groupe SEB has implemented a system for the continuous improvement of industrial performance, known as OPS, which has for many years been used in all the Group's plants. In recent years we have also been working on adopting the latest digital techniques to improve our plants using cutting-edge technology.

This department is responsible for the following processes:

- **OPS, a performance management process that includes procedures**, tools and methods for the smooth running of our plants, based on the principle of seeking excellence and continuous improvement.
- **a "factory of the future" program** that sets out the new digital tools and methods to be deployed to improve our plants by means of industrial IT.
- **Continual** evaluation of the need to progress our industrial footprint and our industrial strategy.

## Quality & Environment department

Improving the quality of its products and processes has always been a central concern for Groupe SEB. Groupe SEB uses a Quality and Environment Management System, a key pillar of any business, implemented through a shared tool available on the Group Intranet.

This system includes all the procedures, tools and methods relating to the Group's key processes:

- **management procedures with the definition of Group policy**, strategic planning, continuous quality improvement, and safeguarding of the environment;
- **operational processes**, including strategic marketing, R&D, sales and marketing, customer order processing and production;
- **operational support functions**, covering human resources, information systems, purchasing, finance, after-sales service, and customer assistance;
- **monthly reporting** allows the Quality department to accurately track key indicators and adjust its actions.

## Health and Safety department

Employee health and safety within the Group is our number one priority and everyone's responsibility, whether they work in industry, on logistics platforms, commercial subsidiaries, or at headquarters.

The Health and Safety policy is coordinated by the Group Health and Safety department, which is responsible for managing it. It is structured around five focus areas that are communicated to the sites continuously:

- **ensuring that health and safety is always seen as our number one priority**;
- **focusing on one ambitious objective**, monitored with indicators on site and at Group level;
- **taking every serious accident or incident into consideration** and making it a learning opportunity;
- **sharing the same level of skills and requirements** based on shared standards;
- **acting promptly on any recorded non-compliance** to address it rapidly.

A Group-wide Strategic Health/Safety Committee is described on p. 44.

Alongside these departments overseeing the Group's control activities, Committees have been set up spanning various control topics. These Committees meet two to four times a year and involve managers from the aforementioned departments. Each are responsible for identifying, in their respective areas, any situations requiring action at the central level (regulatory changes, evolution of the market context, etc.). In this case, each Committee will report to the Group Executive Committee.

### GROUP SEB EXECUTIVE COMMITTEE (COMEX)

<b>Thierry de La Tour d'Artaise</b>	<b>Chairman and Chief Executive Officer</b>
<b>Stanislas de Gramont</b>	<b>Chief Operating Officer</b>
<b>Nathalie Lomon</b>	<b>Senior Executive Vice-president, Finance</b>
<b>Delphine Segura Vaylet*</b>	<b>Senior Executive Vice-president, Human Resources</b>
<b>Harry Touret</b>	<b>Senior Executive Vice-president, Human Resources</b>
<b>Alain Leroy</b>	<b>Executive Vice-president, Industrial Operations</b>
<b>Patrick Llobregat</b>	<b>Executive Vice-president, Cookware</b>
<b>Olivier Naccache</b>	<b>Executive Vice-president, Small Electrical Appliances</b>
<b>Oliver Kastalio</b>	<b>Chief Executive Officer WMF</b>
<b>Vincent Rouiller**</b>	<b>Executive Vice-president, Research</b>
<b>Cathy Pianon**</b>	<b>Executive Vice-president, Public Affairs &amp; Communication</b>
<b>Philippe Sumeire**</b>	<b>Executive Vice-president, Legal, General Secretary of the Board of Directors.</b>
<b>Cyril Buxtorf</b>	<b>Executive Vice-president, EMEA</b>
<b>Martin Zouhar</b>	<b>Executive Vice-president, Americas</b>
<b>Vincent Tai</b>	<b>Executive Vice-president, Asia - Executive Vice-president, EMEA</b>

#### Compliance Committee

- Audit and Internal Control department
- Legal department
- Human Resources department
- Sustainable Development department
- Finance and Treasury department

#### Information Systems Security Committee

- Information Systems department
- Audit and Internal Control department
- Human Resources department

#### MAR (Market Abuse Regulation) Committee

- Chairman and Chief Executive Officer
- Chief Operating Officer
- Senior Executive Vice-president, Finance
- Legal department
- Financial Communication and Investor Relations department

#### Sustainable Development Steering Committee

- Sustainable Development department
- Audit and Internal Control department
- Human Resources department
- Quality & Environment department
- Research department
- Brands department
- Marketing department
- Sales department
- Strategy department
- Legal department
- Customer Satisfaction department
- Industrial department
- Purchasing department

#### Information Systems Steering Committee

- Information Systems department
- Continental departments
- Products & Innovation department
- General Finance department
- General Human Resources department

#### Health and Safety Committee

- Chairman and Chief Executive Officer
- Chief Operating Officer
- Senior Executive Vice-president, Human Resources
- Group Communication department
- Directors of Industrial Activities
- Group Health/Safety department

\* Appointment to COMEX on 01/01/2021.

\*\* Appointment to COMEX on 01/02/2021.



In particular, the Compliance Committee implements measures relating to recent regulatory developments. A cross-functional action plan involving several Group departments has been drawn up to address the requirements of the SAPIN II law and the Duty of Vigilance law relating to parent companies and principals.

This action plan focuses on the following key points, most of which are already in place:

- Code of Conduct;
- internal whistle-blowing system;
- risk mapping, corruption and suppliers;
- customer and supplier assessment procedures;
- internal and external accounting control procedures;
- training system;
- disciplinary system;
- internal system to control the implementation of the above measures.

Lastly, to ensure efficient overall management, Groupe SEB relies on the decentralization of operational responsibilities and clearly defined

rules of operation and delegation. It also benefits from a well-established corporate culture, rooted in shared fundamental human values that foster an ethical working environment: Entrepreneurial drive, Passion for innovation, Professionalism, Group spirit, and Respect for people.

Groupe SEB has been a signatory of the Global Compact since 2003 and supports the values set out in this document, promoting them throughout the company. The Group Human Resources department states in its guiding principles: "The Group is a community of men and women who share the same objectives and values".

The Code of Ethics, published in September 2012, serves as the frame of reference for Groupe SEB's values and standards. It defines individual and collective rules of conduct to guide the actions and inspire the decisions of each employee. It is supplemented by a whistle-blowing system that allows any employee to report a serious violation of the Code of Ethics.

More details on the whistle-blowing system are provided in Chapter 3.3, page 135.