COMPASS GROUP

Driving growth together

Annual Report 2023

Compass Group PLC, the parent company of the Group, is a non-trading investment holding company which derives its distributable reserves from dividends paid by subsidiary companies.

Explore our heritage

Investor resources

Our strategic focus on People, Performance and Purpose continues to underpin all that we do in our ambition to deliver value to all our stakeholders and drive sustainable growth together.

30%

APM Underlying operating profit growth[1]

Statutory operating profit growth 26%

19%

KPI Organic revenue growth

Statutory revenue growth 22%

6.8%

KPI Underlying operating margin

Statutory operating margin 6.1%

1. Measured on a constant-currency basis.

APM Alternative Performance Measure (APM) (see pages 206 to 213)

KPI APM which is also a Key Performance Indicator (see page 7)

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.

At a glance

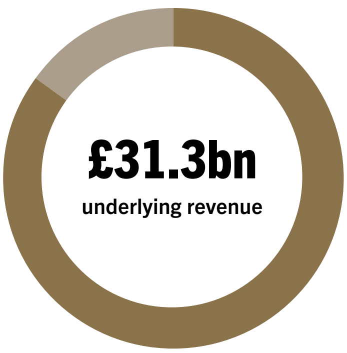
A global leader in food services

We are focused on food and targeted support services in around 35 countries.

While our core offer is the provision of outsourced food services across the world in certain sectors, we also supply targeted support services, such as hospital cleaning.

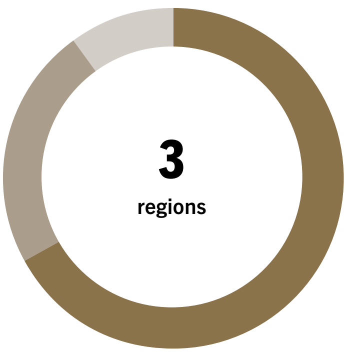
New business growth is currently benefiting from an increase in first-time outsourcing due to additional operational complexities and inflationary pressures.

APM Underlying revenue



Food services	85%
Support services	15%

APM Underlying revenue by region



North America	67%
Europe	23%
Rest of World	10%

APM Underlying revenue by sector

Business & Industry	35%
Education	18%
Healthcare & Senior Living	24%
Sports & Leisure	15%
Defence, Offshore & Remote	8%

APM Alternative Performance Measure (APM) (see pages 206 to 213). Underlying revenue is defined as revenue plus share of revenue of joint ventures. Statutory revenue in 2023 is £31.0 billion.

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.

We provide food and support services across five market sectors

We get close to clients and consumers by sectorising and sub-sectorising our businesses, allowing us to deliver bespoke, innovative and cost effective solutions to meet their unique needs and create maximum mutual value.

Business & Industry

We utilise our scale, experience and digital capabilities to offer our clients attractive cost benefits, tailored menus and a wide range of innovative dining solutions that can add flexibility to their operating models.

Healthcare & Senior Living

We work directly with healthcare providers to prepare food that improves patient and senior living experiences – from restaurant-style cafés to in-room patient dining and specialist feeding.

Education

We strive to provide healthy, balanced meals right through the learning journey, from nursery to higher education. Our catering solutions come in multiple formats, from traditional onsite dining to vending and delivery or takeaway options.

Sports & Leisure

We have vast catering experience within this market, providing food, beverages and hospitality across large stadiums, conference venues, museums and galleries.

Defence, Offshore & Remote

We are a leader in providing food and support services to many major oil, gas, mining and construction companies. Our clients rely on us to provide uninterrupted support, however challenging the operating conditions.

Highlights of the year

2023 was another year of significant progress for Compass. As well as delivering strong financial results, the Group continued to develop its digital and sustainability propositions, with a particular focus on food waste.

Sustainability Report

In January, Compass published its Sustainability Report entitled 'Our Planet Promise'. The report outlined how the Group is tackling climate change, fighting food waste and ensuring food is sourced responsibly, whilst operating with the highest levels of integrity and strong governance.

The Compass Group Foundation

The Compass Group Foundation was launched in January with a mission to improve people's lives through the advancement of education and training, empowering them to play a key role in the future of food for their communities.

By providing grants to non-profit organisations in countries where Compass operates, it aims to create inclusive job opportunities, empower local suppliers, and to provide urgent support in the case of global emergencies.

Strong first-half results and share buyback

In May, the Group published strong first-half results, raising its full-year guidance and announcing a further share buyback of up to £750 million. Net new business continued to be excellent, and significantly higher than the historical rate. There was a step change in our performance in Europe, as the region benefited from growth initiatives and favourable outsourcing conditions.

Sustainability Deep Dive

Compass presented a virtual deep dive on its sustainability proposition in September, highlighting the progress we have made with clients, consumers, employees and suppliers in finding collective solutions to meet our commitment to climate net zero by 2050.

As well as being better for the planet, our sustainability focus is also contributing tangible commercial benefits, helping the Group to win new business.

Another excellent year for Compass

In November, the Group announced its full-year results. 2023 was another excellent year for Compass as it continued to benefit from broad-based growth, with revenue and margin improving across all its regions.

New business signings increased to a record £2.7 billion and the Group's client retention rate continued to improve to 96.5%.

Strategic framework and business model

Delivering for our stakeholders

Our strategic framework

Our Vision

To be a world-class provider of contract food services and support services, renowned for our great people, our great service, and our great results.

Our Goals

- **Representative of the communities we serve**
- **Industry-leading services**
- **A sustainable future for all**

Our Strategic Focus

People

Create lifetime opportunities

People are at the heart of who we are and what we do. Compass is uniquely positioned to create lifetime opportunities and to positively impact and represent the communities in which its businesses operate.

See page 32

Performance

Deliver long-term valued relationships

We use the Management and Performance (MAP) framework to drive performance across the Group. This discipline ensures businesses are managed efficiently while continuing to delight clients and consumers with innovative, healthy and exciting food service solutions.

See page 15

Purpose

Maintain a positive social and environmental impact

Compass continually seeks ways to be more socially and environmentally responsible. Our purpose continues to drive innovation and collaboration across the Group as partnerships with clients, business partners and local communities are strengthened.

See page 38

Our Enablers

Diversity
Compass is committed to inclusion for all and endeavours to harness the talents of its diverse workforce across every level of the business.

Digitisation
Digital is a right to entry in almost every client proposal and a clear growth enabler. It also unlocks cost savings and enhances our sustainability proposition.

Decarbonisation
The Group was the first in its industry to set a global climate net zero target and aims to be carbon neutral in its own operations by 2030.

Our Values

- **Can-do safely**
- **Openness, trust and integrity**
- **Responsibility**
- **Passion for quality**
- **Win through teamwork**

Underpinned by our robust health and safety culture, and doing what is right

See pages 12 to 14

Driving performance through MAP

We use our Management and Performance (MAP) framework to drive performance across the business. It is a simple framework embedded in our culture, which ensures all employees are focused on meeting the following performance drivers:

Organic growth

MAP 1 **Client sales and marketing**	MAP 1 is about winning new business and retaining our existing clients. We invest in sales and retention and are increasingly sectorising and sub-sectorising the business around the world to allow us to get closer to our clients.
MAP 2 **Consumer sales and marketing**	Like-for-like revenue consists of both volume and price. We are focused on attracting and satisfying our client base with strong consumer propositions.

Managing cost

MAP 3 **Cost of food**	Food makes up around one-third of our costs. In addition to the benefits of our scale in food procurement, we are able to manage food costs through careful menu planning and by rationalising the number of products we buy and the suppliers we buy them from.
MAP 4 **In-unit costs**	In-unit costs are predominantly made up of labour. We focus on getting the right people in the right place at the right time. By using labour scheduling techniques and improving productivity, we are able to deliver the optimum level of service in the most efficient way.
MAP 5 **Above-unit overheads**	We have a simple organisational model with few layers of management and little bureaucracy, which enables us to keep overheads low whilst we continue to grow revenue.

Strategic framework and business model continued

Enabled by our competitive advantages

Food is our focus and our core competence. We take a pragmatic and targeted approach to support services on a country and sector specific basis. We create value through organic growth, improving margins and targeted investment.

People and culture

Our people are at the heart of our business. Energetic, ambitious and entrepreneurial, they deliver amazing food and hospitality to millions of consumers worldwide.

Our sectors and portfolio of brands

Our sectorised approach is a key differentiator. Our businesses create bespoke solutions using extensive knowledge of their clients' requirements.

Culinary and digital innovation

We strive to provide clients and consumers with greater choice, award-winning innovation and market-leading contemporary food offers.

Procurement

Our scale enables our businesses to pass on purchasing benefits to clients and consumers by offering better quality products at more attractive prices. Spending with local and diverse suppliers and social enterprises enables greater reinvestment into social causes.

Decentralised structure

The Group operates on a decentralised basis, enabling an entrepreneurial approach by local management teams. This is supported by our MAP framework, which standardises business processes and increases efficiency.

Financial strength

A strong financial foundation with a low level of leverage means we can invest in growth, enabling our businesses to innovate their offer, and evolve our operating model. Our financial strength also attracts new clients seeking stability and long-term outsourcing solutions.

Creating value for all stakeholders

Clear capital allocation

Compass is a strong cash-generating business with a clear capital allocation model. We invest both organically and through acquisitions to drive growth. Our policy is to pay around 50% of underlying earnings through an ordinary dividend, with further additional shareholder returns when appropriate.

We do this whilst maintaining a resilient balance sheet, targeting net debt to EBITDA in the range of 1x-1.5x. Consistent with this framework is the return of excess capital to shareholders through share buybacks.

See page 20 for more information.

Consumers

25%

reduction in global food safety incidents compared to the 2019 baseline

People

550,000+

people we engage and employ around the world

Shareholders

43.1p

total dividend per ordinary share

Communities

1.6m

meals donated to local communities across some of our largest markets

Environment

70+ countries

participated in Stop Food Waste Day, including all Compass operating markets

Key performance indicators

Measuring progress

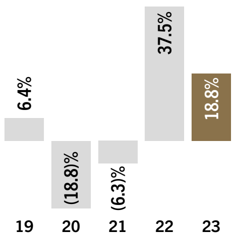
F Financial KPI NF Non-financial KPI

We track our progress against a mix of financial and non-financial measures, which we believe best reflects the delivery of our strategy. We measure growth, efficiency and shareholder returns, which are all underpinned by our focus on safety and our impact on the environment.

Organic revenue change[1]

F

18.8%

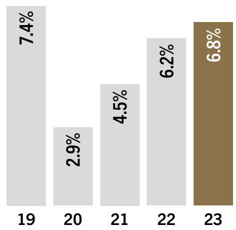


Organic revenue growth was strong at 18.8% reflecting balanced net new business growth across our regions, higher pricing and base volume recovery during the first half of the year.

Underlying operating margin[1]

F

6.8%

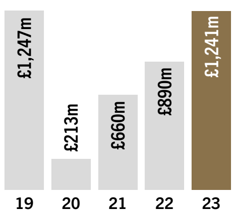


Underlying operation margin improved by 60bps to 6.8% as the Group benefited from operational leverage.

Underlying free cash flow[1]

F

£1,241m

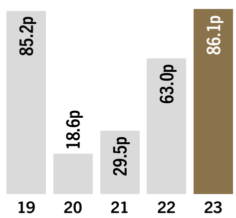


Underlying free cash flow increased to £1,241 million in 2023 representing a conversion rate of 58.5% of underlying operating profit.

Underlying basic earnings per share[1]

F

86.1p

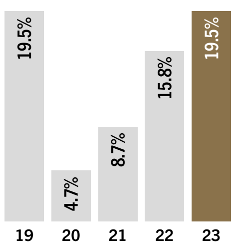


Earnings per share growth of 36.7% in 2023 reflected the Group's strong revenue growth and the improvement in underlying operating margin.

Return on capital employed (ROCE)[1]

F

19.5%

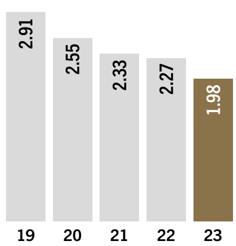


ROCE of 19.5% improved in the most part due to the increase in underlying operating profit during 2023.

Global Lost Time Incident Frequency Rate[2]

NF

1.98

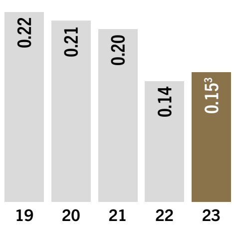


Lost Time Incident Rate further improved to 1.98 reflecting continued focus on loss prevention and return to work initiatives across our regions.

Global Food Safety Incident Rate[2]

NF

0.15

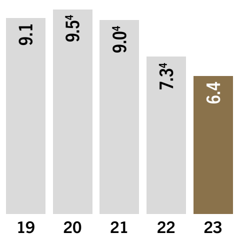


Our focus on Global Food Safety has led to a reduced rate of incidents on a 5-year basis (down 25%), despite our business having grown significantly since 2019.

Greenhouse gas intensity ratio (GHG)[2]

NF

6.4 tCO_2e/£m



When normalised by revenue we have seen a 12% year-on-year reduction in our GHG emissions ratio.

1. Our financial KPIs represent underlying and other Alternative Performance Measures (APMs) which are not defined by generally accepted accounting principles (GAAP). 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.
2. Our non-financial KPIs are further explained on pages 12 and 42.
3. In the current reporting period, there has been a refinement in calculation methodology of the non-financial KPI (FSIR) to weight incidents based on their severity or risk level. On a comparable basis the FSIR for FY23 would have been 0.14. This adjustment is made as part of our continuous improvement journey in safety.
4. Restated (see footnote 3 on page 42).

Chair's letter

Another year of strong progress

Ian Meakins
Chair of the Board

Dear Shareholder

I am pleased to report that Compass has delivered yet another year of strong progress, both in terms of revenue growth and margin improvement.

The outsourcing market remains buoyant, driven by macroeconomic pressures, such as heightened inflation, and increasing operational complexity as consumers demand a more sophisticated food service offering, with digital and sustainability being the key drivers of growth.

People

Our people are at the heart of who we are and what we do. Our aim is to provide a culture in which our people thrive and feel valued for who they are and what they bring to Compass. They drive the business forward and make Compass a great place to work. I would like to take this opportunity to thank all our people for their hard work, dedication, and commitment to the business.

Financial results

The Group delivered excellent organic revenue growth of 18.8%[1] and underlying operating margin increased by 60bps compared with the prior year to 6.8%[1]. This resulted in underlying operating profit increasing by 29.6%[1] on a constant-currency basis to £2,122 million[1]. On a statutory basis, revenue increased by 21.6% to £31,028 million and operating profit was up 26.1% to £1,891 million.

Shareholder returns

The Board recognises the importance of shareholder returns and has been rewarding investors through dividends and share buybacks. Our policy is to pay out around 50% of underlying earnings through an interim and final dividend. In line with this policy, the Board has declared a final dividend of 28.1 pence per share, which, when added to the interim dividend, provides a total dividend for the year of 43.1 pence. We also provided additional capital returns through the year in the form of share buybacks.

Strategy

Our strategy is to focus on food, with targeted support services. The addressable food services market is estimated to be worth at least $300 billion, with a significant structural growth opportunity from first-time outsourcing, as around half of the market is still self-operated.

We have a strategic focus on People, Performance and Purpose. These pillars underpin all that we do in our ambition to deliver value to all our stakeholders.

Sustainability

Our Planet Promise is the Group's global commitment to a sustainable future for all. It encompasses our values as an ethical, sustainable, and inclusive business, together with our ambition to positively impact the world. As well as being the right thing to do, this mission is also key to our growth aspirations as sustainability is also a priority for many of our clients.

Governance and Board changes

As your Chair, one of my key responsibilities is to ensure good governance (see pages 56 to 126), and I continue to be well supported by my fellow Board members.

As previously announced, after a career of nearly 40 years at Compass, Gary Green will retire as Group Chief Operating Officer, North America and as a director of Compass Group PLC on 30 November 2023. Gary will be succeeded by Palmer Brown, Group Chief Financial Officer, who joined Compass 22 years ago and has spent most of his working career in North America in a variety of senior finance, strategy, and legal roles. In turn, Palmer will be succeeded by Petros Parras, Regional Finance Director for Europe and the Middle East, who joined the business in January 2020.

On behalf of the Board, I would like to thank Gary for his enormous contribution to Compass and offer him our best wishes for a very happy retirement. I would also like to extend the Board's congratulations to Palmer and Petros on their appointments to their new roles.

Carol Arrowsmith will retire from the Board at the conclusion of the 2024 AGM having served more than nine years on the Board. On behalf of the Board, I would like to thank Carol for her considerable contribution as a non-executive director and for her leadership and stewardship of the Remuneration Committee. I would also like to offer Carol our best wishes for the future. More details of all of these changes can be found in the Nomination Committee Report on pages 93 to 96.

Summary

The Group continued to perform strongly in 2023 both in terms of growth and margin. We are successfully capitalising on the significant structural growth opportunities, particularly in first-time outsourcing, as we leverage our scale and expertise to achieve strong new business wins.

Compass is a fantastic business with a clear strategy and significant growth potential. We look forward to continuing our journey and generating further sustainable long-term value for all our stakeholders.

IK Meakins

Ian Meakins
Chair of the Board

20 November 2023

Statement on section 172 of the Companies Act 2006

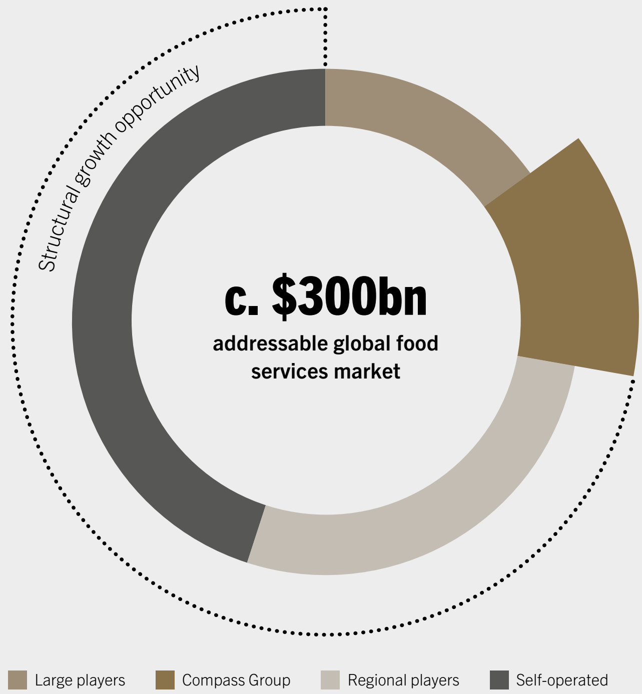
Section 172 of the Companies Act 2006 requires the directors to promote the success of the Company for the benefit of the members as a whole, having regard to the interests of stakeholders in their decision making.

The Company's section 172 statement is set out on page 80 and is incorporated into this Strategic report by reference.

1. 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.

Market review

Supporting sustainable growth



Outsourcing is growing

The addressable global food services market is worth at least $300 billion, of which Compass has less than 15% market share. This provides us a significant runway for growth, as nearly three-quarters of the market is still self-operated or in the hands of regional players.

In addition, there are further growth opportunities for Compass in vending, selected areas of food delivery, and targeted support services.

The drivers for outsourcing are also growing, due to increased regulation, operational complexity and inflationary pressures.

Growth driver	Recent trends	How we are responding
Inflation	Inflation remains heightened, particularly in Europe, increasing first-time outsourcing opportunities as self-operators seek cost efficiencies.	Compass mitigates the impact of inflation using operational tools such as menu management, utilising our scale in food procurement, and digital innovation. In addition to mitigating cost pressures, our businesses work closely with clients to price appropriately.
Regulation	More onerous health and safety regulation, such as allergen labelling, which larger players such as Compass are better placed to deal with.	Compass has long recognised the importance of accurate allergen information, increasingly using technology to provide up-to-date ingredient and allergen information for all dishes prepared and served.
Digital	Increased demand for convenience, for example through the use of pre-order and pre-payment methods.	We have been investing in digital for a decade now and have strong in-house capability that allows our businesses to create a bespoke digital offer for their clients. Digital is also enabling our businesses to increase penetration and average transaction values as well as reducing food costs and increasing labour efficiencies.
Sustainability	Clients require bespoke solutions that take account of their specific sustainability commitments.	We pride ourselves on being an ethical and responsible Group, as demonstrated by our ambitious global climate net zero commitment. This is supported by our countries setting their own ambitious climate commitments. Our focus on sustainability has been key to winning new business and retaining clients, and we expect this trend to continue.
Consumer experience	Improving the variety of menus and quality of food service propositions.	We are elevating the role of the chef, for example through our Global Culinary Forum which brings together chefs representing all our regions. By creating a more inclusive culture our businesses can attract and develop more diverse talent as well as introduce more authentic food experiences to their consumers. Increasing the involvement of front line teams better motivates our people and also drives better commercial outcomes.

Chief Executive's review

Confident for the future

Dominic Blakemore
Group Chief Executive Officer

2023 was a strong year for Compass. North America continued its long track record of excellent growth whilst Europe delivered a second year of net new growth in the 4-5% range. During the year, we continued to successfully capitalise on the dynamic outsourcing trends, resulting in another record year of new business wins and continued strong client retention.

We have a strong, balanced, and sustainable growth model across the Group. Our size, strength and scale enable us to continue investing in our operating model, further enhancing our competitive advantages. We have exited nine tail countries to focus on markets with the greatest growth opportunities and our strong cash generation continues to fuel investment in our business through capex and attractive M&A. The business is in great shape operationally and financially and well positioned for a more focused growth phase.

Group performance

The Group continues to perform strongly both in terms of organic revenue growth, which was 18.8%[1], and underlying operating margin, which improved by 60bps to 6.8%[1]. As a result, underlying operating profit grew by 29.6%[1] on a constant-currency basis to £2,122 million[1] (2022: £1,637 million). Statutory revenue increased by 21.6% reflecting the strong trading performance and favourable exchange translation. Statutory operating profit, including charges relating to business acquisitions and reshaping our portfolio which are excluded from underlying operating profit, increased by 26.1% to £1,891 million.

Capital expenditure was 2.9%[1] of underlying revenue and net M&A expenditure was £304 million, which was largely spent on several bolt-on acquisitions, mainly in the US and UK. Subsequent to the year-end, the Group agreed to acquire Hofmann Menü-Manufaktur GmbH, a German producer of high-quality cook and freeze meals, and exited its small operations in Argentina and Angola. As a result of this and other disposals, including five countries in Central and Eastern Europe, Compass has further reduced its countries of operation to c.35 as it focuses on significant opportunities in its core markets.

Cash flow remains excellent, with underlying operating cash flow of £1,825 million[1] (2022: £1,351 million) and underlying free cash flow of £1,241 million[1] (2022: £890 million), representing strong conversion rates of 86.0%[1] and 58.5%[1], respectively. As a result, leverage (net debt to EBITDA) reduced further to 1.2x[1].

Our strong balance sheet provides us with flexibility to invest in future growth, where we continue to see exciting opportunities, both in terms of M&A, where we have an attractive pipeline, and organically, where the market remains buoyant. We therefore expect capital expenditure to be around 3.5% of underlying revenue in 2024, with net M&A expenditure likely to be higher than in 2023.

Strategy

We are a global leader in the provision of food services, our core offer, complemented by our targeted support services business. Our addressable food market is estimated to be worth at least $300 billion, in the markets and sectors we currently operate in, with about half of the market still operated in-house. Heightened client and consumer expectations and inflation have contributed to the acceleration of growth, particularly in the conversion of first-time outsourcing, and we have clear strategic priorities to capture these opportunities.

Our portfolio of sector-specific brands enables us to differentiate our offer and leverage our industry expertise by creating tailored solutions for our clients to align with their own organisational priorities. This approach helps us become strategic partners to our clients with shared objectives across a range of initiatives, such as digital capability, sustainability, people development and increasingly as a trusted advisor.

Through our strategic pillars of People, Performance and Purpose, combined with our operational performance and capital allocation framework, we aim to generate higher compounding value for all our stakeholders over the long term.

People

At Compass, we know that our success is largely down to the skills and ingenuity of our chefs and front line teams. They lead the way in safe and sustainable food at scale, promoting healthier choices and creating great experiences for the people we serve.

We work to ensure that people who want to pursue a career in the food and hospitality industry can succeed with Compass. We encourage new joiners to make use of innovative tools, such as digital onboarding applications and training programmes, with more than 1,500 colleagues in our UK & Ireland business signing up to our landmark training and development scheme, Compass Career Pathways. Pleasingly, over 50% of those who have completed the programme have moved or been promoted into a new role.

Having people from diverse backgrounds in Compass is a huge strength for our businesses. In the US, over 17,000 Compass employees completed diversity, equity and inclusion training, whilst our Be the Difference conference in July 2023 was attended by more than 2,000 colleagues to discuss empowering front line talent, exploring neurodiversity and the importance of allyship.

We are also addressing inequalities and opportunity gaps within the hospitality industry by supporting women chefs with dedicated training, leadership development programmes and advancement opportunities. Our Women in Culinary (WiC) programme in the US is driving cultural change as well as career growth, igniting executive allyship and fostering kind kitchens.

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Talent development and careers remain a key opportunity and is important for our people. We will continue to build out our Compass Academy concept and enhance career pathways in our markets with a particular focus on culinary and leadership skills.

Purpose

Our Planet Promise is Compass Group's global commitment to a sustainable future for all. It encompasses our values as an ethical, sustainable and inclusive business, together with our ambition to positively impact the world. Compass is committed to be carbon neutral worldwide on its Scope 1 and 2 GHG emissions by 2030, and reach climate net zero GHG emissions across its global operations and value chain by 2050.

Our ability to demonstrate progress in reducing our carbon impact and food waste is helping us to attract new clients for whom sustainability is a major focus. Most have their own ambitious climate plans and they rely on us as a trusted partner to help them achieve their sustainability goals. Together with Compass, clients and consumers in every market can navigate towards a less wasteful, healthier plant-forward lifestyle.

Reducing food waste is one of the biggest environmental challenges facing our sector, and therefore one where we have the greatest potential to make a significant difference. Our culinary teams and front line staff are instrumental in tackling this challenge, employing a range of diverse food waste reduction technology systems across our markets. This year, we made food waste reduction our top priority. Our target was to adopt food waste tracking technology in 6,000 locations and, with every region united in support, we achieved nearly 8,000 locations.

Summary

Performance this year has been pleasing across our key metrics of revenue, profit and cash. Favourable market conditions, persistent inflation and our flexible operating model continued to support strong balanced net new business growth across all our regions, with first-time outsourcing accounting for c.50% of new wins.

Our large addressable market has a long structural runway for growth and, with increasing complexity and heightened expectations from clients and consumers, we expect to sustain growth higher than our historical average. We have clear strategic priorities to capture these exciting opportunities by focusing on our core markets and evolving our operating model.

Strong profit growth and cash generation underpin our robust balance sheet giving us options for capital allocation. The total dividend for the year of 43.1 pence is complemented by a share buyback of up to $500 million (£410 million), subject to M&A activity, in line with our recent returns to shareholders. As we continue to create value from disciplined capital allocation, we continue to explore attractive M&A opportunities to capture future sources of growth.

Looking further ahead, we remain excited about the significant global structural growth opportunities, leading to revenue and profit growth above historical rates. With our proven model of value creation through operations and capital allocation, we will continue rewarding shareholders with compounding returns over the long term.

Dominic Blakemore
Group Chief Executive Officer

20 November 2023

Through our strategic pillars of People, Performance and Purpose, combined with our operational performance and capital allocation framework, we aim to generate higher compounding value for all our stakeholders over the long term.

Health and safety

Safety culture

At Compass safety is our number one operational priority. Our collective values and practices promote education and collaboration with a focus on continuous improvement. People are at the heart of our business so taking care of them is of the utmost importance to us.

Evolving our systems

As our business continues to grow, so does our investment in safety management systems. Compass' safety platforms are structured to manage risk and enhance operational performance. Investment in systems provides a proactive approach to compliance, operational efficiency, data-driven decisions and leadership safety interactions. At Compass, safety performance is continuously monitored, transparently reported and considered at every meeting of the Board and Corporate Responsibility Committee.

Personal safety

Our safety culture emphasises the fundamental importance of incident prevention and intervention. Through awareness, information and training, we empower our people to take individual and collective responsibility for their own safety and the safety of those around them. This is further embedded by our network of safety leaders operating at every level within our businesses. In 2023, our global Lost Time Incident Frequency Rate (LTIFR) fell to 1.98, below the limit of 2.60 set at the beginning of the year. There has been a 34% reduction in incident numbers compared to the 2019 baseline.

Food safety

Compass' core values and safety protocols guide the decisions, actions and behaviours of our people and serve as a foundation for the way our businesses operate. Suppliers undergo a rigorous approval process, with any areas for improvement remedied to mitigate wider risks. An increasing number of our businesses' sites operate to ISO 22000 food safety management system standards or similar Safe Quality Food (SQF) standards. Food safety training is delivered at the local level to account for unique market risks associated with food hygiene and allergen regulations. We take a robust approach to any food safety incidents, with protocols in place to report and respond rapidly. Learnings are shared internally to continually evaluate and improve practices. In 2023, we achieved a Food Safety Incident Rate (FSIR) rate of 0.15, below our limit of 0.20. Our focus on Global Food Safety has led to a reduced rate of incidents on a 5-year basis (down 25%), despite our business having grown significantly since 2019.

Safety governance

We continue to diligently focus on a culture of care, respect and safety; empowering our people to adopt behaviours that keep them free from harm while delivering for clients and consumers. Safety learnings are shared right across the business with a safety moment at the start of management meetings, whilst Board and Executive Committee meetings regularly feature health and safety updates. The Corporate Responsibility Committee reviews the Group's Health and Safety Policies annually to ensure that they continue to reflect our aims and aspirations and remain fit for purpose.

Safety targets

The practice of transparently reporting safety performance encourages a culture of accountability and contributes to continuous improvement in safety practices. Countries are required to report monthly on their LTIFR and FSIR. These key performance indicators are linked to the annual bonus plan for executive directors and other senior management.

See page 116 of our Remuneration Committee report for more information.

Our safety performance against targets continued to improve in 2023. Since 2019, we have delivered a 34% reduction in the LTIFR and a 25% reduction in the FSIR respectively. A reduction in LTIFR correlates with an improving safety culture; reducing cases where our colleagues are away from work for more than a shift as a result of a work-related injury. A reduction in FSIR is a helpful measure of our ability to provide quality food that is safe to our consumers, as measured by cases of substantiated food safety incidents.

See our KPIs on page 7 for more information.

Priorities for the year ahead

The business will prioritise initiatives that further a holistic safety culture; one of those initiatives is the move to measuring personal injury rates focusing on Total Recordable Injury Frequency Rate (TRIFR) rather than LTIFR for 2024 onwards. TRIFR emphasises the importance of preventing all injuries and is a more comprehensive assessment of personal safety, reflecting the continuing maturity of our organisation. We will look to further scale technologies that support the safeguarding of our people, enable better practice sharing around training, and provide a forum for our global safety professionals to connect in a common purpose.

Ethics and integrity

Doing what is right

Doing what is right

Compass has a passionate commitment to uphold the highest standards of ethics and integrity (E&I) which has earned us our position as a global leader and trusted partner. We believe in responsible leadership; we aim to set the standard and act as a role model for ethical behaviour. Through an inclusive culture, we promote a workplace where our people and partners can speak up and be heard. Our values, commitments and Code of Business Conduct (CBC) guide the decisions, actions and behaviours of our people and serve as a foundation for the way our businesses conduct themselves.

Our E&I programme

Our risk-based programme and policy framework provide the minimum standards, expectations and guidance for Compass' employees and those who act on our behalf, to ensure business is conducted in an ethical, fair and responsible way.

Global initiatives

Committed to continued improvement, this year we have prioritised:

- refreshing and relaunching our CBC
- launching our Business Integrity Policy
- introducing an annual E&I awareness week, focused on embedding E&I principles within our countries through a leader-led approach
- strengthening integrity due diligence, with the introduction of a new Third-Party Integrity Due Diligence process, piloted in 10 countries
- improving governance and management reporting through phased implementation of E&I committees
- supporting further embedding of Compass' Human Rights Policy through programme awareness activities and e-learning

Training and awareness

Through communication, awareness and training, we empower, encourage and equip our people to spot red flags and make well-informed integrity-driven decisions. This year, we expanded our Group-wide target training population to include all Legal, Sales, Finance, Internal Audit, Procurement, Growth and Retention teams in addition to our Board of Directors and all executive management, leader and above-unit manager roles at Group, region and country level. Our global E&I awareness week involved all our countries, targeting an audience of over 100,000 employees across the Group's businesses, and resulted in 6,500 participants electing to become E&I ambassadors. To set clear expectations of our ethical behaviours and values, we refreshed the new starter training programme for unit managers and above, covering key E&I principles. Following a successful pilot, a phased implementation plan for the new starter training has commenced and will continue into 2024.

Pledge and declaration

To confirm understanding of and compliance with the CBC, our annual self-certification process requires all our target training population of around 18,000 employees globally (2022: around 13,000) to provide a pledge and declaration covering key business integrity risk areas and conflict of interest disclosures.

Priorities for the year ahead

In partnership with the businesses and our community of E&I leaders, we will prioritise our initiatives in accordance with our strategic plan as approved by the Corporate Responsibility Committee. These priorities include continuing to embed third-party integrity due diligence as part of local country processes, improving management of high-risk third parties, enhancing monitoring and oversight procedures, and optimising our E&I suite of tools and technologies.

Ethics and integrity continued

SPEAK UP!
We're listening

Speak Up, We're Listening is our confidential reporting programme that is accessible to anyone, available 24/7 365 days a year and is managed by Group E&I, a team independent of any other lines of business.

In 2023, our Speak Up, We're Listening programme received a total of 4,130 reports (2022: 3,176), from employees in the Group, contractors and external parties. Positive engagement with the programme is observed through increased reporting, and accessibility through the use of QR codes which are displayed on key policies and other communications materials such as posters. In 2023, the QR code was scanned 7,713 times across 38 countries.

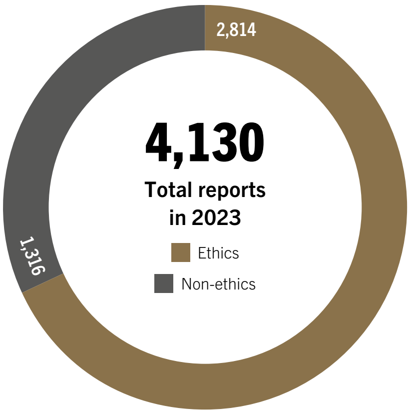
Of the total reports made to Speak Up, 1,386 involved issues that were non-ethics-related matters and were typically referred to internal teams for follow-up rather than requiring an ethics investigation. The remaining 2,814 were ethics-related matters assessed as potential breaches of our CBC of which 80% (2,243) were employee behaviour concerns, 14% (398) business integrity, 5% (132) health, safety and sustainability, and 1% (41) finance.

Whilst 62% (1,735) of reporters elected to remain anonymous (2022: 1,268), the overall substantiation rate for 2023 was 38% (2022: 34%), which reflects optimisations in investigation processes including more consistent engagement with reporters to develop and better understand concerns raised. At Compass, we take all matters raised through Speak Up very seriously and ensure our reporters hear back from the programme, and that appropriate actions are taken with respect to concerns raised. In 2023, the four most common case outcomes relating to substantiated issues were coaching (37%) feedback (33%), warning (13%) and termination of employment (7%). Other outcomes (10%) included referral to another process, training and employee performance improvement.

Compass Group and all of its Group companies strongly encourage raising concerns about improper behaviour or possible violations of our CBC, other policies or laws. Compass strictly prohibits and does not tolerate retaliation or detrimental conduct in response to anyone raising a concern, irrespective of the outcome. In a 2023 integrity pulse survey, 87% of our employees* stated that they speak up when things do not feel right.

* Employees who were assigned E&I training

Speak Up, We're Listening 2023 overview



Ethics report categories
2,814* ethics reports

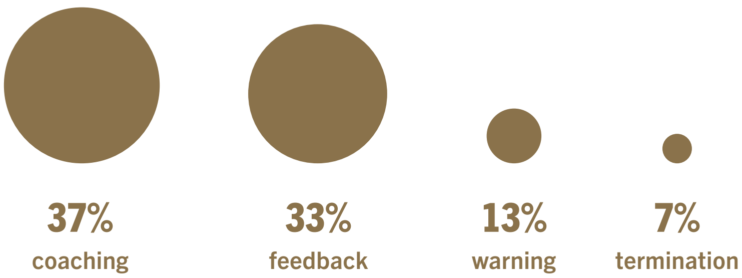
Employee behaviours (2,243 cases)	80%
Business integrity (398 cases)	14%
Health, safety & sustainability (132 cases)	5%
Finance (41 cases)	1%

***5 most frequently reported ethics issues:**

harassment/bullying
workplace conflict
issues with management
discrimination
retaliation

In descending order of most frequently reported

Ethics case outcomes
38% substantiation rate, resulting in:



Remaining 10% comprises: referral to another process; training; and employee performance improvement.

Step change in Europe performance

With the majority of the food services market still self-operated or in the hands of regional players, the outsourcing opportunity in Europe remains significant.

We are capitalising on this potential, with net new business growth in Europe now much higher than our historical rate. This reflects both higher new business wins and an improving retention rate.

A stronger growth mentality is being embedded in our European business which is benefiting from investments made in its people, brands, and processes. We are being more proactive in our approach to winning new business and retaining clients, which has resulted in a larger sales pipeline, increased conversion rates and better retention rates.

Largely driven by this step change in Europe performance, we now expect the Group's net new business growth rate to be sustained in the 4-5% range, above our historical level of around 3%.

Financial review

Continuing our track record of strong growth

Palmer Brown
Group Chief Financial Officer

Group performance

We manage and assess the performance of the Group using various underlying and other Alternative Performance Measures (APMs). These measures are not defined by International Financial Reporting Standards (IFRS) or other generally accepted accounting principles (GAAP) and may not be directly comparable with APMs used by other companies. Underlying measures reflect ongoing trading and, therefore, facilitate meaningful year-on-year comparison. The Group's APMs, together with the results prepared in accordance with IFRS, provide comprehensive analysis of the Group's results. Accordingly, the relevant statutory measures are also presented where appropriate. Certain of the Group's APMs are financial Key Performance Indicators (KPIs) which measure progress against our strategy. 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.

Statutory results

- Revenue increased by 21.6% reflecting the strong trading performance and favourable exchange translation
- Operating profit, including charges relating to business acquisitions and reshaping our portfolio which are excluded from underlying operating profit, increased by 26.1% to £1,891 million
- Basic earnings per share of 75.4 pence, an increase of 20.4%

Underlying results

- Operating profit growth of 29.6% on a constant-currency basis delivered through: organic revenue growth of 18.8%, balanced across all regions and sectors; and operating margin of 6.8%, up 60bps year on year
- Return on capital employed of 19.5%, up from 15.8% in 2022
- Basic underlying earnings per share increased by 32.5% to 86.1 pence on a constant-currency basis
- Increased cash generation, with underlying free cash flow up 39.4% to £1,241 million

	2023 £m	2022 £m	Change
Revenue			
APM Underlying – reported rates	**31,281**	25,771	21.4%
APM Underlying – constant currency	**31,281**	26,406	18.5%
KPI Organic	**30,983**	26,087	18.8%
Statutory	**31,028**	25,512	21.6%
Operating profit			
APM Underlying – reported rates	**2,122**	1,590	33.5%
APM Underlying – constant currency	**2,122**	1,637	29.6%
APM Organic	**2,097**	1,615	29.8%
Statutory	**1,891**	1,500	26.1%
Operating margin			
KPI Underlying – reported rates	**6.8%**	6.2%	60bps
Return on capital employed (ROCE)			
KPI Underlying – reported rates	**19.5%**	15.8%	370bps
Basic earnings per share			
KPI Underlying – reported rates	**86.1p**	63.0p	36.7%
APM Underlying – constant currency	**86.1p**	65.0p	32.5%
Statutory	**75.4p**	62.6p	20.4%
Free cash flow			
KPI Underlying – reported rates	**1,241**	890	39.4%
Dividend			
Full-year dividend per ordinary share	**43.1p**	31.5p	36.8%

APM Alternative Performance Measure (APM) (see pages 206 to 213)

KPI APM which is also a Key Performance Indicator (see page 7)

Income statement

For the year ended 30 September	2023 Statutory £m	2023 Adjustments £m	2023 Underlying (APM) £m	2022 Statutory £m	2022 Adjustments £m	2022 Underlying (APM) £m
Revenue	**31,028**	**253**	**31,281**	25,512	259	25,771
Operating profit	**1,891**	**231**	**2,122**	1,500	90	1,590
Net gain/(loss) on sale and closure of businesses	**20**	**(20)**	–	(7)	7	–
Finance costs	**(164)**	**28**	**(136)**	(24)	(76)	(100)
Profit before tax	**1,747**	**239**	**1,986**	1,469	21	1,490
Tax expense	**(429)**	**(52)**	**(481)**	(352)	(13)	(365)
Profit for the year	**1,318**	**187**	**1,505**	1,117	8	1,125
Non-controlling interests	**(4)**	–	**(4)**	(4)	–	(4)
Attributable profit	**1,314**	**187**	**1,501**	1,113	8	1,121
Average number of shares	**1,743m**	–	**1,743m**	1,779m	–	1,779m
(KPI) Basic earnings per share	**75.4p**	**10.7p**	**86.1p**	62.6p	0.4p	63.0p
EBITDA			**2,964**			2,371

APM Alternative Performance Measure (APM) (see pages 206 to 213)

KPI APM which is also a Key Performance Indicator (see page 7)

Statutory income statement

On a statutory basis, revenue increased by 21.6% to £31,028 million (2022: £25,512 million).

Statutory operating profit was £1,891 million (2022: £1,500 million), an increase of 26.1%, mainly reflecting the higher revenue and margin improvement, together with favourable exchange translation.

Statutory operating profit includes non-underlying item charges of £231 million (2022: £90 million), including acquisition-related charges of £125 million (2022: £92 million) and charges related to the strategic portfolio review of £99 million (2022: £nil) reflecting the impact of site closures and contract renegotiations and terminations in the UK. A full list of non-underlying items is included in note 34 (non-GAAP measures).

The Group has recognised a net gain of £20 million on the sale and closure of businesses (2022: net loss of £7 million), including exit costs of £11 million (2022: £7 million), which largely relates to the strategic portfolio review. As a result of this ongoing review of non-core activities, the Group exited seven tail countries and sold a non-core business in the UK during the year. Subsequent to the year-end, the Group also exited its businesses in Argentina and Angola.

Finance costs increased to £164 million (2022: £24 million) due to an increase in interest rates, the cost of the additional debt issued in September 2022 and a partial reversal of the fair value gains on derivatives held to minimise volatility in short-term underlying finance costs recognised in the prior year.

Profit before tax was £1,747 million (2022: £1,469 million) giving rise to an income tax expense of £429 million (2022: £352 million), equivalent to an effective tax rate of 24.6% (2022: 24.0%). The increase in rate primarily reflects the increase in the UK corporate tax rate from 19% to 25% from 1 April 2023 and the impact of non-taxable non-underlying items, partly offset by the reassessment of risk in respect of prior year uncertain items.

Basic earnings per share was 75.4 pence (2022: 62.6 pence), an increase of 20.4%, reflecting the higher profit for the year.

Underlying income statement

Organic revenue growth of 18.8% reflects net new business growth of approximately 5%, above historical levels of approximately 3%, with like-for-like volume growth and pricing both at around 7%. Following strong like-for-like volume growth in the first half of the year, due to the pandemic-impacted comparators, volume growth normalised in the second half of the year as anticipated. Pleasingly, organic revenue growth continues to be broad-based, with all the Group's regions performing strongly.

Underlying operating profit increased by 29.6% on a constant-currency basis, to £2,122 million, and our underlying operating margin was 6.8% (2022: 6.2%), with all regions achieving significant margin progression. The strong improvement in margin reflects the benefits of operating leverage, operational efficiencies and appropriate pricing to manage inflation headwinds, and is despite mobilisation costs associated with new business growth.

Underlying finance costs increased to £136 million (2022: £100 million) mainly due to an increase in interest rates and the cost of the additional debt issued in September 2022.

On an underlying basis, the tax charge was £481 million (2022: £365 million), equivalent to an effective tax rate of 24.2% (2022: 24.5%). The decrease in rate primarily reflects the reassessment of prior year tax estimates and the resolution of open items, partly offset by the increase in the UK corporate tax rate from 19% to 25% from 1 April 2023. The tax environment continues to be uncertain, with more challenging tax authority audits and enquiries globally.

On a constant-currency basis, underlying basic earnings per share increased by 32.5% to 86.1 pence (2022: 65.0 pence) reflecting the higher profit for the year.

Financial review continued

Balance sheet

At 30 September	2023 £m	2022 £m
Goodwill	**5,002**	5,119
Other non-current assets	**5,982**	5,895
Working capital	**(1,239)**	(1,319)
Provisions	**(519)**	(579)
Net post-employment benefit obligations	**(376)**	(178)
Current tax	**(125)**	(139)
Deferred tax	**85**	70
APM Net debt	**(3,653)**	(2,990)
Net assets held for sale	**4**	26
Net assets	**5,161**	5,905
Borrowings	**(3,370)**	(3,964)
Lease liabilities	**(945)**	(913)
Derivatives	**(181)**	(96)
Cash and cash equivalents	**843**	1,983
APM **Net debt**	**(3,653)**	(2,990)

APM Alternative Performance Measure (APM) (see pages 206 to 213)

Liquidity

The Group finances its operations through cash generated by the business and borrowings from a number of sources, including banking institutions, the public and the private placement markets. The Group has developed long-term relationships with a number of financial counterparties with the balance sheet strength and credit quality to provide credit facilities as required.

The Group seeks to avoid a concentration of debt maturities in any one period to spread its refinancing risk. A €500 million (£438 million) Eurobond matured and was repaid in January 2023. The maturity profile of the Group's principal borrowings at 30 September 2023 shows that the average period to maturity is 3.3 years (2022: 3.9 years).

The Group's US Private Placement (USPP) notes contain leverage and interest cover covenants which are tested semi-annually at 31 March and 30 September. The leverage covenant test stipulates that consolidated net debt must be less than or equal to 3.5 times consolidated EBITDA. The interest cover covenant test stipulates that consolidated EBITDA must be more than or equal to 3 times consolidated net finance costs. Consolidated EBITDA and net finance costs are based on the preceding 12 months. The leverage and interest cover ratios were 1.0 times and 27.6 times, respectively, at 30 September 2023. Net debt, consolidated EBITDA and net finance costs are subject to certain accounting adjustments for the purposes of the covenant tests. The covenant tests are shown in note 19 to the consolidated financial statements.

At 30 September 2023, the Group had access to £2,680 million (2022: £3,732 million) of liquidity, including £2,000 million (2022: £2,000 million) of undrawn bank facilities committed to August 2026 and £680 million (2022: £1,732 million) of cash, net of overdrafts. Our credit ratings remain strong investment grade: Standard & Poor's A/A-1 long-term/short-term (outlook Stable) and, following a rating upgrade in October 2023, Moody's A2/P-1 long-term/short-term (outlook Stable).

Net debt

Net debt has increased by £663 million to £3,653 million (2022: £2,990 million). The Group generated £1,166 million of free cash flow, after investing £899 million in capital expenditure, which was more than offset by £287 million spent on the acquisition of subsidiaries, joint ventures and associates, net of disposal proceeds, dividends of £648 million and the share buyback of £929 million. Favourable exchange translation was £168 million.

The ratio of net debt to market capitalisation of £35,708 million at 30 September 2023 was 10.2% (2022: 9.3%). At 30 September 2023, the ratio of net debt to underlying EBITDA was 1.2x (2022: 1.3x). Our leverage policy is to maintain strong investment-grade credit ratings and to target net debt to underlying EBITDA in the range of 1x-1.5x.

Post-employment benefits

The Group has continued to review and monitor its pension obligations throughout the year, working closely with the trustees and actuaries of all schemes across the Group to ensure appropriate assumptions are used and adequate provision and contributions are made.

The accounting surplus in the Compass Group Pension Plan reduced to £430 million at 30 September 2023 (2022: £581 million) mainly reflecting a decrease in the market value of plan assets, partly offset by an increase in the discount rate, net of inflation, used to measure the liabilities. The deficit in the rest of the Group's defined benefit pension schemes has increased to £806 million (2022: £759 million). The net deficit in these schemes is £106 million (2022: £108 million) including investments of £700 million (2022: £651 million) held in respect of unfunded pension schemes and the US Rabbi Trust which do not meet the definition of pension assets under IAS 19 Employee Benefits.

The total pensions operating charge for defined contribution schemes in the year was £208 million (2022: £175 million) and £30 million (2022: £24 million) for defined benefit schemes.

Return on capital employed

Return on capital employed was 19.5% (2022: 15.8%) based on net underlying operating profit after tax at the underlying effective tax rate of 24.2% (2022: 24.5%). The increase mainly reflects the higher profit, partly offset by higher average capital employed. The average capital employed was £8,215 million (2022: £7,567 million).

Cash flow

For the year ended 30 September	2023 £m	2022 £m
APM **Free cash flow**	**1,166**	823
Add back: Lease repayments	**176**	152
New lease liabilities and amendments	**(264)**	(139)
Acquisition and disposal of businesses	**(287)**	(258)
Dividends paid	**(648)**	(418)
Purchase of own shares	**(945)**	(431)
Foreign exchange translation	**168**	(251)
Other non-cash movements	**(29)**	70
Increase in net debt	**(663)**	(452)
Opening net debt	**(2,990)**	(2,538)
APM **Net debt**	**(3,653)**	(2,990)

APM **Free cash flow**	**1,166**	823
Add back: Cash payments related to restructuring and strategic programmes and the one-off pension charge	**58**	57
Add back: Acquisition transaction costs	**17**	10
KPI **Underlying free cash flow**	**1,241**	890

APM Alternative Performance Measure (APM) (see pages 206 to 213)

KPI APM which is also a Key Performance Indicator (see page 7)

Free cash flow

Free cash flow totalled £1,166 million (2022: £823 million). During the year, we made cash payments totalling £58 million (2022: £57 million) in relation to restructuring and strategic programmes and the one-off pension charge. Adjusting for this, and for acquisition transaction costs of £17 million (2022: £10 million) which are reported as part of operating cash flow, underlying free cash flow was £1,241 million (2022: £890 million), with underlying free cash flow conversion at 58.5% (2022: 56.0%).

Capital expenditure of £899 million (2022: £704 million) is equivalent to 2.9% (2022: 2.7%) of underlying revenue. The working capital outflow, excluding provisions and pensions, was £98 million (2022: £159 million). The net interest outflow increased to £120 million (2022: £86 million) consistent with the higher underlying finance costs in the year. The net tax paid was £441 million (2022: £332 million), which is equivalent to an underlying cash tax rate of 22.2% (2022: 22.3%).

Acquisition and disposal of businesses

The total cash spent on business acquisitions during the year, net of cash acquired, was £351 million (2022: £303 million), including £285 million of bolt-on acquisitions and interests in joint ventures and associates, £49 million of deferred and contingent consideration and other payments relating to businesses acquired in previous years, and £17 million of acquisition transaction costs included in net cash flow from operating activities.

The Group received £47 million (2022: £35 million) in respect of disposal proceeds net of exit costs, which primarily comprises the sale of businesses in the US and Central and Eastern Europe, together with a further 28% shareholding in the Japanese Highways business classified as an asset held for sale at 30 September 2022.

Dividends paid

Dividends paid in 2023 of £648 million represents the 2022 final dividend (£387 million) and the 2023 interim dividend (£261 million).

Purchase of own shares

There was a £78 million cash outflow in respect of the completion of the £500 million share buyback announced in May 2022, a £251 million cash outflow in respect of the completion of the £250 million share buyback announced in November 2022 and a £600 million cash outflow in respect of the £750 million share buyback announced in May 2023. The balance of the £750 million share buyback was completed in November 2023. In addition, the Compass Group PLC All Share Schemes Trust spent £16 million on purchases of the Company's shares to satisfy some of the Group's liabilities to employees for long-term incentive plans.

Foreign exchange translation

The £168 million gain (2022: £251 million loss) on foreign exchange translation of net debt primarily arises in respect of the Group's US dollar-denominated USPP notes.

Other non-cash movements

Other non-cash movements primarily comprises fair value movements on derivative financial instruments used to manage the Group's interest rate exposure.

Financial review continued

Change in reporting currency

With effect from 1 October 2023, the reporting currency of the Group was changed from sterling to US dollars. The change in presentation currency will provide investors and other stakeholders with greater transparency of the Group's performance and reduce foreign exchange volatility on earnings given that approximately three-quarters of the Group's underlying operating profit originates in US dollars.

Capital allocation

Our capital allocation framework is clear and unchanged. Our priority is to invest in the business to fund growth opportunities, target a strong investment-grade credit rating with a leverage target of around 1x-1.5x net debt to EBITDA and pay an ordinary dividend, with any surplus capital being returned to shareholders.

Growth investment consists of: (i) capital expenditure to support organic growth in both new business wins and retention of existing contracts; and (ii) bolt-on M&A opportunities that strengthen our capabilities and broaden our exposure. We have a proven track record of strong returns from our investment strategy as evidenced by our historical returns on capital employed.

Shareholder returns

Our dividend policy is to pay out around 50% of underlying earnings through an interim and final dividend, with the interim dividend reflecting around one-third of the total annual dividend.

In determining the level of dividend in any year, the Board considers a number of factors, which include but are not limited to:

- the level of available distributable reserves in the Parent Company
- future cash commitments and investment requirements to sustain the long-term growth prospects of the business
- potential strategic opportunities
- the level of dividend cover

Further surpluses, after considering the matters set out above, may be distributed to shareholders over time by way of special dividend payments, share repurchases or a combination of both.

Compass Group PLC, the Parent Company of the Group, is a non-trading investment holding company which derives its distributable reserves from dividends paid by subsidiary companies. The level of distributable reserves in the Parent Company is reviewed annually and the Group aims to maintain distributable reserves that provide adequate cover for shareholder returns. The distributable reserves of the Parent Company include the distributable portion of retained earnings and the own shares reserve totalling £2,379 million at 30 September 2023 (2022: £2,969 million).

An interim dividend of 15.0 pence per share (2022: 9.4 pence per share), £261 million in aggregate, was paid in July 2023. It is proposed that a final dividend of 28.1 pence per share (2022: 22.1 pence per share), £482 million in aggregate, be paid on 29 February 2024 to shareholders on the register on 19 January 2024. This will result in a total dividend for the year of 43.1 pence per share (2022: 31.5 pence per share), £743 million in aggregate (2022: £555 million). The dividend is covered 2.0 times on an underlying earnings basis.

The final dividend of 28.1 pence will be paid gross and a Dividend Reinvestment Plan (DRIP) will be available. The last date for receipt of elections for the DRIP will be 8 February 2024.

The Group is in a strong position to fund its dividend, which is well covered by cash generated by the business. Details of the Group's going concern assessment can be found on page 151. The ability of the Board to maintain its future dividend policy will be influenced by a number of the principal risks identified on pages 26 to 30 that could adversely impact the performance of the Group, although we believe we have the ability to mitigate those risks as outlined on pages 26 to 30.

The £250 million share buyback announced in November 2022 was completed in March 2023. The £750 million share buyback announced in May 2023 was completed in November 2023. We have announced a further share buyback of up to $500 million (£410 million), to complete in 2024 subject to M&A activity.

Treasury

The Group manages its liquidity, foreign currency exposure and interest rate risk in accordance with the policies set out below.

The Group's financial instruments comprise cash, borrowings, receivables and payables that are used to finance the Group's operations. The Group also uses derivatives, principally interest rate swaps, forward currency contracts and cross currency swaps, to manage interest rate and currency risks arising from the Group's operations. The Group does not trade in financial instruments. The Group's treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates and to manage the Group's financial risks. The Board approves any changes to the policies.

Foreign currency risk

The Group's policy is to balance its principal projected cash flows by currency with actual or effective borrowings in the same currency. As currency cash flows are generated, they are used to service and repay debt in the same currency. Where necessary to implement this policy, forward currency contracts and cross currency swaps are taken out which, when applied to the actual currency borrowings, convert these to the required currency.

The borrowings in each currency can give rise to foreign exchange differences on translation into sterling. Where the borrowings are either less than, or equal to, the net investment in overseas operations, these exchange rate movements are treated as movements on reserves and recorded in the consolidated statement of comprehensive income rather than in the consolidated income statement.

Non-sterling earnings streams are translated at the average rate of exchange for the year. Fluctuations in exchange rates have given, and will continue to give, rise to translation differences. The Group is only partially protected against the impact of such differences through the matching of cash flows to currency borrowings.

Interest rate risk

As set out above, the Group has effective borrowings in a number of currencies and its policy is to ensure that, in the short term, it is not materially exposed to fluctuations in interest rates in its principal currencies. The Group implements this policy either by borrowing fixed rate debt or by using interest rate swaps so that the interest rates on at least 80% of the Group's projected debt are fixed for one year. For the second and third year, interest rates are fixed within ranges of 30% to 70% and 0% to 40% of projected debt, respectively.

Tax

As a Group, we are committed to creating long-term shareholder value through the responsible, sustainable and efficient delivery of our key business objectives. This will enable us to grow the business and make significant investments in the Group and its operations.

We adopt an approach to tax that supports this strategy and also balances the various interests of our stakeholders, including shareholders, governments, employees and the communities in which we operate. Our aim is to pursue a principled and sustainable tax strategy that has strong commercial merit and is aligned with our business strategy. We believe this will enhance shareholder value whilst protecting our reputation.

In doing so, we act in compliance with the relevant local and international laws and disclosure requirements, and we conduct an open and transparent relationship with the relevant tax authorities that fully complies with the Group's Code of Business Conduct and Business Integrity Policy.

After many years of operation, the Group has numerous legacy subsidiaries across the world. Whilst some of these entities are incorporated in low-tax territories, Compass does not seek to avoid tax through the use of tax havens. Details of the Group's related undertakings are listed in note 36 to the consolidated financial statements.

In an increasingly complex international corporate tax environment, a degree of tax risk and uncertainty is, however, inevitable. Tax risk can arise from unclear regulations and differences in interpretation but, most significantly, where tax authorities apply diverging standards in assessing intra-group cross-border transactions. This is the situation for many multinational organisations. We manage and control these risks in a proactive manner and, in doing so, exercise our judgement and seek appropriate advice from relevant professional firms. Tax risks are assessed as part of the Group's formal governance process and are reviewed by the Board and the Audit Committee on a regular basis.

Risks and uncertainties

The Board takes a proactive approach to risk management aimed at protecting the Group's employees, clients and consumers and safeguarding the interests of the Company and its shareholders in a constantly changing environment.

The principal risks and uncertainties facing the business, and the activities the Group undertakes to mitigate these, are set out on pages 26 to 30.

Related party transactions

Details of transactions with related parties are set out in note 32 to the consolidated financial statements. These transactions have not had, and are not expected to have, a material effect on the financial performance or position of the Group.

Going concern

The factors considered by the directors in assessing the ability of the Group and Parent Company to continue as a going concern are discussed on page 151.

The Group has access to considerable financial resources, together with longer-term contracts with a number of clients and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully.

Based on the assessment discussed on page 151, the directors have a reasonable expectation that the Group and Parent Company have adequate resources to continue in operational existence for at least the period to 31 March 2025. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

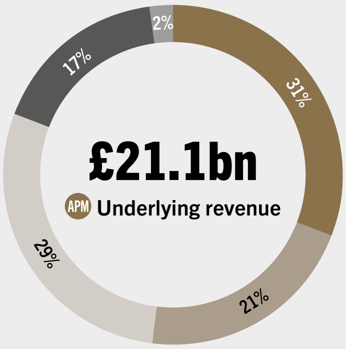
Palmer Brown
Group Chief Financial Officer

20 November 2023

Regional reviews

Regional performance

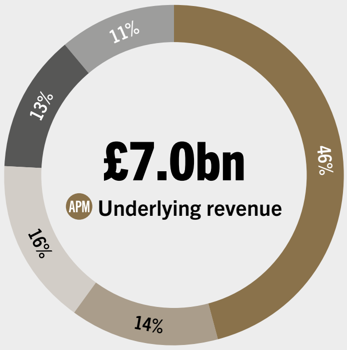
North America



£1,653m
2022: £1,236m
APM Underlying operating profit

▲28.0%
APM Underlying operating profit growth[1]

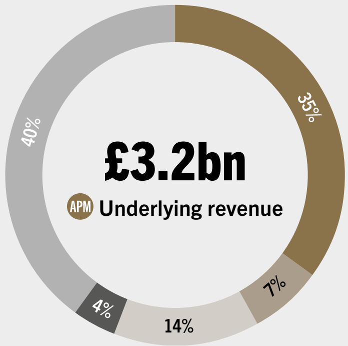
Europe



£392m
2022: £299m
APM Underlying operating profit

▲31.5%
APM Underlying operating profit growth[1]

Rest of World



£175m
2022: £141m
APM Underlying operating profit

▲30.6%
APM Underlying operating profit growth[1]

Business & Industry | Education | Healthcare & Senior Living | Sports & Leisure | Defence, Offshore & Remote

	APM Underlying		Change			Statutory		Change
Revenue	**2023**	2022	Reported rates	Constant currency	Organic	**2023**	2022	
North America	**£21,092m**	£17,139m	23.1%	17.9%	17.4%	**£21,073m**	£17,121m	23.1%
Europe	**£7,038m**	£5,935m	18.6%	19.0%	21.6%	**£6,804m**	£5,694m	19.5%
Rest of World	**£3,151m**	£2,697m	16.8%	21.1%	21.8%	**£3,151m**	£2,697m	16.8%
Total	**£31,281m**	£25,771m	21.4%	18.5%	18.8%	**£31,028m**	£25,512m	21.6%
Operating profit								
North America	**£1,653m**	£1,236m	33.7%	28.0%	28.0%	**£1,581m**	£1,183m	33.6%
Europe	**£392m**	£299m	31.1%	31.5%	31.6%	**£240m**	£267m	(10.1)%
Rest of World	**£175m**	£141m	24.1%	30.6%	34.1%	**£168m**	£137m	22.6%
Unallocated costs	**£(98)m**	£(86)m				**£(98)m**	£(87)m	
Total	**£2,122m**	£1,590m	33.5%	29.6%	29.8%	**£1,891m**	£1,500m	26.1%

	KPI Underlying		Change	Statutory		Change
Operating margin	**2023**	2022		**2023**	2022	
North America	**7.8%**	7.2%	60bps	**7.5%**	6.9%	60bps
Europe	**5.6%**	5.0%	60bps	**3.5%**	4.7%	(120)bps
Rest of World	**5.6%**	5.2%	40bps	**5.3%**	5.1%	20bps
Total	**6.8%**	6.2%	60bps	**6.1%**	5.9%	20bps

APM Alternative Performance Measure (APM) (see pages 206 to 213)

KPI APM which is also a Key Performance Indicator (see page 7)

1. Measured on a constant-currency basis.

North America

Underlying

Operating profit increased by 28.0% on a constant-currency basis, to £1,653 million, driven by strong organic revenue growth and continued margin progression.

Organic revenue growth was 17.4%, with new business wins benefiting from significant levels of first-time outsourcing, strong retention rates at 96.9%, appropriate levels of pricing and like-for-like volume growth underpinned by the scaling of digital capabilities.

Growth was broad-based across all sectors. Business & Industry benefited from double-digit net new business growth and favourable like-for-like volume growth as employees continued to return to the office. Sports & Leisure benefited from high participation rates and per capita spend, but also a strong calendar of events, including basketball, hockey, baseball, music and convention centres. Our Education and Healthcare & Senior Living businesses also delivered strong growth from net new business, like-for-like volume growth and pricing.

Operating margin increased by 60bps to 7.8% in spite of inflation headwinds driven by management focus on productivity, cost mitigation and appropriate pricing, in addition to ongoing scale benefits.

The region invested in several bolt-on acquisitions to strengthen our capabilities, including the acquisition of Parks Coffee in the first half of the year, a provider of workplace refreshments in the US.

Statutory

Statutory revenue increased by 23.1% to £21,073 million reflecting the strong organic revenue growth and favourable exchange translation.

Statutory operating profit was £1,581 million (2022: £1,183 million), with the difference from underlying operating profit being acquisition-related charges of £72 million (2022: £57 million).

Europe

Underlying

Operating profit was £392 million, growth of 31.5% on a constant-currency basis, driven by high levels of revenue growth and strong margin progression, supported by our investment in growth initiatives and core processes across the region.

Organic revenue growth of 21.6% was driven by net new business growth, strong volume growth and pricing. Client retention rates improved by a further 70bps to 96.0%.

Double-digit organic revenue growth rates were achieved across all sectors and, most notably, in Business & Industry, Education and Sports & Leisure, which all benefited from high levels of net new business, like-for-like volume growth and pricing. Growth was strong in all major markets, most notably in the UK, Germany and Türkiye, which all made a significant contribution to the region.

Margin progression of 60bps, which resulted in an operating margin of 5.6%, was achieved by controlling costs to maximise operating leverage and by continuing to work closely with clients to mitigate the sustained level of inflationary pressures within the region.

The region invested in bolt-on acquisitions, most notably to drive additional procurement efficiencies in the UK and to expand our footprint in the Education sector in Ireland. Since the year-end, we have agreed to acquire Hofmann Menü-Manufaktur GmbH, a German producer of high-quality cook and freeze meals, to add new capability and distribution networks. As part of the Group's ongoing strategic portfolio review, we exited five businesses in Central and Eastern Europe (Czech Republic, Hungary, Slovakia, Romania and Estonia) to focus resources and investment on core operations.

Statutory

Statutory revenue increased by 19.5% to £6,804 million, with the difference from underlying revenue being the presentation of the share of results of our joint ventures operating in the Middle East.

Statutory operating profit was £240 million (2022: £267 million), with the difference from underlying operating profit mainly reflecting charges related to the Group's ongoing strategic portfolio review of £99 million (2022: £nil), including site closures and contract reorganisations and terminations in the UK, and acquisition-related charges of £46 million (2022: £30 million).

Rest of World

Underlying

Operating profit increased to £175 million, which represents growth of 30.6% on a constant-currency basis.

Organic revenue growth was 21.8% reflecting high net new business growth, strong levels of like-for-like volume growth and pricing. Client retention rates improved by 90bps to 95.4%.

Organic revenue growth was broad-based across all sectors. Growth was particularly pleasing in our Business & Industry sector across most markets, notably in India and Japan, as office attendance levels increased, and in our more defensive Defence, Offshore & Remote sector, especially in Australia and Chile, where like-for-like volume growth and net new business levels were high.

Operating margin increased by 40bps to 5.6% driven by strong management focus on operational challenges in the region, including the sustained levels of inflation and labour shortages in certain markets.

As part of the Group's ongoing strategic portfolio review, we exited Azerbaijan and Indonesia during the year and, subsequent to the year-end, our operations in Argentina and Angola.

Statutory

Statutory revenue increased by 16.8% to £3,151 million. There is no difference between statutory and underlying revenue.

Statutory operating profit was £168 million (2022: £137 million), with the difference from underlying operating profit being acquisition-related charges of £7 million (2022: £4 million).

Risk management

Identifying and managing risk

The Board takes a proactive approach to risk management aimed at protecting the Group's employees, clients and consumers and safeguarding the interests of the Company and its shareholders in a constantly changing environment.

Risk management is an essential element of business governance. The Group has risk management policies, processes and procedures in place to ensure that risks are properly identified, evaluated and managed at the appropriate level.

The identification of risks and opportunities, the development of action plans to manage those risks and maximise the opportunities, and the continual monitoring of progress against agreed key performance indicators (KPIs) are integral parts of the business process and core activities throughout the Group.

In compliance with provision 28 of the UK Corporate Governance Code 2018 (the Code), the Board has conducted a robust assessment of the Company's emerging and principal risks. The following pages set out the Board's approach to assessing and mitigating risk, the principal risks of the Company, and the procedures in place to identify emerging risks.

Risk management framework

The Board has overall responsibility for risk management. This includes establishing policies and procedures to manage risk, overseeing the internal control framework, reviewing the nature and extent of the principal risks, setting risk appetite and embedding a culture of risk management throughout the business.

The Board has approved a Risk Management Policy. The Group operates a formal risk management process in accordance with this policy, under which the Group's principal risks (set out on pages 26 to 30) are assessed and prioritised biannually. In accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial Business Reporting 2014 and in the Code, this process has been in place for the financial year under review. These systems are designed to manage rather than eliminate the risk of failure to achieve the Group's strategic objectives, safeguard the Group's assets against material loss, fairly report the Group's performance and position, and ensure compliance with relevant legislation, regulation and best practice including that related to social, environmental and ethical matters. These systems provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board delegates aspects of risk management, with the Executive Committee responsible for the day-to-day management of significant risk, and the Audit Committee responsible for the oversight of Compass' risk management systems and internal financial controls. The Group Director of Risk and Internal Audit maintains the risk management framework including the Risk Management Policy. The Audit Committee annually reviews the effectiveness of the Group's approach to risk management and any changes to the Risk Management Policy, and recommends the principal risks and uncertainties disclosures made in the Annual Report and Accounts to the Board for approval. The Audit Committee's report is on pages 82 to 88.

Risks and the corresponding controls and mitigations are reviewed by country and regional leadership teams on an ongoing basis. Risk updates are integral to periodic management reviews and are regularly reviewed by the Regional Governance Committees (RGCs) and the Executive Committee. A critical component of the risk review process is the dynamic identification of emerging and developing risks at a country, regional and Group level. This bottom-up and top-down approach provides a comprehensive assessment of the key risks facing the Group. The findings of the risk reviews, including the principal risks and any developing trends, are reported to and considered by the Board twice a year.

Risks are considered at gross and net levels. This allows the impact of each risk and likelihood of its occurrence both before and after controls and mitigations to be assessed. Risk management plans are developed for all significant risks. They include a clear description of the nature of the risk, quantification of the potential impact and likelihood of occurrence, the owners for each risk, and details of the controls and mitigations in place, proportionate to the risk, and in line with the Company's business. The identification and assessment of climate-related risks and opportunities are incorporated within the risk management process. All country operating units are mandated to consider climate-related risks and opportunities. These are assessed in terms of percentage profit before interest and tax (PBIT) impact in accordance with the criteria set out in the Board-approved Risk Management Policy. All country and Group-level risks are assigned risk owners and, together with the mitigations, are recorded in the central risk reporting system.

Group companies also submit biannual risk and internal control assurance letters to the Group CFO on internal control and risk management issues, with comments on the control environment within their operations. The Chair of the Audit Committee reports to the Board on any matters arising from the Committee's review of how the risk management and internal control processes have been applied.

The Audit Committee keeps under review the adequacy and effectiveness of the Company's and Group's internal financial controls and risk management systems. These are discussed in further detail in the Audit Committee report on pages 82 to 88.

Risk appetite

The Board interprets risk appetite as the level of risk that the Company is willing to take to meet its strategic objectives. The Board's attitude to and appetite for risk are communicated to the Group's businesses through the strategy planning process and the internal risk governance and control frameworks. In determining its risk appetite, the Board recognises that a prudent and robust approach to risk mitigation must be carefully balanced with a degree of flexibility so that the entrepreneurial spirit that has greatly contributed to the Group's success is not inhibited.

In assessing risk appetite, the Board reviews the three-year business plan and associated strategic risks. Risk appetite for specific financial risks such as funding and liquidity, credit, counter-party, foreign exchange and interest rate risk are set out in the Board approved treasury policies. Compliance with legal and regulatory requirements, such as those contained in the Companies Act, health and safety and other risk-specific legislation, is mandatory.

New and emerging risks

The Board has established processes for identifying emerging risks, and horizon scanning for risks that may arise over the medium to long term. Emerging and potential changes to the Group's risk profile are identified through the Group's risk management framework and through direct feedback from management, including in regard to changing operating conditions, and market and consumer trends.

The democratisation of generative artificial intelligence (AI) has given widespread access to powerful online AI services for content creation. This opportunity presents several risks including breach of data confidentiality and data privacy. In response, to mitigate these risks, Compass has implemented principle-based rules that apply globally, and we are currently developing a framework for the responsible use of AI in all our markets.

The escalating tensions in the Middle East and the ongoing Russia-Ukraine conflict have elevated geopolitical risks and while we do not operate directly in those countries currently affected, we do have interests elsewhere in Europe and the Middle East. We continue to monitor these situations closely with the safety and security of the Group's employees front of mind.

Our principal risks

The principal risks and uncertainties facing the business at the date of this Report, and any changes to the status of these risks since last year, are set out on pages 26 to 30. These have been subject to robust assessment and review.

They do not, however, comprise all the risks that the Group may face and are not listed in any order of priority. Additional risks and uncertainties not presently known to management, or which are considered to be remote or are deemed to be less material at the date of this Report, may also have an adverse effect on the Group.

Other principal risks

The Group faces a number of operational risks on an ongoing basis, such as litigation and financial risks, as well as some wider risks, for example, environmental, information security, cyber and reputational.

All risks disclosed in previous years can be found in the annual reports available on our website, www.compass-group.com.

These risks remain important to the business and are kept under regular review. However, the disclosures on pages 26 to 30 focus on risks currently considered to be more significant to the Group.

Risk management continued

Principal risks

Link to MAP See page 5

- 1 MAP 1: Client sales and marketing
- 2 MAP 2: Consumer sales and marketing
- 3 MAP 3: Cost of food
- 4 MAP 4: In-unit costs
- 5 MAP 5: Above-unit overheads

- ↑ Increased risk
- → Static risk
- ↓ Decreasing risk
- NEW New risk

Risk and description	Mitigation
Climate change and sustainability	
Climate change 1 2 3 4 5 2023: → 2022: → **Strategic pillar link:** People/Performance/Purpose The impact of climate change on the environment may lead to issues around food sourcing and supply chain continuity in some of the Group's markets. Issues in these areas could affect the availability of some food products, and potentially may lead to food cost inflation.	The Group continues to focus on evaluating its exposure to climate change and seeks to identify potential future issues early so that sourcing and operations can be adjusted, and menus adapted appropriately. Work continues with clients and suppliers to propose, execute and measure solutions to support their efforts and those of Compass in reducing greenhouse gas (GHG) emissions. Compass has targeted climate net zero GHG emissions by 2050 alongside validated science-based targets to reduce emissions by 2030 (from a 2019 base year) in line with the 2015 Paris Agreement.
Social and ethical standards 1 2 3 4 5 2023: → 2022: ↑ **Strategic pillar link:** People/Performance/Purpose Compass relies on its people to deliver great service to its clients and consumers and recognises that the welfare of employees is the foundation of its culture and business. Compass remains vigilant in upholding high standards of business ethics with regard to human rights and social equality.	To enhance its ability to counter risks to its businesses and supply chains from modern slavery, Compass has focused on the areas where its human rights strategy can have the greatest impact. This has been done through the Human Rights Working Group, the engagement of external specialist advisers, the Group's modern slavery e-learning tools and ongoing work to strengthen and improve the Group's human rights due diligence through supplier evaluation and labour agency reviews.
Health and safety	
Health and safety 1 2 3 4 5 2023: → 2022: → **Strategic pillar link:** People/Performance/Purpose Compass feeds millions of consumers every day and its companies employ hundreds of thousands of people around the world. For that reason, setting the highest standards for food hygiene and safety is paramount. Health and safety breaches could cause serious business interruption and could result in criminal and civil prosecution, increased costs and potential damage to the Company's reputation.	Management meetings throughout the Group feature a health and safety update as one of their first substantive agenda items. Health and safety improvement KPIs are included in the annual bonus plans for each of the businesses' management teams. The Group has policies, procedures and standards in place to ensure compliance with legal obligations and industry standards. The safety and quality of the Group's global supply chain are assured through compliance with a robust set of standards which are regularly reviewed, audited and upgraded as necessary to improve supply chain visibility and product integrity. Further mitigations in place include our Global Operational Safety Standards, Global Supply Chain Integrity Standards and a Global Allergen Management Plan.

Risk and description	Mitigation
Health and safety continued	
Pandemic 1 2 3 4 5 2023: ↓ 2022: ↓ **Strategic pillar link:** People/Performance/Purpose The Group's operations were significantly disrupted due to the global COVID-19 pandemic and associated containment measures. Compass has recovered well and learned from the pandemic, and as a result this risk has declined. Further outbreaks of the virus, or another pandemic, could cause further business risk.	Operations and working practices have been adjusted to retain the skills and experience of colleagues and provide flexibility in the event of another pandemic which leads to a resumption of containment measures. To protect the Group's employees, clients and consumers, enhanced health and safety protocols and personal protective equipment requirements and guidelines, hygiene requirements and site layout solutions developed in consultation with expert advisers and with our clients, have been adopted. Careful management of the Group's cost base and robust measures to protect the Group's liquidity position have ensured that we remain resilient and well placed to take advantage of appropriate opportunities as they arise. Robust incident management and business continuity plans are in place and are monitored for effectiveness and regularly reviewed to ensure they reflect evolving best practice.
People	
Recruitment 4 5 2023: ↓ 2022: → **Strategic pillar link:** People/Performance Failure to attract and recruit people with the right skills at all levels could limit the success of the Group. The Group faces resourcing challenges in some of its businesses in some key positions due to labour shortages and a lack of industry experience amongst candidates, appropriately qualified people, and the seasonal nature of some of Compass' businesses.	The Group aims to mitigate this risk by efficient and time-critical resource management, mobilisation of existing experienced employees within the organisation, improved use of technology such as apps and social media, targeted recruitment, and training and development programmes.
Retention and motivation 4 5 2023: ↓ 2022: → **Strategic pillar link:** People/Performance Retaining and motivating the best people with the right skills, at all levels of the organisation, is key to the long-term success of the Group. Changes to economic conditions may increase the risk of attrition at all levels of the organisation. Potential business closures resulting from further COVID-19 or other pandemic-related lockdowns or other social distancing controls could significantly impact the Group's workforce in affected regions.	The Group has established tools, training, development, performance management and reward programmes to help retain, develop, motivate and support its people. The Group has a number of well-established initiatives which help to monitor levels of engagement and to respond to the needs of employees. Specifically, Compass has increased its local focus and employee support on mental health awareness, stress management and resilience to better equip its people in times of uncertainty and change. To protect its workforce, Compass applies measures available to it to retain as many of its skilled workforce as possible, including redeployment.

Risk management continued

Risk and description	Mitigation
Clients and consumers	
Sales and retention 1 2 2023: → 2022: → **Strategic pillar link:** People/Performance The Group's businesses rely on securing and retaining a diverse range of clients. The potential loss of material client contracts in an increasingly competitive market is a risk to Compass' businesses.	Compass has strategies based on quality, value and innovation that strengthen its long-term relationships with its clients and consumers. The Group's business model is structured so that it is not reliant on one particular sector or group of clients. Technology is used to support the delivery of efficiencies and to contribute to growth through, for example, cashierless and cashless payment systems and the use of artificial intelligence. This is beneficial to clients and consumers and positively impacts retention and new business wins. Compass continues to focus on financial security and safety. In today's environment, these are key strengths for clients. Contracts may be renegotiated. There is continued focus on retention and new sales and the use of technology and innovative client solutions.
Service delivery, contractual compliance and retention 1 2 2023: → 2022: → **Strategic pillar link:** People/Performance The Group's operating companies contract with a large number of clients. Failure to comply with the terms of these contracts, including proper delivery of services, could lead to the loss of business and/or claims.	Processes are in place to ensure that the services delivered to clients are of an appropriate standard and comply with the required contract terms and conditions.
Competition and disruption 1 2 3 4 5 2023: → 2022: → **Strategic pillar link:** Performance The Group operates in a highly competitive marketplace. The levels of concentration and outsource penetration vary by country and by sector. Some markets are relatively concentrated with two or three key players. Others are highly fragmented and offer significant opportunities for consolidation and penetration of the self-operated market. Ongoing structural changes in working and education environments may reduce the number of people in offices and educational establishments. The emergence of new industry participants and traditional competition using disruptive technology could adversely affect the Group's businesses.	Compass aims to minimise this risk and to respond to new market and consumer food services trends by continuing to promote its differentiated propositions and by focusing on its strengths, such as flexibility in its cost base, quality, value of service and innovation. Harnessing knowledge and experience and continuing to invest in technology helps to counter any potential risk and to capitalise on the opportunities created. Compass continues to evolve its offer to increase participation rates and service sites of different sizes. The businesses are able to adapt to changes in the service provision environment and where possible take advantage of changes in the market. By leveraging its expertise and technology Compass is able to differentiate its food services offer. For example, investments in SmartQ and EAT Club have given Compass platforms that allow it to pivot food operations according to changing client and consumer demands.
Economic and political environment	
Geopolitical 1 2 3 4 5 2023: ↑ 2022: ↑ **Strategic pillar link:** People/Performance/Purpose The escalating tensions in the Middle East and the ongoing Russia-Ukraine conflict have elevated geopolitical risks, heightened national security threats to countries in those regions and disrupted the global energy market, which have contributed to cost inflation, and economic and cyber-security risks.	As a Group, Compass is monitoring the situation closely with the safety and security of the Group's employees front of mind. Whilst we do not operate in Israel or the Palestinian territories, we do have interests elsewhere in the Middle East. Last year, Compass permanently exited the Russian market and moved away from all known Russian suppliers. The Group continues to manage inflation risks by sharing best practice across the Group to drive greater efficiencies through menu management, supplier rationalisation, labour scheduling, and productivity through the increased use of technology. Cost indexation in our contracts also gives Compass the contractual right to review pricing with clients.

Risk and description	Mitigation
Economic and political environment continued	
Economy 1 2 3 4 5 2023: → 2022: ↑ **Strategic pillar link:** People/Performance/Purpose Sectors of Compass' business could be susceptible to adverse changes in economic conditions and employment levels. Continued worsening of economic conditions has increased the risk to the businesses in some jurisdictions.	As part of Compass' strategy, the Group is focused on productivity and purchasing initiatives which help to manage the cost base. During adverse conditions, if necessary actions can be taken to reduce labour costs and action plans have been implemented to protect profitability and liquidity.
Cost inflation 3 4 5 2023: ↓ 2022: → **Strategic pillar link:** People/Performance At Compass, our objective is always to deliver the right level of service in the most efficient way. An increase in the cost of labour, for example, minimum wages in the US and UK, or the cost of food, could constitute a risk to our ability to do this.	As part of the MAP framework, and by sharing best practice across the Group, Compass seeks to manage inflation by continuing to drive greater efficiencies through menu management, supplier rationalisation, labour scheduling and productivity, and through the increased use of technology. Cost indexation in our contracts also gives Compass the contractual right to review pricing with clients. Cost action programmes and the continued oversight of supply chain costs are also mitigating the risks in this area.
Political instability 1 2 3 4 5 2023: → 2022: → **Strategic pillar link:** People/Performance/Purpose Compass is a global business operating in countries and regions with diverse economic and political conditions. Operations and earnings may be adversely affected by political or economic instability.	The Group remains alert to future changes presented by emerging markets or fledgling administrations and tries to anticipate and contribute to important changes in public policy. Where possible, Compass seeks to absorb price increases through operational efficiencies. Cost indexation in our contracts also gives Compass the contractual right to review pricing with clients. Recruitment and retention strategies are also in place to mitigate any impact on labour supply. Compass remains vigilant to changes in political stability in local jurisdictions and retains the flexibility to take appropriate mitigating action as necessary.
Compliance and fraud	
Compliance and fraud 1 2 3 4 5 2023: → 2022: → **Strategic pillar link:** People/Performance/Purpose Ineffective compliance management with increasingly complex laws and regulations, or evidence of fraud, bribery and corruption, anti-competitive behaviour or other serious misconduct, could have an adverse effect on the Group's reputation or on its performance and/or lead to a reduction in the Company's share price and/or a loss of business. It could also lead to criminal proceedings, sanctions or other litigation being brought against the Company, its directors or executive management. Companies face increased risk of fraud, bribery and corruption, anti-competitive behaviour and other serious misconduct both internally and externally, due to financial and/or performance pressures and significant changes to ways of working.	The Group's zero-tolerance-based Code of Business Conduct (CBC) and Business Integrity Policy (BIP), govern all aspects of its relationships with its stakeholders. Compass operates a continuous improvement process as part of the Group's Ethics and Integrity programme to enhance and strengthen its culture of integrity, sharing insights and emerging trends between regional and country management teams. The Group undertakes a robust risk management assessment that helps identify major risks and ensures the internal control framework remains effective through regular monitoring, testing and review. Regulatory and compliance risks are included in this process to enable visibility and planning to address them. A strong culture of integrity is promoted through Compass' Ethics and Integrity programme and its independently operated Speak Up, We're Listening helpline and web platform. All alleged breaches of the CBC and the BIP, including any allegations of fraud, bribery and corruption, anti-competitive behaviour and other serious misconduct, are followed up, investigated and dealt with appropriately. Regulation and compliance risk is also considered as part of the annual business planning process. Our Ethics and Integrity e-learning platform provides increased engagement on key regulatory and ethics and integrity topics for Group employees and clear communication of standards and expectations. Internal Audit regularly reviews internal controls and analyses financial transactions to mitigate the risk of error or fraud.

Risk management continued

Risk and description	Mitigation
Compliance and fraud continued	
International tax 3 5 2023: → 2022: → **Strategic pillar link:** Performance The international corporate tax environment remains complex and the sustained increase in audit activity from tax authorities means that the potential for tax uncertainties and disputes remains high. The need to raise public finances is likely to cause governments to consider increases in tax rates and other potentially adverse changes in tax legislation, and to renew focus on compliance for large corporates.	Compass seeks to plan and manage its tax affairs efficiently in the jurisdictions in which the Group's businesses operate. Compass acts in compliance with relevant laws and disclosure requirements. Compass manages and controls these risks in a proactive manner and in doing so exercises judgement and seeks appropriate advice from reputable professional firms. Tax risks are assessed as part of the Group's formal governance process and are reviewed by the Board and the Audit Committee on a regular basis. The Group proactively manages its tax arrangements in accordance with various government-led initiatives and ensures compliance is achieved by putting robust processes and controls in place, including third-party support and review.
Information systems, technology and cyber 1 2 3 4 5 2023: ↑ 2022: ↑ **Strategic pillar link:** People/Performance The digital world creates increasing risk for global businesses including, but not limited to, technology failures, loss of confidential data, data privacy breaches and damage to brand reputation through, for example, the increased threat of cyber-attacks, and use and instantaneous nature of social media. Disruption caused by the failure of key software applications, security controls, or underlying infrastructure, or disruption caused by cyber-attacks could impact day-to-day operations and management decision-making, or result in a regulatory fine or other sanction and/or third party claims. The incidence of sophisticated phishing and malware attacks (including ransomware) on businesses is rising with an increase in the number of companies suffering operational disruption, unauthorised access to and/or loss of data, including confidential, commercial, and personal identifiable data. A combination of increased geopolitical, economic instability and accessibility of sophisticated artificial intelligence (AI) enabled tools and techniques have contributed to a significant increase in the risk of phishing and malware attacks including ransomware across all industries. The democratisation of generative AI has given widespread access to powerful online AI services for content creation. This opportunity presents several risks including to data privacy and confidentiality.	Compass continually assesses its cyber risk, and monitors and manages the maturity of its enterprise infrastructure, platforms and security controls to ensure that it can effectively prevent, detect and respond to current or future cyber-attacks. Appropriate crisis management procedures are in place to manage issues in the event of a cyber incident occurring. Our response protocols are supported by using industry-standard tooling, experienced IT and security professionals, and external partners to mitigate potential impacts. Assurance is provided by regular compliance monitoring of our key information technology control framework, which is designed to prevent and defend against cyber threats and other risks. The Group relies on a variety of digital and technology platforms to manage and deliver services and communicate with its people, clients, consumers and suppliers. Compass' decentralised model and infrastructure help to mitigate propagation of attacks across the Group's technology estate. Compass continues to be focused on the need to maximise the effectiveness of its information systems and technology as a business enabler. As such, the Group continues to invest in technology and specialist resources in order to further strengthen its platforms, cyber-security defences and controls to prevent and detect cyber threats and respond to attacks in order to mitigate the risk of operational disruption, technology failure, unauthorised access to and/or loss of data. The Group has implemented configuration changes designed to block phishing emails, increased awareness campaigns, and provided cyber training to help employees identify these kind of attacks. In response to the potential risks posed by AI, Compass has implemented principle-based rules that apply globally, and we are currently developing a framework for the responsible use of AI in all our markets. Information systems, technology and cyber-security controls and risks are assessed as part of the Group's formal governance processes and are reviewed by the Audit Committee on a regular basis.

Viability statement

In accordance with provision 31 of the UK Corporate Governance Code 2018, the directors have assessed the Group's viability, considering its current trading performance, financial position, financing, strategic plan and principal risks.

Business prospects

The Board has considered the long-term prospects of the Group based on its business model, strategy and markets as set out on pages 2 to 11. Compass is a global leader in food services and the geographical and sector diversification of the Group's operations helps to minimise the risk of serious business interruption or catastrophic damage to its reputation. The Group's business model is structured so that it is not reliant on one group of clients or sector. The Group's largest client constitutes 2% of underlying revenue, with the top 10 clients accounting for 9%.

Assessment

The directors have determined that a three-year period to 30 September 2026 is an appropriate period over which to provide the Group's viability statement on the basis that it is the period reviewed by the Board in its strategic planning process and is aligned to the typical length of the Group's contracts (three to five years). The directors believe that this presents the Board and readers of the Annual Report with a reasonable degree of confidence over this longer-term outlook.

The Board's assessment of the Group's viability comprises the following business processes:

- **Risk management process:** The Group operates a formal risk management process under which the Group's principal risks are assessed and prioritised biannually. Risks and corresponding controls and mitigations are reviewed by country and regional leadership teams on an ongoing basis. The findings of the risk reviews, including the principal risks and any developing trends, are reported to the Board twice a year. In making its viability assessment, the Board carried out a robust evaluation of the emerging and principal risks facing the Group (see pages 26 to 30), including those that would threaten its business model, future performance, solvency or liquidity.
- **Strategic planning process:** The Board considers annually a three-year, bottom-up strategic plan and a more detailed budget which is prepared for the following year. Current-year business performance is reforecast during the year. The plan is reviewed and approved by the Board, with involvement throughout from the Group CEO, Group CFO and the Executive team. The Board's role is to consider the appropriateness of key assumptions, taking into account the external environment and business strategy. The most recent three-year plan was approved by the Board in November 2023.
- **Headroom and covenant analysis:** At 30 September 2023, the Group had £2.0 billion of undrawn committed bank facilities, which mature in August 2026, and £0.7 billion of cash net of overdrafts. Term debt maturities in the three-year period total £1.8 billion, of which £0.3 billion was pre-financed with bond issues in September 2022. Based on the forecast cash flows in the strategic plan, the remainder of the maturing debt is expected to be refinanced during the three-year period to 30 September 2026 to maintain the desired level of headroom. The £2.0 billion of committed bank facilities are expected to be refinanced during 2025.

The Group's long-term (A/A2) and short-term (A-1/P-1) credit ratings and well-established presence in the debt capital markets provide the directors with confidence that the Group could refinance the maturing debt and facilities as required.

A reverse stress test has been undertaken to identify the circumstances that would cause the Group to breach the headroom against its committed facilities or the financial covenants on its USPP debt. The reverse stress test, which removes discretionary M&A expenditure and share buybacks as mitigating actions, shows that underlying operating profit[1] would have to reduce by more than 80% of the strategic plan level throughout the three-year assessment period before the leverage covenant is reached. The refinancing requirement is not accelerated in the reverse stress test as a mitigating action given the strong liquidity position of the Group.

The principal risks that would have the most significant impact on the Group's business model, future performance, solvency or liquidity are further outbreaks of COVID-19 or another pandemic and associated containment measures, geopolitical tensions, economic conditions and food and labour cost inflation and these, together with the other principal risks identified on pages 26 to 30, have been considered as part of the viability assessment. Specific scenarios based on the principal risks have not been modelled on the basis that the level of headroom to absorb the occurrence of such risks is substantial and there is a range of other actions available that could be implemented to mitigate the potential impact.

Substantial mitigating actions were identified and implemented as part of the Group's COVID-19 pandemic response in 2020, including reducing capital expenditure, resizing the cost base, renegotiating client contracts, pausing M&A activity and shareholder returns, raising equity, negotiating covenant waivers and securing additional committed funding. These actions illustrate the flexibility the Group has to mitigate the impact of adverse events.

In the event that the financial covenants were to come under pressure, mitigating actions include repaying the loan notes from available liquidity, or refinancing, in advance of their maturity or negotiating covenant waivers.

Conclusion

Based on the results of this analysis, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to 30 September 2026.

Palmer Brown
Group Chief Financial Officer

20 November 2023

1. 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.

People

Social Promise, Compass Group UK & Ireland

Compass Group UK&I's Social Promise sets out its aspiration to positively impact one million lives by 2030 through job creation, education, training and community and charitable engagement. Underpinning its Social Promise is a commitment to addressing barriers to progression, particularly in relation to gender, race and among those from less-advantaged or under-represented backgrounds.

During the year, Compass Group UK&I worked with Social Value Portal to quantify the social value created by its business, which was measured at over £590 million. It also launched a socio-economic survey to provide a workforce data baseline for measuring the impact of its social mobility programmes.

In March, the business published its first combined Gender and Ethnic Minority Pay Gap Report, which revealed a median ethnicity pay gap of -7.9%[3], indicating greater representation for ethnic minority employees in higher-paid roles and locations, and a median gender pay gap of 12.6%[3] (lower than the UK national average of 14.9%).

Most recently, Compass Group UK&I was recognised as a Living Wage Champion at the Living Wage Foundation annual awards for its work advocating with over 300 clients to pay the Real Living Wage (RLW), with an extra 20,000 colleagues being paid the RLW or above since October 2021.

1. Compass Group UK&I People and Communities Report 2021-2022.
2. Measured by Social Value Portal.
3. Compass Group UK&I Gender and Ethnic Minority Pay Gap Report 2023.

Over
£590m
Social and Local Economic Value (SLEV) created[1,2]

-7.9%
ethnic minority median pay gap[3]

12.6%
gender pay gap, lower than national average[3]

Putting our people first

At Compass, we know that our success is largely down to the skills and ingenuity of our chefs and front line teams. They lead the way in providing sustainable and safe food at scale, promoting healthier choices and creating great experiences for the people we serve. We feel uniquely positioned to create lifetime opportunities for our people and positively impact the communities in which we operate.

Culture

Our caring, winning culture makes us a better business. Openness, trust and accountability are fundamental to the way we work, and we are committed to ensuring that our people are treated fairly and with respect, have opportunities to grow and develop, and work in positive, supportive teams.

Providing opportunities for all means we value having a diverse and inclusive workforce at all levels and we are determined to support our people to break through traditional gender, ethnicity and socio-economic barriers that might exist in society.

Our businesses support people throughout their careers, both in the good times and when life experiences can be challenging. Tailored support at local level aims to help people struggling with issues around mental health, wellbeing and the cost of living.

Advancement

Our businesses work to ensure that people who want to pursue a career in the food and hospitality industry can succeed with Compass.

Compass encourages new joiners to make use of innovative tools such as digital onboarding applications and training programmes. A more accessible and flexible learning portfolio makes it easier for our people to pursue their longer-term ambitions.

This year, more than 1,500 colleagues have signed up for the UK&I's landmark training and development scheme, Compass Career Pathways, with over 50% of those who have completed the programme having moved or been promoted into a new role.

Reaching disadvantaged groups

Examples of how Compass is reaching disadvantaged groups are as follows.

Compass Group UK&I launched a Social Partner career hub as part of its Mission to a Million Social Promise. The hub supports candidates who face barriers to entering the job market, including ex-offenders, people leaving care, the long-term unemployed and people with disabilities. In a new tailored recruitment process, the hub works with partner organisations to match candidates with job opportunities and internships within the business. Training in relation to autism has been provided to unit managers to understand the challenges candidates face and deliver a supportive, inclusive and personalised hiring process.

Ex-military personnel bring unique skill sets and insights to the business. Compass Group UK&I has an estimated 1,000 employees who are part of the Armed Forces community and has reiterated its support for the Armed Forces by re-signing the Armed Forces Covenant. The business holds the Gold Employer Recognition Scheme award and has expanded the pledges to include a policy supporting the redeployment of spouses of serving military personnel. In the US, Compass has a well-developed careers programme for military veterans, working with Hiring our Heroes and supported by VetNet, the company's veteran employee network. In 2022, Compass Australia became a part of the Australian Prime Minister's Veteran Employment Program, and provides military veterans and those transitioning from defence with extra support into new career pathways by providing a structured support and mentoring programme as well as training for leaders and managers. It also supports families of serving military personnel into sustainable and ongoing employment that fits in with deployment needs.

Deborah Lee
Group Chief People Officer

The Compass Group Foundation

The Compass Group Foundation (the Foundation)[1] is an independent charity, launched in January 2023 and provides grants to non-profit organisations in the communities in which Compass' businesses operate.

Funding is provided to increase access to job opportunities for disadvantaged groups, through training and experience in the food service and hospitality sector, to support equitable market access for smallholder farmers and entrepreneurs in the food supply chain, and by way of emergency response for urgent humanitarian support.

The Foundation leverages the Group networks and employee volunteering, to make a difference for the community. In the last year, the Foundation supported 14 initiatives across eight countries.

One such organisation supported is Sai Swayam Society in India. Funding from the Foundation has enabled 240 young people from the speech and hearing-impaired community to attend training, delivered through sign language, and focused on hospitality, IT, life and soft skills, and helping to secure jobs.

In Spain, the Foundation provided funding to Fundación Integra, supporting women who have been victims of domestic violence, to work towards a Kitchen Assistant certification through Compass Spain's Woman's Academy, with Compass volunteers providing training and tutoring to the women as they progress with the qualification.

In the UK, the Foundation has supported Compass' key charity partner, FoodCycle, to train volunteers who help to tackle food poverty, loneliness and food waste. Employees from Compass UK&I volunteered to support the training and upskilling of the FoodCycle volunteer teams.

In February 2023, the Foundation made a donation to support people affected by the earthquakes in Türkiye and Syria.

For more on the Foundation go to www.compassgroupfoundation.org

1. Registered charity number 1187218 (England and Wales).

People continued

Compass Group US is a long-time partner of Navigate, working with young people from underrepresented communities to become the future of the hospitality and food service workforce. This year, over 50 Navigate internship programme graduates worked with the business. In addition, the business created partnerships with Historically Black Colleges & Universities to educate students on careers. The US team is active at members' careers fairs for talent recruitment and has created a scholarship fund for black students at Johnson C. Smith University in Charlotte, North Carolina.

As one of the country's largest employers of Aboriginal and Torres Strait Islander people, Compass Australia has an important role to play in reconciliation and closing the considerable opportunity gap between Aboriginal and Torres Strait Islander peoples and non-Indigenous Australians. The business provides sustained career development through its accredited training and cultural awareness programmes and is a proud partner of the Clontarf Foundation, providing support, life skills and graduate employment prospects to young Aboriginal men.

Compass Norway, in cooperation with the Norwegian Labour and Welfare Administration, has worked to support individuals struggling to find employment, by offering the opportunity to achieve a certificate of apprenticeship and Norwegian language skills.

Growing careers

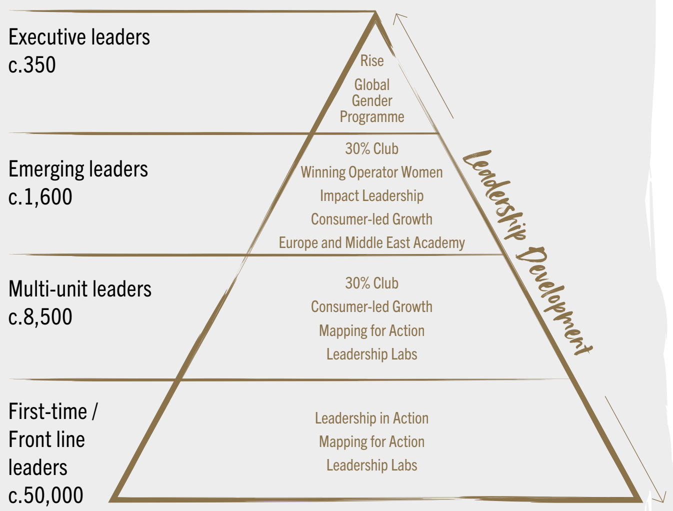
From entry level to leadership, Compass invests in its people to help them achieve their career ambitions and shape the expertise and passion that drives the businesses.

Around the world, Compass businesses run programmes that identify and nurture a diverse cohort of leaders from within their existing teams.

In Asia, the Compass Japan Academy introduced a six-month long programme for 300 future managers and Compass Group India launched a new immersive Leadership Lab to support the career growth of new leaders. The Indian business also provided 40,000 employees with additional training through a new digital app to support learning journeys and opened two new skills centres to enable in-person tuition and the development of key capabilities.

As part of their career development, employees in the US completed more than one million training sessions in the business's Learning Management System.

Leadership and career development



Our aim is for Compass to reflect the communities in which we operate and to give all employees equal opportunities to progress their careers. Diversity, equity and inclusion (DE&I) is a living imperative within the businesses, and everyone, from front line workers to the Group's leadership, has a role to play in creating a supportive and caring environment for all.

Apprenticeships are a hugely popular route to a successful career in Compass, alongside the more traditional graduate routes. The UK&I's unique Forward with Marcus Wareing programme runs alongside a Level 4 Senior Culinary Chef or Level 5 Operations Departmental Manager apprenticeship standard, and partners with the Michelin-starred chef, focusing on sustainability, diversity and leadership.

Respect

Our aim is for Compass to reflect the communities in which we operate and to give all employees equal opportunities to progress their careers. Diversity, equity and inclusion (DE&I) is a living imperative within our businesses, and everyone, from front line workers to the Group's leadership, has a role to play in creating a supportive and caring environment for all.

In the UK&I, Compass has added Ability, an employee network supporting people with disabilities, to its four established networks: Women in Food, Within (promoting ethnic, religious and cultural diversity), Pride in Food (for members of the LGBTQ+ community and allies) and You Matter (supporting mental health and wellbeing). Activities recognising and celebrating awareness events such as Pride Month, Mental Health Awareness Week, Learning Disability Week and International Women's Day run throughout the year.

Strength in diversity

Our Diversity, Equity & Inclusion Policy sets out our approach to diversity, equity and inclusion. It applies to all Compass employees, including directors and officers and all our majority-owned businesses, including subsidiaries and joint ventures. Our aim is to ensure that all employees and job applicants are given equal opportunity and that our organisation is representative of the communities in which we operate; that each employee is respected and valued and able to give their best as a result.

Having people from diverse backgrounds in Compass is a huge strength for our businesses. For example, Black History Month was re-imagined as Black Future Month focusing on black inclusion and was celebrated with a series of events across the UK business including support from Non-Executive Director Arlene Isaacs-Lowe, who held roundtables with colleagues from the UK, US, Türkiye and UAE businesses.

At Compass Group USA, over 17,000 people completed DE&I training, and their Be the Difference conference in July 2023 was attended by more than 2,000 colleagues where they discussed empowering front line talent, exploring neurodiversity and the importance of allyship.

In Belgium, Compass was awarded a diversity accreditation from the Brussels Employment Minister, as an employer which recognises, respects and values differences in the workplace.

In Australia, Compass was ranked number one in the Indigenous Employment Index in 2022 and has introduced an Indigenous training programme leading to an accredited Cert III in hospitality, with a 97% success rate for completion and employment.

With its embedded commitment to DE&I, Compass Canada has launched Stronger Together Compass, focusing on mental health and wellness through its Diversity and Inclusion Action Councils, to provide colleagues with a safe space for conversation, where they can access resources and support one another.

In India, the business launched a new digital training module in the fight against sexual harassment with over 6,000 employees completing the training.

Reinforcing its commitment to inclusivity in all talent areas, in February 2023, Compass UK&I became a patron of the Multicultural Apprenticeship Alliance, which partnered with Chartwells to launch the first Junior Chef Academy in Wales.

Human rights activity

As a Group, we are committed to upholding human rights, always treating people fairly, with dignity and respect, and we expect our businesses' suppliers to uphold these same high standards throughout the value chain.

We recognise the importance and responsibility of respecting the human rights of all our employees within our own operations, those workers throughout our businesses' supply chains and the communities in which our businesses operate.

We approach human rights in the same way as we conduct our business activities: ethically and with integrity, as set out in our Code of Business Conduct (CBC) and Global Supplier Code of Conduct (SCOC), demonstrating our commitments and Compass' Values in our actions and behaviours.

We are also guided by our Human Rights Policy (reviewed in September 2023), in which we set out our belief that everyone is entitled to basic rights and freedoms, whoever they are, and wherever they live.

In the past year, we have continued to make progress to increase awareness and deepen the knowledge and understanding of the principal human rights risks across the diverse and complex environments our businesses operate in. We have also taken the opportunity to improve and enhance the associated processes, procedures, systems, training and polices aimed at improving our performance in this area.

From reinforcing and further expanding existing successful practices and tools (such as, the award-winning Ethical Recruitment process in our business in the Middle East, the Supply Chain Risk Management (SCRM) framework and Supplier Ethical Data Exchange (Sedex) implementation), to developing new bespoke Human Rights training such as Striving For a More Equitable World and launching our Third-Party Integrity Due Diligence process, our businesses have focused on those activities where they can make the greatest positive impact.

In the coming year, we will continue to build on our progress to date, concentrating our efforts and investment where we can make the biggest difference, and continuing to promote best practice across the Group's businesses and their supply chains.

For more on our approach to human rights, including our Human Rights Policy and Modern Slavery Act Statement go to: www.compass-group.com/en/sustainability/people/human-rights-and-ethical-trade

Celebrating women chefs

For the last four years, Compass Group USA's Women in Culinary (WiC) programme has addressed inequalities and opportunity gaps within the hospitality industry by supporting women chefs with dedicated training, leadership development programmes and advancement opportunities. WiC is driving cultural change as well as career growth, igniting executive allyship and fostering kind kitchens. This year's WiC showcase event was held in Dallas and encompassed International Women's Day. The event gave a platform to exceptional female chefs from across Compass Group US businesses, displaying and celebrating their amazing talents.

2023 female representation

	2023[1]	2022
Board	**38%**	33%
Executive Committee	**40%**	40%
Senior leaders	**34%**	37%
All management	**46%**	46%
Total workforce	**56%**	57%

1. Figures stated as at 30 September 2023.
2. The gender breakdown disclosures required in the Strategic Report pursuant to section 414C(8)(c) of the Companies Act 2006 are made on page 129 and are incorporated by reference into the Strategic Report.

Engagement

Nurturing our people throughout their career is important to us. We support the health and wellbeing of our people with programmes and initiatives designed to help them stay healthy, happy and secure because we care about the physical and mental wellbeing of our colleagues.

For the last four years, Compass Group USA's Women in Culinary programme has addressed inequalities and opportunity gaps within the hospitality industry by supporting women chefs for dedicated training, leadership development programmes and advancement opportunities.

Compass Group USA has launched Health is Wealth, a programme focused on mental, physical, financial and nutritional health. More information on the Health is Wealth programme can be found on page 106. In the UK&I, Compass provides free, easily accessible digital healthcare services to employees, including an annual health check, digital GP, second medical opinion, mental health therapists and nutritional consultations.

In the UAE, Compass has established the People Happiness Forum, giving everyone in the business a right to have their voice heard, with a platform to share their opinions. The ideas from the forum helped the business to win Gold for best company to work with, best recruitment strategy and best career development programme in the Plan3Media, Employee Happiness Summit Awards for UAE-based companies.

We recognise that household pressures can impact the wellbeing of our people. Compass Group USA and Compass UK&I help their people take better control of their financial commitments by enabling them to access their pay in advance of their normal payday, when they need it, as well as supporting healthy savings habits. Compass UK&I provides around 200,000 free meals for colleagues every week and enhanced its Helping Hands hardship fund, providing emergency support grants to employees. Whilst Compass India's We Care fund also provides an emergency backstop for employees when they need help.

Compass in the community

As well as supporting our people directly, our businesses create positive social impact by investing in, and contributing to, the local communities in which they operate.

In the US, Compass' Foodworks business has launched its IGNITE programme, offering grants to minority and women-owned business enterprises throughout the country. Foodworks helps these businesses purchase new equipment, expand operations and achieve necessary certifications.

Chartwells Higher Education in the US has launched an innovative Teaching Kitchens platform, with onsite culinary experts and registered dieticians to promote culinary and nutritional literacy. These events seek to foster culinary curiosity and encourage a sense of adventure. The Teaching Kitchens initiative helps improve productivity, creativity, morale and engagement with client wellness initiatives.

Compass' businesses advocate at local, national, and international level to promote diversity, equity and inclusion across their operations, as well as through their business partners and suppliers. Compass Australia, is recognised as a leader in Aboriginal and Torres Strait Islander engagement through positive impact partnerships, respect and recognition through advocacy of The Voice to Parliament, and co-designing training and employment pathways for Aboriginal and Torres Strait Islander people.

Priorities for the year ahead

Talent development and career opportunities remain key and are important to those who work in our businesses. We will continue to build out the Compass Academy concept and enhance career pathways in our businesses, with a particular focus on culinary and leadership skills.

Employee engagement remains important and local strategies will seek to enhance the employee experience whilst also extending care programmes for employees during challenging times.

Funding of local initiatives by The Compass Group Foundation will enable greater community impact across our businesses and increase our reach and impact on the social agenda.

Global employee engagement survey results

Listening to colleagues through employee engagement surveys, townhalls, community meetings, social platforms and maintaining close relationships with formal employee representative groups and unions, are some of the ways employees can have their say on topics that matter most to them and helps them contribute to our strategy and success.

This year's global engagement survey heard the voices of 140,000 colleagues across 19 countries, with a 63% response rate (up from 54% last year) indicating enhanced engagement overall.

Overall engagement scores held steady at 4.0 despite significantly higher participation levels from countries which have traditionally seen lower engagement. Eight out of 10 respondents agreed that they were treated fairly and with respect, felt part of a caring and positive team and were confident in the leadership of the business.

Whilst there remains work to do on personal growth, we were pleased to see an overall improvement of 5% (to 70%) in respect of career prospects and opportunities.

We were also pleased that overall engagement levels remained consistent despite the continued disruptive impact of external factors on our people's lives and a decline in life satisfaction in general. We know that what matters most to our people is to feel valued and to be able to give their best. To ensure all our people feel part of our caring, winning culture, we must deliver on our commitments of Respect, Teamwork and Growth for everyone and continue in our mission to provide opportunities for all.

Our Designated Non-Executive Director for Workforce Engagement, Ireena Vittal, hosted six roundtable sessions in the year with employees from 12 countries. These sessions provided insight into employee sentiment on topics ranging from culture and diversity to artificial intelligence, inflation, wellbeing and reward.

Further details can be found on page 75.

2022/23 Awards

Healthiest Employers®: Hall of Fame 2023
Compass Group USA

Multicultural Apprenticeship Awards: Retail, Hospitality & Tourism Employer 2023
Compass Group UK&I

International Association for Food Protection (IAFP): Black Pearl Award 2023
Compass Group USA

Brussels Economy and Employment Ministry: Diversity Accreditation 2022
Compass Group Belgium

Living Wage Foundation: Recognised Service Provider Champion Awards 2023
Compass Group UK&I

Newsweek: America's Greatest Workplaces for Diversity 2023
Compass Group USA

Fortune: World's Most Admired Companies 2023
Compass Group PLC

Forbes: America's Best Large Employers 2023
Compass Group USA

Purpose

Progress on our journey to address Scope 3 emissions

We have taken the next step on our journey to reach climate net zero by 2050 by partnering with leading climate management platform Planet FWD. It was a big step, enabling us to improve our methodology for measuring emissions and enhancing the quality of our data for the supply chain (Scope 3) which generates most of our greenhouse gas (GHG) emissions.

Our total Scope 3 emissions for 2022 were calculated using data from our top four markets – the US, UK, France and Australia representing 78% of our global revenues – using a hybrid volume and spend approach, and extrapolated to our smaller markets. We particularly focused on increasing data quality for purchased goods, the most significant source of emissions. The project to transition from spend to volume took six months to complete which has necessitated the use of 2022 data for reporting this year. This improvement in data quality has resulted in more granular estimates of food-related emissions and lower emissions estimates for 2022.

There is more to do, but we are making great progress and tackling Scope 3 emissions will remain one of our top sustainability priorities.

Purpose

Our Planet Promise

Our Planet Promise encompasses our values as an ethical, sustainable and inclusive business, together with our ambition to have a positive impact on the world. As well as being the right thing to do, this mission is also key to our growth aspirations and our long-term success.

Our ability to demonstrate progress in reducing our carbon impact and food waste is helping us attract new clients, who rely on us as a trusted partner to help them achieve their sustainability goals. Together with Compass, clients and consumers in every market can navigate towards a less wasteful, healthier, plant-forward lifestyle.

In September, we hosted our inaugural Sustainability Deep Dive; a virtual event providing institutional investors, analysts and other key stakeholders with an opportunity to enhance their understanding of the Group's sustainability strategy, climate net zero progress, and operational innovations towards a more sustainable future for all.

Our actions are guided by the United Nations Sustainable Development Goals (UN SDGs), especially those where we can have the greatest impact: carbon reduction, food waste, animal welfare, a reduction in high-emission products, and care for the health and wellbeing of our people and consumers.

In a global market, it is inevitable that some regions and countries will move faster than others towards our pledge of climate net zero by 2050. Compass UK&I is leading the industry and has committed to achieving climate net zero by 2030. The UK&I are working with external partners to support their strategy, such as leading University of Oxford expert, Professor Sir Charles Godfray FRS, who is supporting them to shape and deliver their climate ambitions.

Data transparency is embedded in our philosophy and our Task Force on Climate-Related Financial Disclosures (TCFD) report (see pages 45 to 54) includes disclosure of our climate-related risks and opportunities for 2023.

Investing in innovation

We are investing in technology to ensure decision making is supported by data-driven insights across all areas of our sustainability strategy. Our businesses are providing clients with dashboards to visualise progress across the ESG metrics that are important to them with data provided by tools such as Waste Not 2.0, our proprietary food waste tracking technology, and via Planet FWD, a leading climate management platform. We continue to make investments to support our own ambitious goals, including enhancing our management of supply chain risks using the Supplier Ethical Data Exchange (Sedex) platform.

In September 2022, the Group issued fixed-rate sustainable bonds of €500m (£434m) and £250m maturing in 2030 and 2032, respectively. The proceeds of the bonds have to be allocated to expenditure on Eligible Sustainable Projects in line with the Compass Group Sustainable Financing Framework during the three years before, and two years after, the date of issue.

See more at www.compass-group.com/en/media/news/2022/compass-group-issues-first-sustainable-bonds.html

Shelley Roberts
Group Chief Commercial Officer with responsibility for Health, Safety and Sustainability

Environmental leadership

Food waste

Reducing food waste is one of the greatest environmental challenges facing our sector and therefore one where we have the greatest potential to make a significant difference. Our culinary teams and front line staff are instrumental in tackling this challenge, employing a range of diverse food waste reduction technologies across their businesses. This year, we made food waste reduction our top priority. Our target was to adopt food waste tracking technology in 6,000 locations and, with every region united in support, we achieved 7,943 locations, proudly surpassing our 2023 target – which is linked to an element of the annual bonus plan of executive directors and senior management.

In 2022, we launched Waste Not 2.0 – our proprietary, tablet-based, online tracking tool for chefs – and have since rolled it out across 12 countries in nine languages. Waste Not 2.0 enables kitchen teams to identify opportunities to minimise food waste beyond the usual trim, bones, core and peel waste. Using the tool's analytics, managers can evaluate data, quantify, and report on the carbon footprint of kitchen waste, leveraging this information to reduce or avoid future wastage.

Our ability to demonstrate progress in reducing our carbon impact and food waste is helping us attract new clients, who rely on us as a trusted partner to help them achieve their sustainability goals.

Purpose continued

Food waste reduction highlights

Stop Food Waste Day, our global day of action received over

93 million

impressions on social media

Investment in proprietary

food waste measurement technology

Waste Not 2.0 which has been deployed in 12 countries and is available in nine languages

Food waste measured at almost

8,000 sites

supported by a performance measure within the executive director and senior management annual bonus plan

Strong progress on our contribution to goal 12 of the UN SDGs with our commitment to

reduce food waste by 50% by 2030

supported by our investment and deployment of food waste tracking technology

A new training experience focused on food waste reductions named

Chefs Creating Change

was built and delivered by our Global Culinary Forum, inspiring onsite actions that can be taken by our chefs back to their units

Working alongside ReFED in the US, a non-profit partner dedicated to ending food loss and waste, our US business has integrated

enhanced analytics data

to enable Waste Not 2.0 to report the water and carbon impact of the food waste being generated at site level

As a global leader in food service, Compass is uniquely positioned to raise awareness and make a positive impact on the reduction of food waste throughout the sector. Compass USA launched Stop Food Waste Day (SFWD) in 2017, and the event is now the largest annual global day of action in the fight against food waste. SFWD not only draws attention to the problem but also engages and educates colleagues in the sector by sharing practical, creative and impactful ways to change behaviour and stop food waste. It also brings together consumers, businesses, not-for-profit organisations and government entities and encourages them to tackle the problem on a global scale.

This year, SFWD reached people in over 70 different countries, as well as being celebrated by units in all of our operating markets. It included themed menus, consumer pledges, recipe videos, and the launch of the second Stop Food Waste Day online cookbook, which received impressive engagement, as evidenced by more than 16,000 reads and 68,000 impressions. The campaign resonated widely, reaching over 93 million people through a variety of media, and achieved 26 million views on X (formerly known as Twitter) alone; whilst Compass Group USA generated further engagement by hosting a SWFD live session featuring renowned food waste experts and leaders.

Chefs across the Group are leading transformative sustainability efforts within the food industry from the bottom-up, and this year we held our first Global Culinary Forum, named Chefs Creating Change, which tackled the pivotal issue of food waste, and provided a platform for front line teams to come together, deepen their understanding of food waste reduction, and exchange expertise in areas such as procurement, inventory management, menu creation and the application of technology. This ground-breaking event, conducted across four time zones, engaged approximately 3,000 chefs in the largest ever gathering of Compass culinary experts worldwide.

Menu reformulation

Creating climate-friendly and healthy menus that appeal to consumers is key to driving forward our sustainability agenda. Our culinary experts, registered dieticians, operators and marketing teams across the Group work together to ensure they deliver what their clients and consumers desire. Drawing upon our exceptional culinary expertise, we stand at the forefront of the industry, capable of delivering delicious meals that harmoniously blend flavour and health benefits. As the regulatory landscape evolves, we continue to provide food that encourages healthier eating for our clients.

Our recent Global Eating at Work survey revealed that 49% of our younger consumers are expressing a heightened demand for plant-based options. Our approach replaces high-impact proteins such as beef and lamb with chicken and sustainable fish. We incorporate minimally processed plant-based foods without compromising on flavour, use less red meat, and blend animal protein with vegetables. Additionally, we position climate-friendly dishes prominently on menus to normalise their consumption without explicitly labelling them as vegetarian or vegan.

We are proud to be a member of the World Business Council for Sustainable Development (WBCSD) and by co-chairing the Positive Consumption action area we are donating our time to develop a behaviour change toolkit for the participating food service members. The project is driving food systems transformation by developing solutions that support healthy people on a healthy planet.

Our chefs are leveraging behavioural change strategies using nudging techniques to steer consumers towards healthier options. This gives us an invaluable opportunity to foster a broader acceptance of nutritious, sustainably-sourced and plant-forward, nutritious dishes.

Our behavioural change strategies include:

– **Choice architecture**: strategically positioning health-focused menu options in prominent locations, ensuring they catch the eye of consumers first
– **Information**: providing comprehensive ingredient and nutritional information, coupled with practical advice for making better dietary decisions. Our goal is to empower guests with the knowledge they need to make choices that align with their health objectives
– **Incentives**: motivating consumers towards healthier choices, and offering incentives such as extra loyalty reward points for selecting menu items that promote wellbeing
– **Emotional appeals**: reinforcing positive choices by communicating monthly updates on the increased consumption of plant-based proteins or reduced red meat. This helps foster a collective goal of healthier eating
– **Social influence**: leveraging the impact of social behaviour, tracking and communicating instances where consumers appreciate and choose new health-conscious options. This showcases their popularity and desirability, influencing individual selections

Our culinary experts strategically blend various levers for enhanced impact. For example, by combining choice architecture with financial incentives in a US manufacturing plant, the business was able to shift total purchases of healthy options from less than 30% to more than 45%, and nudged beverage selection to 92% 'better for you' options.

Supplier initiatives

Close collaboration with suppliers is essential on our journey to climate net zero, because we know this goal cannot be achieved in isolation. We are actively leveraging our scale as a significant buyer of food in our ongoing drive towards decarbonisation, and see great potential for progress in working towards this shared goal with our partners.

For example, since January 2023, Compass UK&I has mandated that all new contracts require suppliers to set Science-Based Targets (SBTs) within 12 months of a contractual start date. This is supplemented with relevant KPIs related to sourcing, packaging and water consumption. By integrating multiple aspects of sustainability into their tendering process, our UK&I business has emphasised its dedication to sustainable procurement while meeting rapidly evolving industry requirements.

In May, the first Future Forward meeting was held in the US by our US businesses' procurement arm, Foodbuy. This enabled Compass Group USA and their Foodbuy leaders to collaborate with some of their supplier partners on the future of sustainability within the food supply chain. Presentations were made by major suppliers setting out strategies to reduce GHG emissions from the farm level right through to the packaging and distribution of the finished product. Several Foodbuy member representatives attended, offering valuable insights from an operational standpoint.

During the year, over 450 suppliers, clients and colleagues attended the Foodbuy Conference 2023 at ExCeL London, a full-day event with a strong focus on sustainability, culminating in a gala awards dinner. The conference offered attendees an exclusive insight into the journey Foodbuy UK is on as a business, and what it has planned for the year ahead.

In the US, 300 people attended the Foodbuy US summit in Nashville, Tennessee, including the Compass US and Foodbuy leadership team and many of their major suppliers. There was a strong emphasis on sustainability throughout the presentations, which included an address from our Global Director of Sustainability.

Carbon reduction

Most of Compass Group's GHG emissions are Scope 3, for which we are indirectly responsible. Our work with Planet FWD, a leading carbon management consultancy specialising in the food and agriculture industry, on measuring our Scope 3 emissions for 2022 (see page 38) is giving us valuable information which better enables us to work with suppliers to reduce the emissions of the Group's products and services.

Purpose continued

Our purchased goods emissions (Scope 3, category 1) decreased significantly against our 2019 baseline, as we evolved our approach from spend-based assessments to volume-based assessments. This is an important step which allows us to identify and take action on emissions reductions with greater accuracy than with a spend-based approach. Improving data accuracy to report Scope 3 emissions was a six month process, resulting in 2022 emissions reported in this year. However, our 2019 assessment had underestimated energy usage in client kitchens, which have subsequently increased in 2022, offsetting emissions reductions achieved in purchased goods, resulting in an overall emissions decrease of 12%.

The Group has targeted a 28% reduction in our absolute Scope 3 GHG emissions from all purchased food and drink by 2030, from a base year of 2019 - a goal approved by the SBTi. We will deliver this by focusing on food waste reduction, training our teams, reformulating our menus and working closely with our suppliers to explore new sustainable business practices. Moving to a volume-based approach and further developing our understanding of granular estimates of food-related emissions will help us achieve our target, with a reduction in emissions coming from product mix and sourcing opportunities. We are also working to align with the new Forest, Land and Agriculture (FLAG) guidance under the SBTi in 2024.

The next phase of our journey with Planet FWD is to utilise its industry-leading technology to manage our data when reporting emissions across our largest markets, to enable greater collaboration with clients in support of carbon-reduction initiatives. We are also investing in technology to influence consumer behaviour at the point of purchase, through carbon labelling with market-leading providers such as Foodsteps and HowGood. Carbon labelling scores food on whether it has a higher or lower environmental impact, based on the total GHG emissions generated from the extraction of raw materials to end of life.

Methodology

Compass Group PLC is required to report its global and UK energy use and carbon emissions in accordance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The data reported in these tables represent emissions and energy use for which Compass Group PLC is responsible and is incorporated by reference in the Directors' report on pages 56 to 130. To calculate our Group emissions, we have used the main requirements of the GHG Protocol Corporate Standard along with the UK Government GHG Conversion Factors for Company Reporting 2023.

We monitor 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 revenue (2022: 98%). tCO_2e per £ million turnover is calculated by dividing our total gross emissions (location based) by underlying revenue[2] for the countries monitored.

Our Scope 1, 2 and 3 emissions have been externally verified by a third-party, and we will continue to verify this data in the coming years.

See more at www.compass-group.com/en/sustainability/performance-and-reports.html

Our absolute emissions have increased year-on-year as Compass continued to successfully win new business across all regions, and, by the end of the year, revenues grew significantly. However, we are still making good progress in delivering our commitments and have already reduced our Scope 1 and 2 emissions by 10% compared with a 2019 baseline. When normalised by revenue we have seen a 12% year-on-year reduction in our GHG emissions ratio. Our UK emissions have fallen as a result of a robust set of actions to deliver carbon reduction initiatives, including the implementation of renewable electricity and energy efficiency solutions across our direct operations.

Energy efficiency

Across Europe, we continue to make good progress, led by Compass UK&I, which is continuing to implement its 100% electric vehicle policy. This year, Compass Spain has initiated projects including the installation of solar panels at their head office site and is also transitioning its fleet to electric vehicles.

In the US, SCS Global Services have certified Canteen's largest Californian branch as carbon neutral for Scope 1 and 2 emissions, marking a major step towards Canteen's commitment to achieving climate net zero by 2030. The branch team achieved this goal by completing a comprehensive GHG inventory of their operations, identifying emission hotspots and reduction targets, introducing electric delivery trucks to reduce emissions, improving energy efficiency, reducing overall waste, and investing in credible carbon mitigation projects to offset the remainder of its emissions.

Reusable solutions

Compass is contributing towards building a more circular economy, in which materials can be reused or recirculated to keep them in use as long as possible and to minimise waste. In Europe, for example, our businesses are reducing the use of unnecessary single-use plastic to a level below that required by the EU Single-Use Plastics Directive. Reducing unnecessary single-use plastics at scale can help drive behavioural change in employees and clients, which we hope they will carry into other areas of their work and home lives.

Global energy consumption and greenhouse gas (GHG) emissions for the period 1 October 2022 to 30 September 2023

	For the year ended 30 Sept 2023		For the year ended 30 Sept 2022	
	UK and offshore[1]	**Global**	UK and offshore[1]	Global (certain data restated)
Scope 1 – Emissions from the combustion of fuel or the operation of any facility, including fugitive emissions from refrigerants use tCO_2e	**1,934**	**147,282**	3,881	137,985[3]
Scope 2 – Emissions resulting from the purchase of electricity, heat, steam or cooling (location-based) tCO_2e	**2,497**	**49,714**	2,385	46,807
Scope 2 – Emissions resulting from the purchase of electricity, heat, steam or cooling (market-based) tCO_2e	**268**	**50,104**	1,047	47,071
Total gross emissions (location-based) tCO_2e	**4,431**	**196,996**	6,266	184,792[3]
tCO_2e (location based) per million £ turnover	**1.9**	**6.4**	3.2	7.3[3]
Energy consumption used to calculate above emissions/kWh	**21,194,715**	**786,600,491**	31,837,141	737,653,482[3]

1. UK and offshore emissions are a subset of the global emissions disclosed.
2. Alternative Performance Measure (APM). 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.
3. 2022 restated to correct an error in the calculation of Scope 1 emissions in the US. The restatement increases global Scope 1 emissions and total gross emissions by 37,985 tCO2e, energy consumption by 161,858,604 kWh and tCO2e per million £ turnover (GHG intensity ratio) by 1.5. The GHG intensity ratio presented on page 7 for 2020 and 2021 has also been restated to increase tCO2e/£m by 2.0 and 1.8 to 9.5 and 9.0, respectively.

Reducing single-use materials, specifically unnecessary plastic, is an industry-wide challenge that requires collaboration across the value chain. In response to this challenge, Compass USA co-founded the Single-Use Materials Decelerator (SUM'd), a non-profit, cross-sector group of NGOs and technical experts working to reduce reliance on single-use materials in the food industry. Together, they built the Understanding Packaging Scorecard, a simple, free tool to assess the sustainability impact of common food-service packages.

To learn more, read the SUM'd case study at www.upscorecard.org/compass-case-study/

Current sustainable plastics initiatives include:

- the launch of Google's Single-Use Plastics Challenge in partnership with Canteen in the US. The challenge invites food companies which offer packaging that is free of single-use plastic to test their solutions in Google's US cafes and micro kitchens. Challenge finalists will have the opportunity to pitch to Google and Canteen to scale across Google's US offices
- the deployment of reusable cutlery within Compass Saudi Arabia's healthcare business has successfully eliminated approximately 460,000 packets of single-use cutlery annually
- the installation of 180 water fountains in more than 80 business units across Compass Spain, offering a sustainable alternative to single-use plastic bottles of water. This is already saving 3.9 million containers a year and avoiding 87.7 tonnes CO_2e
- operating a zero-waste soccer stadium in partnership with Levy Restaurants in the US, eliminating single-use consumer plastics
- the introduction of a returnable, reusable solution to disposable packaging, CauliBox, which launched with a Compass UK&I Restaurant Associate site. Since October 2021, more than 33,000 CauliBoxes have been used, and the total emissions saved is now approaching 8,000kg CO_2e. Customers manage their CauliBox via an app, which monitors when they borrow and return a container and allows them to build up CauliCoin rewards with bespoke promotional codes. The initiative has helped the restaurant switch the salad bar to reusables only, further driving positive behavioural change
- a sustainable cup solution for events, introduced by Levy in the UK. A 10 pence micro deposit is linked to a charity partner for donations. The cup retention rate during the 2022-2023 sports season was a remarkable 95.6%, resulting in a CO_2e reduction of 7,400kg
- switching to Ozzi 100% reusable Tupperware across Chartwells in the US, a major step in Compass USA's initiative to significantly increase the adoption of reusable containers. Since the last financial year they have so far changed 97% of their containers, marking an almost complete switch to reusables

Positive procurement

Procurement teams are focused on several initiatives to make a positive impact on the planet and the communities that our businesses are part of. Sourcing local products, building an inclusive and diverse supplier base, supporting regenerative agriculture, demanding high animal welfare standards, protecting human rights and promoting ethical trade, are key strategic imperatives which drive the bottom line whilst enhancing our brands. These initiatives together with our animal welfare and palm oil commitments also drive impact beyond our business.

The next phase of our journey with Planet FWD is to utilise its industry-leading technology to manage our data when reporting emissions across our largest markets, to enable greater collaboration with clients in support of carbon reduction initiatives.

Purpose continued

Animal welfare

We are committed to upholding the Five Freedoms of animal welfare: freedom from hunger and thirst; from pain, injury and disease; from fear and distress; from discomfort; and freedom to express normal behaviour. Our businesses track animal welfare in every country we operate in, and work with their supply partners to make progress and address challenges. As a founding member of the Global Coalition for Animal Welfare (GCAW), we are working pre-competitively with other leading international food companies. Together, we collectively address systemic barriers to change, share best practices and make progress on key animal welfare issues at a faster pace than would otherwise be possible. In 2023, GCAW's focus has been on improving welfare for laying hens, broiler chickens and pigs. Compass' global footprint means our businesses face unique regional and local challenges. To better understand and overcome these we engage closely with several global, regional, and country-focused NGOs. These partnerships have proved valuable in helping drive welfare standards.

Diverse, equitable and inclusive supplier base

We are working collaboratively with clients, suppliers and other third parties to continue building a more diverse, equitable and inclusive supplier base. In the year under review, we started to collect more data from our operating companies to help us identify opportunities to increase our impact. We have partnered with: Minority Supplier Development UK, which champion ethnic-minority-owned businesses in the UK; WeConnect, which amplifies the presence of female business owners and helps them compete in the global marketplace, and; in the US, with Disability:In, the leading non-profit resource for business disability inclusion. All three organisations are helping us to further identify and support diverse suppliers. In the US the Foodbuy Diverse Supplier Accelerator Program, now in its third year, was created to offer a broad range of services and resources to assist the growth of diverse suppliers. This initiative focuses on 10 new women and minority-owned businesses each year, providing them with mentors, education sessions, and industry connection opportunities.

Sustainable and ethical supply chain

Led by the Supply Chain Risk Management (SCRM) Committee, over the past year we have continued to strengthen our approach to identifying and mitigating business integrity, human rights, and environmental risks in our supply chains. Given the size and complexity of the Group's businesses and their supply chains, a risk-based approach is taken and we continue to invest in education, awareness, technology, partnerships, and training to ensure due diligence processes continue to evolve.

The Group's Global Supplier Code of Conduct (SCOC), launched in 2022, is an essential part of the contractual requirements for all suppliers. It sets out the principles, expectations and behaviours we require our supply chain partners to adhere to in areas of business integrity and ethical principles, human rights and labour standards, health and safety, and sustainability.

Sedex has now been adopted by 14 countries (including all top 10 markets by revenue), providing data on ethical practices for supplier sites in 54 countries. We have also introduced a new Third-Party Integrity Due Diligence process, piloted in 10 countries. We have continued our partnerships with Earthworm Foundation and Slave-Free Alliance, whilst our US business continues to support the Coalition of Immokalee Workers' Fair Food Program. Learnings gained through these partnerships have been shared internally and with suppliers to expand understanding and increase our impact. Our Human Rights Working Group has been a powerful forum for sharing best practice throughout our regions. See page 35 for more information.

Community impact

We want to take care of the communities where our businesses are based in ways that make a real difference to each individual community. Locally-made investments have substantially benefited many local food producers and small-scale ventures that have partnered with Compass because they share our values. Our businesses use their skills and resources to provide donations of food where it is most needed, support charity projects that can change lives, and advocate for social enterprises that seek to make lasting change for the better.

Food donations

Donating good-quality food, that would otherwise go to waste to those in need is not only sustainable, it is the right thing to do. Compass businesses work with food recovery partners in all our markets to make sure good food reaches people in food poverty. They donate where they can have the greatest impact, from supporting local community food banks and food pantries to participating in child meal programmes. During the year, Compass businesses donated over 1.6 million meals to their local communities.

Food Fleet is a dynamic mobile food provider and management company in our North America business, in Hawaii. During the year, Food Fleet worked closely with the Wave Foundation and We Do Better Relief alongside suppliers, vendors and chefs to deliver essential assistance to the Maui community, which was severely affected by wildfires on the island.

Social enterprises

One of our US businesses, Wolfgang Puck Catering, actively collaborates with a range of small-scale ventures and food producers that work to foster positive social change. One such enterprise is Scott Family Farms, a third-generation family business, which aims to mentor black farmers and reshape farming for black communities. Wolfgang Puck Catering also collaborates with Homeboy Industries in East Los Angeles, the world's largest gang intervention and rehabilitation programme, providing resources to help rebuild the lives of former gang members.

Another US community venture, Foodworks, has introduced its IGNITE programme; a community initiative, which provides grants to minority and women-owned businesses across the US. Foodworks offers small business coaching, quality assurance training, marketing assistance and extensive exposure to partners nationwide to facilitate the rapid expansion of local restaurants.

The Compass Group Foundation

In the UK, The Compass Group Foundation supports the charity FoodCycle, which runs a network of community kitchens, using surplus produce which would otherwise go to waste.

In Australia, Compass Group has partnered with Foodbuy Australia as well as Bridging the Gap Foundation (founded by Menzies School of Health and Science Research), which has been granted seed funding by the Foundation to pilot a Nutritional Hunger Program (NHP).

The NHP aims to end nutritional hunger in remote Indigenous communities by co-designing a programme with local Indigenous community leaders to find solutions to get high-quality, nutritious food to Indigenous communities at reasonable prices. Training and education will also be provided to various community groups and members, including store owners, in areas of food production, sanitisation, cooking, inventory management and healthy choices for better health outcomes. See page 33 for more information about the Foundation.

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.

Task Force on Climate-related Financial Disclosures continued

– 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: – 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: – 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: – 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.

Task Force on Climate-related Financial Disclosures continued

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.

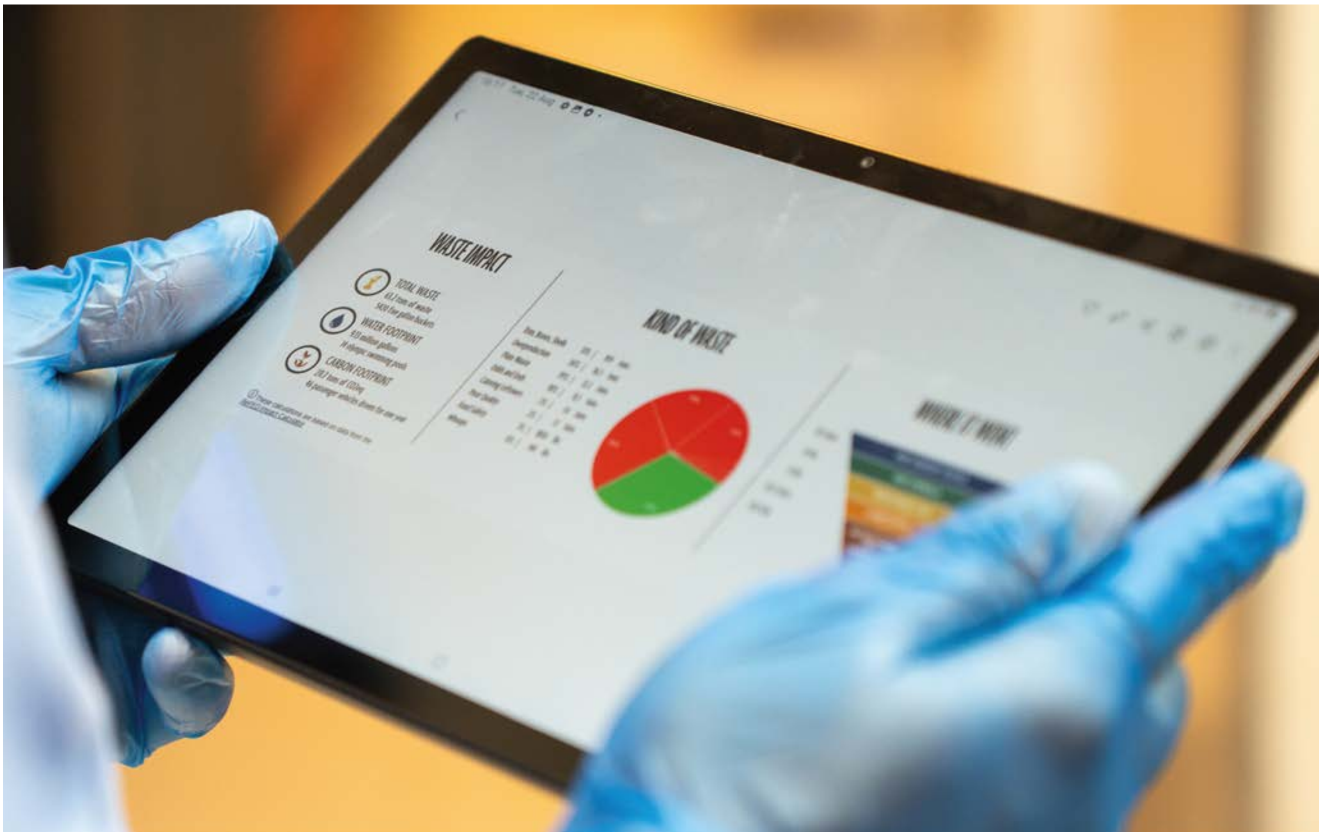
Qualitative scenario analysis

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 ❶❷	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	– 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	– 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 ❸	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	– 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 ❹	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	– 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	– 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

❶❷❸❹ 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).

Task Force on Climate-related Financial Disclosures continued

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	– 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	– 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	– 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	– 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	– 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	– 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	– 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

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

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

						Cost impact[1] – 2025/2030			Cost impact[1] – 2050		
Risk	Type	Description	Impact	Country	Focus area	A (1.5° C)	B (2.5° C)	C (4° C)	A (1.5° C)	B (2.5° C)	C (4° C)
Drought ❶	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	green	green	green	green	green	green
Extreme heat ❷	Acute	Prolonged period of abnormally high surface temperatures	Crop stress leading to crop failure	US, UK, Australia and France	Poultry, pork, produce	green	green	green	green	green	green
Extreme heat ❸	Chronic	Sustained abnormally high surface temperatures	Heat leading to cow weight loss and lower milk production	US and Australia	Beef, dairy	green	green	green	green	green	green
Water stress ❹	Chronic	Sustained higher temperatures and reduced precipitation	Reduced water availability for cattle feed, thus reducing herd size	US and Australia	Beef, dairy	green	green	green	orange	orange	orange
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	red	orange	N/A	N/A	N/A	N/A

Potential unmitigated annual food cost increase[1]
green < 2.5% orange 2.5-5.0% red 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

❶❷❸❹ 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

Task Force on Climate-related Financial Disclosures continued

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 foot waste in 2022[1].

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 2022[1]. 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 revenue[2] (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.

Non-financial and sustainability information statement

The table below sets out where stakeholders can find information in our Strategic report that relates to non-financial matters detailed under section 414CB of the Companies Act 2006.

Reporting requirement	Some of our relevant policies[1]	Where to read more in this Report about our impact, including the principal risks relating to these matters	Page
Environmental matters	– Sustainability Strategy – Environmental Policy Statement	Purpose	38-44
		GHG Emissions	42
		TCFD reporting	45-54
		Principal Risks – Climate change and sustainability	26
Employees	– Code of Business Conduct – Business Integrity Policy – Workplace Health and Safety Policy Statement – DE&I Policy	Chief Executive's review – People	10
		People	32-37
		Principal Risks – Health and Safety, People	26-27
		Safety culture	12
		Ethics and integrity	13-14
Human rights	– Code of Business Conduct – Business Integrity Policy – Modern Slavery Act Statement – Human Rights Policy Statement	Whistleblowing, anti-bribery and fraud	84
		Human Rights	35
		Employee diversity	33-35
Social matters	– Social Purpose	Chief Executive's review – Purpose	11
		Stakeholder engagement	74-79 and 103-104
		Purpose Report	38-44
Anti-bribery and corruption	– Code of Business Conduct – Business Integrity Policy – Speak and Listen Up Policy – Sourcing Responsibly	Ethics and integrity	13-14
		Principal Risks – Compliance and fraud	29-30
		Whistleblowing, anti-bribery and fraud	84
Business model		Strategy and business model	4-6
Non-financial KPIs		Global Lost Time Incident Frequency Rate	7
		Global Food Safety Incident Rate	7
		Global Total Recordable Injury Frequency Rate	12, 56, 89, 120
		Greenhouse gas intensity ratio	7
Principal risks		Risk management	24-30

1. The Company's policies, statements and codes are available on the Company's website, www.compass-group.com.

The Strategic report, as set out on pages 1 to 55, has been approved by the Board and signed on its behalf by

A. Yapp

Alison Yapp
Group General Counsel and Company Secretary

20 November 2023