

Task Force on Climate-related Financial Disclosures (TCFD)

We set out below our climate-related financial disclosures, which are consistent with the four pillars and 11 recommended disclosures of the Task Force on Climate-related Financial Disclosures, including the TCFD all-sector guidance, and in compliance with the requirements of LR 9.8.6R.(8) (UK Listing Rules).

This disclosure also complies with the requirements of the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

Executive summary

Without coordinated action, climate change poses a significant risk to our planet, people and economies. For the global food system, on which we all rely, rising global temperatures, water stress and extreme weather events can disrupt supply chains, reduce crop yields and damage community livelihoods. However, for those who drive innovation and take a leadership position on sustainability, there are also significant opportunities.

As a Group, we are proud of the work we are doing in partnership with our clients to support our shared climate goals. Sustainability is intrinsic to the way we conduct business and our long-term success, while also being deeply ingrained in our culture, from our chefs to our executive leadership.

We have many tried-and-tested operational levers at our disposal to help mitigate supply chain disruptions resulting from climate change, through our procurement scale, sourcing flexibility, menu management and culinary and digital innovation. There is no single solution to this global challenge, and we are making many incremental changes across thousands of our units and throughout our businesses' supply chains.

To tackle climate change, it is vital that we measure, track and understand how climate change impacts our operations, our clients and our strategy. The purpose of this TCFD statement is to provide investors and wider stakeholders with a better understanding of our exposure and strategic resilience to climate-related risks, and to enable us to identify climate-related opportunities that are material to the Group. We consider all risks and opportunities evaluated in this statement to be industry-wide, applying to each of our sectors, our competitors and other key stakeholders.

Our analysis comprises three climate scenarios (1.5°C, 2.5°C and 4°C) for which we have considered physical risks, transition risks and related opportunities. This year, our third year of disclosure, we have materially expanded the scope of our scenario analysis in four key areas:

- in addition to risks, climate-related opportunities have also been examined this year
- the Geographic Scope has increased from the US in 2022 to now cover four of our largest markets (the US, UK, Australia and France), which together represent over three-quarters of the Group's underlying revenue
- the Product Scope has expanded from six in 2022 to seven of our most significant product categories (adding beverages this year), which together represent over 60% of our total MAP 3 food spend in the four in-scope markets



Sustainability is intrinsic to the way we conduct business and our long-term success, while also being deeply ingrained in our culture, from our chefs to our executive leadership.

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- we have considered three time horizons in our scenario analysis this year (short, medium and long-term), enabling greater depth of analysis compared to 2022 where only the medium-term was considered

We also included a broader range of internal and external stakeholders in our scenario analysis, including external climate resilience experts. This enhanced engagement identified four specific risks as the most relevant physical climate-related risks, and these were the focus of our quantitative scenario analysis.

Based on our modelling this year, the most significant financial impact, whilst still moderate, arises from chronic water stress in the US and Australia in 2050, with beef and dairy production likely to be most impacted by climate change. These findings are consistent with our strategy to build competitive sourcing programmes in alternative food categories such as meatless proteins, and to nudge consumers towards diets that are more planet-friendly. Consequently, we are confident in our ability to mitigate the impact of this risk.

Last year we modelled transition risks, which identified carbon taxation in the US (in a low-carbon scenario) as the most significant potential impact. We believe this conclusion continues to be relevant this year and we remain confident in our ability to manage the financial risk under this scenario, with the net impact expected to be immaterial.

We are dedicating significant resources to acquiring and implementing cutting-edge technologies to enhance our sustainability services for clients and to maximise the opportunities that we anticipate will arise from the climate transition. This includes strategic investment in our monitoring and measurement capabilities, which enable our businesses to offer in-depth and tailored roadmaps for their clients, while positioning the Group as a trusted partner in helping them achieve their own sustainability goals.

Furthermore, we recognise the important role we can play – through direct engagement and close collaboration with our businesses’ supply chain partners – in creating a low-carbon supply chain that is fit for the future. In 2023, this was a focus area during the Future Forward day that we hosted with key suppliers to our businesses in the US. In the UK, it is now a requirement for all suppliers to set their own science-based targets, in line with Compass’ own commitments. This is also extensively discussed in the supplier conferences that our various markets host each year.

Despite significantly expanding our analysis this year, we recognise that scenario analysis is limited by the availability of data on the long-term impacts of climate change, and our disclosures will need to evolve as data availability improves. We are committed to working with experts to continue to review the scope of our analysis and evolve our process in future years.

The analysis shown in this disclosure was completed in 2023, with the exception of the quantitative scenario analysis on carbon taxation, which was completed in 2022. The qualitative and quantitative scenario analysis will be repeated at a minimum every three years in line with the relevant regulations.

Governance

Oversight of climate-related risks and opportunities

Compass has well-established governance structures designed to effectively oversee the management of its principal risks, including climate change risks and opportunities. Principal risks are reviewed biannually by the Board. Climate change is a principal risk and it was embedded into our risk management processes in 2021 (see page 26).

Climate-related risks and opportunities are overseen and managed at the highest levels of the Company through the following governance structures and processes:

- The Board has overall responsibility for oversight of the management of climate-related risks and opportunities, which it exercises through the Corporate Responsibility (CR) Committee and the Audit Committee
- The Corporate Responsibility Committee meets at least three times a year and comprises all the Non-Executive Directors of the Board, together with the Chair of the Board, Group Chief Executive Officer (CEO) and Group Chief Financial Officer (CFO). It receives reports at every meeting from the Group Chief Commercial Officer (CCO), the Global Director of Sustainability and other senior managers to ensure that progress is being made towards meeting the Group’s specific CR KPIs and ongoing CR commitments, including greenhouse gas (GHG) emissions and food waste reduction targets
- The Audit Committee meets at least three times a year and comprises all the independent Non-Executive Directors of the Board. In line with the governance process used for financial management, it considers the potential impact of climate change on the financial statements, including the output of the Group’s scenario analysis, the costs to achieve the Group’s climate net zero commitments, and their impact on the financial statements and related disclosures
- Executive sponsorship is shared jointly between the Group CEO and Group CCO, who have the highest management-level responsibility to form, review and communicate the Company’s climate-related global strategy, policies and standards. This includes setting and reviewing progress towards targeted KPIs, assessing climate-related risks and managing and monitoring associated opportunities
- They are supported at an operational level by the Global Director of Sustainability, who leads the Group Sustainability function. This function provides support to the Group’s regions and countries to ensure sustainability strategies are implemented and climate-related risks and corresponding controls and mitigations are reviewed on an ongoing basis
- At Executive Committee level, the Regional Managing Directors (RMDs) are responsible for managing climate-related risks and opportunities for their respective regions. At a country level, the country Managing Directors are responsible for managing climate-related risks and opportunities in their respective countries



Strategy

Climate-related risks and opportunities and their impact on the operations of the Group

Our specialist internal teams partnered with external climate resilience experts to conduct qualitative and quantitative risk assessments and scenario analysis to identify climate-related risks and opportunities.

In 2022, we published the results of our scenario analysis, which showed that Compass is well placed to respond to transition risks and market pressures through our dynamic operational and strategic levers. This year, we expanded our assessment to align with the latest guidance from the 2021 TCFD Annex. We also conducted a deeper analysis to understand our exposure to physical climate-related risks and opportunities across four key geographies (details of which can be found in the Scope section on page 48).

At Compass, we are aware that some of our markets are already experiencing the physical impacts of climate change. We want to ensure that our strategy is resilient and set up to deliver on our Planet Promise of a sustainable future for all. This commitment encompasses the Company's values as an ethical, sustainable and inclusive business, and is key to our growth aspirations.

We are committed to reaching climate net zero by 2050, supported by our Sustainable Financing Framework, and we have plans in place to mitigate and adapt to climate-related risks and a future climate transition. We are also making strategic investments which will enable the Group and its businesses to capitalise on climate-related opportunities, including investing in state-of-the-art technology to help our clients realise their sustainability goals effectively and efficiently.

Scenario analysis

In 2022, we analysed two low-emission scenarios and one high-emission scenario to understand the physical and transition risks and opportunities of climate change. This year, to understand the physical risks and opportunities in greater depth, we have chosen 2.5°C and 4°C scenarios to model chronic and acute physical risks and opportunities. A separate 1.5°C scenario allows us to focus on the impact of transition risks and opportunities.

These three climate scenarios, which are explained in more detail in the table below, were chosen by our specialist internal team, which includes representatives from the Sustainability, Finance, Commercial and Procurement functions, in consultation with our expert external partners.

Scenario	Key attributes	Rationale for inclusion	Pathway to cost increase
Scenario A – 1.5°C by 2100 (SSP 1/ RCP 2.6 combination)	The world takes rapid and drastic action to limit global warming and meet the ambition of the 2015 Paris Agreement: <ul style="list-style-type: none"> – coordinated action across public and private sectors – low-carbon technologies take over from fossil fuels – shift in consumer demand and preferences towards low-carbon products and services 	A < 2°C scenario is required by TCFD. This scenario allows Compass to explore transition risks in key markets, consider changes in consumer and client preferences and understand competitor and stakeholder pressures.	Increase in sourcing costs due to carbon pricing on agricultural (farm to farm gate) and freight emissions.
Scenario B – 2.5°C by 2100 (SSP 2/ RCP 4.5 combination)	The world follows a path in which social, economic and technological trends do not shift markedly from historical patterns: <ul style="list-style-type: none"> – development and income growth proceeds unevenly – middle-of-the-road emissions with inconsistent technological process – global and national institutions work towards, but make slow progress in, achieving the UN Sustainable Development Goals 	This scenario allows Compass to prepare for a disorderly transition away from fossil fuels. Under this 2.5°C scenario, Compass examines both physical and transition risks and opportunities.	Increase in sourcing costs due to carbon pricing on agricultural (farm to farm gate) and freight emissions, and production losses leading to higher procurement costs.
Scenario C – 4°C by 2100 (SSP 5/ RCP 8.5 combination)	The world continues to use fossil fuels as the engine of economic growth, resulting in worst-case levels of global warming: <ul style="list-style-type: none"> – severe and frequent extreme weather, with chronic changes to seasonal weather patterns – extensive business disruption, severely damaging economic growth – protectionist government policies to build resilience to climate change 	This scenario allows Compass to assess the impact of acute and chronic physical climate-related risks and opportunities on the business, supply chain, supplier network, and stakeholders.	Loss in production leads to higher procurement costs due to the costs involved in switching sourcing. No carbon, plastic or food tax is assumed.

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Scope and assumptions

Time horizon

We consider three time horizons – three years (short-term), four to 10 years (medium-term) and greater than 10 years (long-term) – to be the relevant time horizons for our scenario analysis, with the assumption that climate-related issues often manifest themselves over the medium to long-term.

- **Short-term** – three years is the period reviewed by the Board in its annual strategic planning process and is aligned to the typical length of the contracts in the Group's businesses (three to five years). It is also consistent with the time period of the Group's viability statement (see page 31).
- **Medium-term** – this time horizon allows for the outcomes of scenario analysis to influence the development of our strategic objectives.
- **Long-term** – analysis over this time horizon is more uncertain due to the limited availability of data on the long-term impacts of climate change, the severity of which will be contingent on the actions taken over the short and medium-term.

Geographic and Product Scopes

To understand the impacts of physical and transition risks and opportunities in greater depth, the scope of the scenario analysis was expanded this year to include consideration of four countries (2022: 1) and seven product categories (2022: 6). Our business model in all sectors is very similar, hence we do not believe there would be any material differences in the outcomes if we considered different sectors in this exercise.

The Geographic Scope of the expanded scenario analysis was determined on the basis of both materiality (with the US, UK, Australia and France representing 78% of the Group's underlying revenue in 2023) and reach (with each of our reporting regions – North America, Europe and Rest of World – represented in the analysis). The balance of our underlying revenue comprises multiple countries, with no individual country representing more than 4% of the Group's total underlying revenue in the year.

The product focus for the scenario analysis was protein (beef, pork, poultry and dairy), produce (fruit and vegetables) and in addition, this year, beverages. Together, these products represent more than 60% of the total MAP 3 food spend in 2023 in the four in-scope countries.

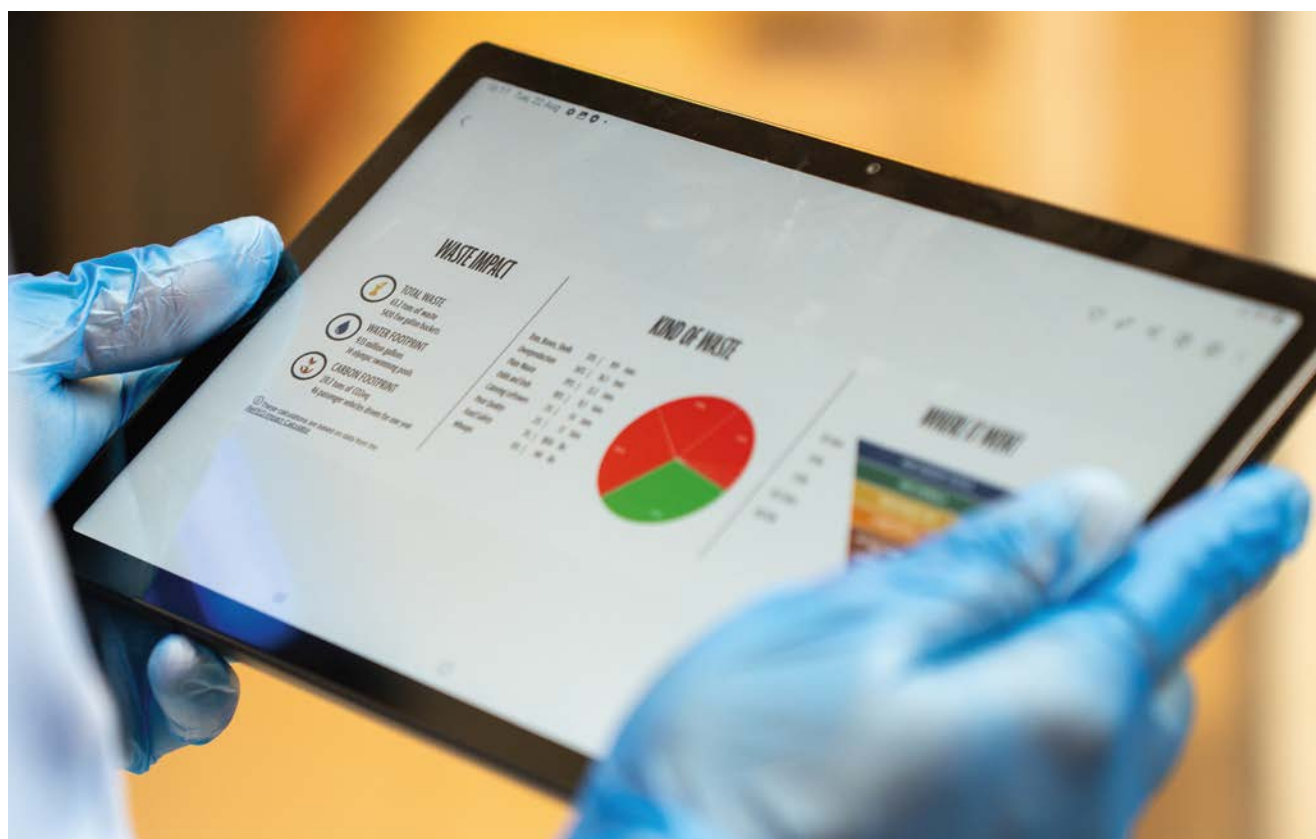
Qualitative scenario analysis

Building on the work conducted in 2022, a long-list of climate-related risks and opportunities was identified using the climate scenarios mentioned above. Their impacts on the business were discussed with business leaders and management across the markets in scope for the assessment. Workshops with our specialist internal teams, market representatives, Group senior management and external climate resilience experts were held to qualitatively assess each climate-related risk and opportunity to determine the possible operational and financial impacts. Participants included representatives from the Sustainability, Finance, Commercial and Procurement functions. The likelihood and impact of the risks were ranked to determine a list of relevant transition and physical climate-related risks and opportunities.

The process of understanding our risk exposure and impact has been incremental. This year's in-depth analysis of physical risks has provided Compass with granular insight into how the impact of climate-related risks and opportunities varies across specific geographies in each time horizon.

The table on pages 49 and 50 summarises the climate-related risks and opportunities identified during the qualitative scenario analysis and, for each one, shows the potential impact, geographical exposure and time horizon during which the impact is expected to materialise. Climate-related risks and opportunities are continuously reviewed together with other business risks as part of our biannual Major Risk Assessment (MRA) process. Climate-related risks and opportunities are assessed based on their potential impact on profit before interest and tax (PBIT) in accordance with the criteria set out in the Board-approved Risk Management Policy (see page 26).

The table also highlights for each risk the combination of strategic business model levers and operational measures available to the Group to mitigate the impact of the risks and to seize the opportunities identified. Many of these levers and operational measures are ones we regularly deploy and, based on our experience, will allow us to mitigate the impacts to levels deemed minor or negligible.



Multiple material levers we can use to mitigate these risks

The table below shows the relevant physical and transition risks and opportunities identified for Compass, including an assessment of potential impact, likely time horizon and geographic exposure.

Risk/opportunity and time horizon	Description and impact	Exposure	Mitigation
Acute physical risks			
Extreme heat and drought (S) Increased extreme heat and drought events 1 2	Transportation disruptions, crop stress leading to reduced yields and/or catastrophic crop failure, raw material shortages and increased operating costs. Transportation routes in the Australian market are vulnerable to disruption from wildfires.	US, UK, Australia and France	<ul style="list-style-type: none"> – flexible menu planning arrangements that allow our businesses to select local, seasonal and readily available ingredients – minimising food waste to maximise value of limited resources – strategic diversification of suppliers and sourcing regions to reduce reliance on single-source ingredients – increased use of alternative farming methods (e.g. indoor vertical farming)
Extreme weather events (L) Increased flooding, hurricanes and cyclones	Increased crop stress, reducing yields and/or catastrophic crop failure from flooding, and distribution-network failures from weather damage (due to flooding, hurricanes and cyclones) to public infrastructure, disrupting operations and sourcing while increasing operating costs.	US, UK, Australia and France	<ul style="list-style-type: none"> – flexible menu planning – minimising food waste – strategic diversification of suppliers and sourcing regions – flexible contractual terms with suppliers to manage and mitigate short-term disruption – contingency planning and rapid response to emergency situations (e.g. the Emergency Preparedness team in the US)
Chronic physical risks			
Extreme heat (L) Increased global temperatures leading to climate-related health impacts, diseases and pests 3	Increased range, spread and distribution of weeds, disease, pests and fungi, reducing crop yields. Extreme heat and disease leading to cow weight loss and lower milk production. Increased exposure of agricultural workers to extreme heat in Australia and US, limiting operational hours and increasing operating and key input costs for farmers.	Global	<ul style="list-style-type: none"> – market-based initiatives to support farmers (e.g. Compass US supporting the Carolina Farm Stewardship Association to provide advice and support to small farmers), focusing on sustainable farming practices and climate resilience – strategic diversification of suppliers and sourcing regions – increased use of alternative farming methods (e.g. indoor vertical farming) – reducing food waste
Water stress (L) Increased water stress and scarcity 4	Increased water stress in Australia and the US leading to reduced water availability for cattle feed, reducing dairy and beef herd sizes and production, and increasing costs of key inputs. Reduced water availability for beverage suppliers, disrupting production and increasing costs of key inputs.	US and Australia	<ul style="list-style-type: none"> – using analytical tools (e.g. carbon footprinting) to allow operators to improve energy, water and waste performance through menu and equipment management – strategically building competitive sourcing programmes in alternative categories (e.g. meatless proteins and dairy alternatives) – reducing food waste
Transition risks			
Taxation (S/M) Taxation on animal protein (beef and dairy) and transportation	Higher compliance costs or increased insurance premiums on carbon use. Increasing costs and/or decreasing revenue due to taxation on the production and sale of beef and dairy. Increased carbon taxation on GHG emissions associated with the transport and distribution of products and services, increasing operating costs.	Global	<ul style="list-style-type: none"> – continued menu reformulation and accelerated plant-forward strategy – reducing food waste – continued close collaboration with key suppliers on GHG emissions reduction – building local sourcing options to reduce food miles – mature pricing practices and processes

S Short M Medium L Long-term

1 2 3 4 The four specific risks identified by the Group as the most relevant physical climate-related risks, which were the focus of the quantitative scenario analysis (see table on page 47).

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Risk/opportunity and time horizon	Description and impact	Exposure	Mitigation
Transition risks continued			
Market (M) Changing consumer preferences and behaviours away from animal proteins (meat and dairy)	Reduced demand for certain products, services and menus, and impact on competitive market position due to shifts in consumer preferences.	US and UK	<ul style="list-style-type: none"> – continued menu reformulation to reduce animal protein on the plate – reducing food waste – industry-leading plant-forward training for our chefs – expanding use of technology and consumer apps to display carbon labelling – working with suppliers on new plant-forward options and reduced-carbon ingredients – strategically building competitive sourcing programmes in alternative protein categories
Policy and legal (S/M) Regulation on plastic and food waste	Increased cost of use (through increased taxation or ban on use) and disposal of plastics leading to loss of revenue and increased regulatory disciplinary action. Fines due to inefficient food waste management, increasing operating costs.	Global	<ul style="list-style-type: none"> – application of technology to measure our food waste footprint (on track to halve food waste across our global operations by 2030) – exploring and implementing solutions to move away from single-use and fossil-fuel based plastics (e.g. in Australia, Compass has already made the transition ahead of federal and state legislation)
Opportunities			
Resource efficiency (M) Reduction in food waste across all operations	Cost reductions and reputational benefits resulting in increased demand for goods/services and increasing revenue.	Global	<ul style="list-style-type: none"> – continued rollout of and investment in proprietary technology to measure our food waste footprint (e.g. Waste Not 2.0) – food waste KPI added to executive annual bonus plan – food reclamation partnerships to repurpose food waste into meals for community support
Market (S) Shift in consumer preferences towards plant-based menus and products	Opportunity to become a market leader in plant-based meals, resulting in increased demand and increasing revenues.	Global	<ul style="list-style-type: none"> – continue to expand our offer of healthy, lower-carbon, plant-based menu items, reformulating menus in line with our plant-forward strategy – increase share of seasonal and locally-sourced products – use of eco-labels to accelerate the transition and position Compass as a market leader
Resilience (M) Use of operational and strategic levers such as procurement scale, menu management, and culinary and digital innovation to mitigate climate-related supply chain disruptions	Higher availability of products compared to competitors, and increasing consequent revenues.	Global	<ul style="list-style-type: none"> – expand use of existing operational and strategic levers globally – leverage global procurement strategy to reduce exposure to fluctuations in raw material costs – flexible menu planning and pricing
Energy sourcing (M) Use of lower emission sources of energy, switch to renewable electricity across all operations and transitioning of all fleet vehicles to 100% plug-in electric	Reduced exposure to fossil fuel prices, and lower operating costs.	Global	<ul style="list-style-type: none"> – continue seeking to improve operational efficiency and use new technologies that emerge as the sector transitions to a low-carbon economy – increasing adoption of 100% plug-in electric vehicles by our businesses – our businesses in the UK and France have already adopted 100% renewable energy, while other markets have begun the transition
Physical opportunity (L) Crop diversification and increasing local sourcing (especially in higher latitudes)	Increased growth viability resulting in reduced logistical emissions and costs.	Global	<ul style="list-style-type: none"> – allocation of funding towards new production techniques such as regenerative agriculture, vertical farming and hydroponics; transitioning farmers from traditional farming – Compass Netherlands has partnered with Local2Local, a platform that enables farmers and producers to sell their products locally

Quantitative scenario analysis

Each of the risks and opportunities identified during the qualitative scenario analysis was considered for quantification based on the level of risk identified, its likelihood and the additional insight that would be gained from quantification.

We continue to enhance our risk management and climate change decision-making processes and, consistent with the qualitative scenario analysis, have extended our modelling to short, medium and long-term timeframes (2025, 2030 and 2050) and four countries (US, UK, Australia and France). Last year, only one timeframe (2030) and one country (US) were considered.

This year, we have focused our analysis on the four most relevant physical climate risks identified during the qualitative scenario analysis: acute drought and heat events, and chronic water stress and temperature increases. These have been modelled under the three climate scenarios, A, B and C, explained on page 47, across the relevant markets and each of the short, medium and long-term timeframes.

The chronic risks were only modelled for the US and Australia on the basis that only these countries are expected to experience temperature increases at levels that will impact livestock and milk production.

Last year, in addition to physical risks, we also modelled transition risks relating to taxation. As we consider that the conclusions of that analysis remain relevant this year, they have not been re-modelled.

The food products selected for the quantitative scenario analysis remain consistent with last year, with protein (beef, dairy, poultry and pork) and produce (fruit and vegetables) continuing to be the focus of our modelling.

The table below shows the results of this year’s quantitative scenario analysis in respect of physical risks, together with last year’s low-carbon transition scenario. We are confident that our strategic business model levers and operational measures will allow us to mitigate the impacts to levels deemed minor or negligible.

Quantification of potential cost impacts by climate scenario

Risk	Type	Description	Impact	Country	Focus area	Cost impact ¹ – 2025/2030			Cost impact ¹ – 2050		
						A (1.5° C)	B (2.5° C)	C (4° C)	A (1.5° C)	B (2.5° C)	C (4° C)
1 Drought	Acute	Prolonged period of abnormally low rainfall leading to a shortage of water	Crop stress leading to reduced yields	US, UK, Australia and France	Poultry, pork, produce	●	●	●	●	●	●
2 Extreme heat	Acute	Prolonged period of abnormally high surface temperatures	Crop stress leading to crop failure	US, UK, Australia and France	Poultry, pork, produce	●	●	●	●	●	●
3 Extreme heat	Chronic	Sustained abnormally high surface temperatures	Heat leading to cow weight loss and lower milk production	US and Australia	Beef, dairy	●	●	●	●	●	●
4 Water stress	Chronic	Sustained higher temperatures and reduced precipitation	Reduced water availability for cattle feed, thus reducing herd size	US and Australia	Beef, dairy	●	●	●	●	●	●
Taxation ²	Transition	Carbon tax on agricultural and freight (Scope 3) emissions	Higher compliance costs or increased insurance premiums	US	Beef, dairy, poultry, pork, produce	●	●	N/A	N/A	N/A	N/A

Potential unmitigated annual food cost increase¹
 ● < 2.5% ● 2.5-5.0% ● 5.0-7.5%

1. The cost impact columns indicate the potential unmitigated gross annual percentage increase in the cost of food products in scope for each risk scenario.
 2. Scenario analysis on taxation in 2022 considered the low-carbon (1.5°C and 2°C) transition scenarios and calculated the cost impact for a 2030 time horizon only.

S Short **M** Medium **L** Long-term

1 2 3 4 The four specific risks identified by the Group as the most relevant physical climate-related risks.

Key assumptions

- it is assumed that the price elasticity of food products is 100%, i.e. when the yield decreases by 1, the price increases by 1
- it is assumed that the price elasticity of poultry and pork feed is 50%, i.e. when the price of feed increases by 1, the price of poultry and pork increases by 0.5

- the output of the analysis is an estimated cost increase assuming no volume changes from 2022 levels and no changes in business activities. The results refer to this scope only and, as such, cannot be extrapolated
- the analysis does not include the mitigation or adaptation measures that would be undertaken by the Group’s businesses and their suppliers to offset the estimated cost increases

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Consistent with last year, no potential financial impacts in 2030 of 2.5% or more of total spend on in-scope food categories before business levers were identified in respect of the physical climate risks modelled.

This year's modelling of physical risks shows that the most significant potential impact is from chronic water stress in the US and Australia in 2050 under all three climate scenarios, with an estimated annual cost increase in the range of 2.5% to 5.0% of the total spend on in-scope food categories across the US, UK, Australia and France. The analysis shows that beef and dairy production is likely to be most impacted by climate change, with costs increasing in the long-term. However, our existing strategy, informed by a focus on potential climate impacts, is building competitive sourcing programmes in alternative food categories including meatless proteins and dairy alternatives, such that the impact of this risk can be successfully mitigated by the Group.

The most significant potential impact identified during our quantitative scenario analysis last year was from the transition risk of carbon taxes on animal protein in the US in 2030 under low-carbon climate Scenario A, with an estimated annual cost increase in a range of 5.0% to 7.5%. Whilst we concluded that the application of the business levers at hand in our operational model would substantially reduce the financial impact, the analysis showed that carbon tax on our Scope 3 GHG emissions is a key risk to mitigate and, therefore, it is the focus of our current efforts, which are highlighted in the Metrics and targets section below.

Future roadmap on scenario analysis

We will continue to evolve our scenario analysis for future TCFD disclosures. In 2024, we expect to quantify an opportunity while continuing to expand our analysis into more geographies and product categories.

The resilience of the Group strategy

Compass Group's sustainability leadership, climate net zero roadmap and well-established plant-forward strategy make us more resilient and adaptable than many of our peers to the impacts of climate change, most notably evolving client and consumer demands and the projected climate impacts on animal protein production costs and availability.

The Group benefits from a wide range of strategic and operational processes already in place that can be flexed to address changing market dynamics, supply disruption and other impacts of climate change. These processes include a combination of operational mitigation measures and strategic business model levers, captured in the table on page 49 and 50. The main levers available to Compass are flexible menu arrangements with clients, food waste management to optimise resource efficiency, and continued strategic diversification of suppliers and sourcing regions. Compass already widely deploys these levers as part of our normal business practices, and we are confident they will continue to provide a competitive advantage during any climate transition.

Beyond these business levers, we are also evolving our approach to carbon. Most of Compass Group's GHG emissions are Scope 3. Collaboration with our suppliers is essential as we recognise that we cannot impact those emissions on our own. We are working with partners like Planet FWD (see page 38), and we are moving to a volume-based data approach, to build a more granular understanding of food-related emissions.

Working with our suppliers on reducing their carbon emissions, combined with menu engineering and reducing food waste, form the three key levers to our carbon reduction strategy.

We believe our business model will be resilient in all three climate change scenarios that were considered during the process.

Risk management

Processes for identifying and assessing climate-related risks

Climate change has been assessed as a principal risk by the Board since 2021, recognising the potential impacts it can have on our businesses in the medium and long-term. Climate change risks and opportunities are considered as part of our MRA process: a structured biannual bottom-up and top-down risk review completed by all countries, which is the cornerstone of our risk management framework.

The process for identifying climate-related risks and opportunities is consistent with last year and continues to involve both country leadership teams and central functions, including Finance, Risk Management, Legal and Sustainability. Risks are identified and assessed within each country and region, and the Group risks are assessed biannually by the Board.

In accordance with our risk management framework, we assess the materiality of key risks and opportunities, including climate-related risks and opportunities, and deem them to have a substantive financial or strategic impact if there is a one-off or recurring annual profit impact of more than 4% of our PBIT. More information about our risk management framework can be found on pages 24 and 25.

Processes for managing climate-related risks

As noted on pages 26 to 30, the Group's principal risks (which include climate-related risks) are all considered as part of the Group's strategic planning process and viability statement assessment. In addition, we note on page 151 how climate risk has been considered in the basis of preparation of the Group's consolidated financial statements.

Climate risks and mitigations are monitored throughout the year by the Executive Committee, as part of the biannual MRA process, and separately by a cross-functional steering group. RMDs are responsible for managing climate change risks and opportunities for their respective regions while responsibility at the country level sits with the country Managing Directors.

The development of action plans to manage the climate-related risks and maximise the opportunities, and the continual monitoring of progress against agreed KPIs, are integral parts of both business process and core activities throughout the Group. These KPIs consist mainly of the metrics described in the Metrics and targets section below, and are in line with our strategy and the conclusions of our scenario analysis.

Metrics and targets

Focus on food waste and GHG emissions in line with strategy and results of quantitative scenario analysis

In line with our commitment to the Paris Agreement and our sustainability strategy, which includes climate action, we have established climate-related metrics and targets for the short, medium and long-term, at both a Group and operating country level. We have committed to:

- reaching climate net zero GHG emissions across our global operations and value chain by 2050. The climate net zero goal includes interim 2030 targets validated by the Science Based Targets initiative (SBTi)
- reducing absolute Scope 1 and Scope 2 GHG emissions by 46% by 2030 from a 2019 base year, in line with an ambition to limit future warming to 1.5°C above pre-industrial levels
- reducing our absolute Scope 3 GHG emissions from all purchased food and drink by 28% by 2030 from a 2019 base year, aligned with a trajectory to limit global warming to well below 2°C compared to pre-industrial levels



This year, we have more than doubled our food waste measurement capability by deploying our range of food waste management systems in nearly 8,000 sites across all regions, with data assurance provided by an independent third party. Our investment in technology helped deliver a 28% reduction in food waste in 2022¹.

We have also committed to achieving carbon neutrality worldwide in our Group operations by 2030 (Scopes 1 and 2). To achieve this, we will compensate and later neutralise remaining Scope 1 and 2 direct GHG emissions through high-quality carbon removal projects. As a critical step towards lower GHG emissions, we have also committed to reducing food waste by 50% by 2030. To support the business to meet these targets the Group launched a Sustainable Financing Framework in July 2022 to issue sustainable debt. Under this framework, in September 2022 we successfully issued two sustainable bonds, raising proceeds of €500 million and £250 million respectively, which will be used to progress the Group's sustainability initiatives and the delivery of its global climate net zero target. As of September 2023, we have allocated 50% of the proceeds raised on sustainable initiatives, including operating expenditures on certified ethically traded coffee and tea and certified sustainable fish and seafood.



Further details can be found in the latest Sustainable Bond Allocation Report on the Group's website www.compass-group.com/en/investors/debt-investors/sustainable-financing

Food waste

With a third of all food produced globally wasted every year, reducing food waste – both within our own operations and by working with suppliers to reduce food waste at source – is a core strategic priority for the Group and our businesses. By sending less food waste to landfill and ensuring good food is not wasted, we are helping to mitigate climate change, relieving pressure on natural resources. This strategy will also continue to enhance purchasing and product management efficiencies throughout our operations globally, supporting the mitigation of the physical and transition risks identified in our scenario analysis.

We are on track to achieve a 50% reduction in food waste by 2030, which we see as our most immediate contribution to reducing GHG emissions. This year, we have more than doubled our food waste measurement capability by deploying our range of food waste management systems in nearly 8,000 sites across all regions, with data assurance provided by an independent third party. Our investment in technology helped deliver a 28% reduction in food waste in 2022¹. The continued global rollout will see food waste technology made available in relevant sites across all Compass markets, improving tracking and accountability of kitchen waste worldwide while also delivering significant reductions in the Group's Scope 3 GHG emissions and clients' carbon footprints. See page 39 for further details on our progress on food waste this year.

Scope 1 and Scope 2 GHG emissions

We report our energy usage and Scope 1 and 2 GHG emissions annually (see page 42). In 2023, we monitored the energy usage and GHG emissions of our owned and operated sites across 28 countries (2022: 29) which represent 98% of the Group's underlying revenue² (2022: 98%). This year, we have again calculated our Scope 2 GHG emissions using market-based methodology to recognise the purchasing of low-carbon energy. Our Scope 1 and 2 GHG emissions normalised by revenue are disclosed on page 42.

Scope 3 GHG emissions

Of our emissions, 98% sit under Scope 3 and are related to the products we purchase. Although these emissions are not entirely within our control, we can influence changes through menu choices, reducing food waste or by working with suppliers to contribute to reductions. We have improved our methodology and we now measure emissions on a volume basis rather than by spend, which is a more accurate reflection of our Scope 3 GHG emissions. Our most recent data show an approximate 30% reduction in our Scope 3 purchased goods emissions compared to our 2019 baseline.

1. Reported reduction based on information available at the date of publication. Progress on food waste reduction in 2023 will be disclosed in the Group's annual Sustainability Report in January 2024.
2. Alternative Performance Measure (APM) (see pages 206 to 213). The Group's APMs are defined in note 34 (non-GAAP measures) and reconciled to GAAP measures in notes 2 (segmental analysis) and 34 to the consolidated financial statements.

Task Force on Climate-related Financial Disclosures continued

GHG Scope 3 – Category	Comment on data
Purchased goods and services	Calculated with average data methodology using activity data for 94% of food spend in the USA, 95% in Australia, and a significant portion in the UK. All other purchased goods and services were calculated using spend data and environmentally extended input-output (EEIO) emissions factors. These emissions factors include upstream transportation for purchased goods and services, unless upstream transportation is separately purchased by Compass Group.
Capital goods	Spend-based method was used on capital goods to calculate the emissions using EEIO emissions factors.
Fuel and energy-related activities	Primary data for Scope 1 and 2 emissions was used to calculate the upstream portion of these activities (US Life Cycle Inventory (LCI) data for most countries). France was calculated using energy usage per meal and fuel usage for transportation emissions.
Upstream transportation and distribution	Upstream transportation emissions are included in emissions for category 3.1 (Purchased goods and services) unless purchased separately. Transportation represented in category 3.4 was calculated using spend data and EEIO emissions factors. France was extrapolated based on data from freight providers.
Waste generated in operations	Waste studies for each country were used to approximate food waste based on purchased food. France was calculated based on estimated waste per meal.
Business travel	Air travel was calculated based on total miles travelled, taking into account country-specific domestic versus international flights, to determine average emissions load. In countries with primary data available, ground travel was also calculated based on total miles travelled by mode of transportation, using each country's government-published emissions factors. In other countries, ground travel emissions were estimated based on total spend for travel.
Employee commuting	Employee commuting was calculated using total number of employees commuting, commuting days in a year, assumed commute distances, assumed vehicle types, and emissions factors from each country's government-published emissions factors.
Upstream leased assets	Compass Group does not lease upstream assets. Energy usage in client kitchens was previously included in this category but is now included in category 3.11 (Use of sold products).
Use of sold products	Compass Group's use of sold products primarily comprises energy usage in client kitchens. Energy use calculations were estimated using factors based on electrical and natural gas usage in commercial kitchens by revenue. Differences in food costs and consumer prices across countries were normalised using food indices from FAOSTAT. Energy usage in client kitchens was previously represented in category 3.8 (Upstream leased assets).
End-of-life treatment of sold products	Estimates were made for both end-of-life food waste and packaging waste. Food waste rates are country-specific. All packaging is assumed to end up as waste, and the quantity of packaging is estimated according to average packaging mass:product ratios based on submitted food weights. These emissions were previously treated as category 3.5 (Waste generated in operations).
Investments	Calculations were based on revenue data and EEIO emissions factors for relevant sectors. For partially-owned investments, revenue is allocated to Compass by percentage of ownership or period of ownership, and only this portion is used for emissions estimates. This category was previously not relevant.

Building a low-carbon supply chain can only be achieved through close collaboration with our supply chain partners. In the UK&I this year, we have mandated that all suppliers establish science-based targets, while in the US we hosted roundtable discussions with our key suppliers to explore their carbon reduction strategies.

Calculations of Scope 3 emissions going forward

In order to monitor our progress in reaching our 2030 science-based targets, we will continue to measure and disclose our relevant Scope 3 emissions annually.

Internal carbon pricing

We recognise the importance of having an effective internal carbon pricing system in place, as well as the effects of a possible increase in the price of carbon offsets going forward. We therefore continue to assess how to introduce an internal carbon pricing method as a matter of priority whilst we evolve our data reporting systems to be able to capture data at a product level, which would be a critical enabler.

Remuneration

To further strengthen our targets and commitments, the Remuneration Committee introduced a new ESG KPI for the 2023 annual bonus plan for executive directors and senior management, to support our sustainability priorities (see pages 116 to 117). This focuses on reducing food waste across our operations, targeting an annual increase in the number of sites recording food waste using industry-leading technology. This has been effective in focusing our leadership to accelerate the deployment of food waste management

technology which will allow us to further reduce food waste, more accurately refine our menu and production planning, and enhance procurement efficiency. The target for this KPI was met in 2023, with the 2024 annual bonus KPI focusing on driving usage of the technology (see page 120).

Work on other metric categories

We recognise the importance of measurement and follow-up to drive change and have considered the seven metric categories in the TCFD recommendations. In addition to the metrics mentioned above, we will continue to explore how to measure transition risks, physical risks, climate-related opportunities and capital deployment to the extent relevant.

Conclusion

We are encouraged by the findings of the expanded scenario analysis this year, which support and reaffirm our sustainability strategy and the mitigating actions we are already taking across our global operations. Though additional climate-related risks have been identified, we are confident in our ability to manage these risks whilst maximising the available opportunities. Consequently, we expect the net impact to be immaterial to the Group.

We remain steadfast in our commitment to collaborate with partners in our ecosystem to decarbonise while continuing to work with external experts to broaden the scope of our efforts in this area and further improve our TCFD disclosures year-on-year.