TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

We set out below our climate-related financial disclosures, which are consistent with all of the TCFD recommendations.

We cover the four TCFD recommendations and the 11 recommended disclosures set out in Figure 4 of Section C of the report entitled ‘Recommendations of the Task Force on Climate-related Financial Disclosures’ published in June 2017 by the TCFD.

Summary
The global food system is a leading contributor to climate change, responsible for around one-third of greenhouse gas (GHG) emissions annually. As the world’s largest food services group, operating at the heart of the global food supply chain, we are in a unique position to influence real change and to help create a more sustainable global food system for all.

The purpose of this TCFD statement is to provide investors and wider stakeholders with a better understanding of Compass Group’s exposure and strategic resilience to climate-related risks, whilst also identifying climate-related opportunities that are material to the Group.

If left unmitigated, climate change poses a significant risk to our planet, our people and our economies. Climate change can create significant disruptions through chronic and acute weather events and corresponding physical risks. As a response to this, Compass has committed to play its part by setting a target to reach climate net zero by 2050 and by launching a Sustainable Financing Framework, further supporting the net zero target. Although if unmitigated the risks could be significant, Compass Group has many operational levers which can help mitigate supply chain disruptions through procurement scale, menu management, and culinary and digital innovation.

We have found the TCFD process to be an important tool in directing our efforts and integrating climate-risk awareness into our day-to-day operations. For the first time, in 2022, we carried out a quantitative scenario analysis of the potential climate-related risks and opportunities for our businesses. Our scope covered our largest market, the US, representing c.60% of the Group’s total annual revenue in 2021. Our assessment was based on the relative ranking of climate risks and financial materiality, providing a scope representing 27% of total US food spend in 2019.1

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 becomes clearer. We are committed to working with experts to broaden the scope of the analysis in future years.

Based on today’s predictions and our scenario analysis, the greatest financial risk in 2030 arises from carbon taxation within the low carbon transition scenario. We are confident in our ability to manage the financial risk under this scenario and expect the net impact to be immaterial.

Governance
The Board’s oversight of climate-related risks and opportunities
We have a well-established governance structure designed to effectively oversee the management of our principal risks, including climate change risks and opportunities presented by climate change. The Board reviews principal risks biannually and it identified climate change as a principal risk in 2021, at which time it was formally embedded into our risk management processes.

The Board has overall responsibility for oversight of the management of the risks and opportunities presented by climate change, which it exercises through two of its principal committees: the Corporate Responsibility (CR) Committee and the Audit Committee.

The CR Committee is responsible for overseeing the development and implementation of policies and strategy supporting sustainability activities, including the Group’s climate net zero commitments published in October 2021. The CR Committee receives reports at every meeting from the Group Chief Commercial Officer, 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 our GHG emissions targets. Additionally, during the year, the Committee received briefings from management in relation to its approach to TCFD and from external advisers in relation to developments in the broader TCFD disclosure landscape.

The CR 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 and Group Chief Financial Officer. More information about the CR Committee can be found on page 79.

The Audit Committee is responsible for reviewing the adequacy and effectiveness of the Group’s risk management and internal control systems, together with the going concern and viability statements. It monitors, reviews and reports to the Board on any significant financial reporting issues and judgements made in connection with the preparation of the financial statements. This includes the potential impact of climate change, the output of the Group’s scenario analyses, costs to achieve our climate net zero commitments, and their impact on the financial statements and related disclosures.

1. 2019 data was used for the materiality assessment, as this year is the Group’s climate net zero target base year.
The Audit Committee reviews the effectiveness of the risk management and internal control processes and considers the potential financial impact of climate change on the financial statements at the half-year and full-year. The Audit Committee meets three times a year and comprises all the independent non-executive directors of the Board. More information about the Audit Committee can be found on page 74.

**Management’s role in assessing and managing climate-related risks and opportunities**

The Group Chief Executive Officer and Group Chief Commercial Officer have the highest management-level responsibility for climate-related issues and have the responsibility to form, review and communicate the Company’s climate-related global strategy, policies, and standards to the CR Committee. This includes setting and reviewing progress towards targeted KPIs, assessing the climate-related risks and managing and monitoring the associated opportunities. They are supported in this regard by the Global Director of Sustainability who leads the Group Sustainability function, which also provides support to the 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 are responsible for managing climate-related risks and opportunities for their respective regions. At country level, the country managing directors are responsible for managing climate-related risks and opportunities for their respective countries.

**Strategy**

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

The process of identifying climate-related risks and opportunities for this year’s TCFD statement was conducted via qualitative and quantitative risk assessments and scenario analyses, carried out by our specialist internal teams and expert external partners. As climate risk is integrated into our risk management process, risks and opportunities were identified as part of our Major Risk Assessment (MRA) process. See the Risk Management section on page 22 for further detail.

The output of this exercise is summarised below. Compass considers three years (short-term), four to 10 years (medium-term) and greater than 10 years (long-term) to be the relevant time horizons based on the Group’s decision-making processes and structure. For reference, the Board considers annually a three-year, bottom-up strategic plan and a more detailed budget which is prepared for the following year. The directors have therefore determined that a three-year period to 30 September 2025 is an appropriate period over which to provide its viability statement on the basis that this is the period reviewed by the Board in its strategic planning process and is aligned to the typical length of Group company contracts (three to five years). More information about the viability statement can be found on page 29.
<table>
<thead>
<tr>
<th>Risk/opportunity (time horizon)</th>
<th>Description and impacts</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PHYSICAL RISKS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Acute (S/M/L)</strong></td>
<td>Crop stress, reducing yields and/or catastrophic crop failure may lead to raw materials being harder to procure and increased operating costs.</td>
<td>Flexible menu planning arrangements with clients that allow us to select local, seasonal and readily available ingredients, and reduce reliance on single-source ingredients.</td>
</tr>
<tr>
<td><strong>Chronic (S/M/L)</strong></td>
<td>Heavy impact on potential yields and quality may lead to raw materials being harder to procure and increased operating costs.</td>
<td>Flexible menu planning arrangements with clients that allow us to select local, seasonal and readily available ingredients, and reduce reliance on single-source ingredients.</td>
</tr>
<tr>
<td><strong>TRANSITION RISKS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Policy and legal (M/L)</strong></td>
<td>Increased costs or reduced demand for products and services resulting from fines and judgements against us.</td>
<td>We are monitoring the evolution of the regulatory reporting landscape across our markets, particularly in the EU and US.</td>
</tr>
<tr>
<td><strong>Market (S/M/L)</strong></td>
<td>Reduced demand for goods and services due to shifts in consumer preferences.</td>
<td>We are creating robust plant-forward training for our chefs, utilising technology and consumer apps to display carbon labelling, and working with our suppliers on new plant-forward options and reduced-carbon ingredients.</td>
</tr>
<tr>
<td><strong>OPPORTUNITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Resource efficiency (S/M/L)</strong></td>
<td>Reduced operating costs (e.g., through efficiency gains and cost reductions); increased production capacity resulting in increased revenues.</td>
<td>Application of technology to understand our food waste footprint, and working in partnership to halve it by 2030; exploring solutions that allow us to move away from single-use and fossil fuel-based plastics towards reusable packaging.</td>
</tr>
<tr>
<td><strong>Energy sources (S/M)</strong></td>
<td>Reduced operational costs (e.g., through use of lowest cost abatement); reputational benefits resulting in increased demand for goods and services.</td>
<td>We are continuously seeking to improve operational efficiency and use new technologies that emerge as the sector transitions to a low-carbon economy, including increasing adoption of 100% plug-in electric vehicles by our businesses.</td>
</tr>
<tr>
<td><strong>Menus, products and services (S/M)</strong></td>
<td>Better competitive position to reflect shifting consumer preferences towards plant-forward diets, resulting in increased revenues.</td>
<td>Continue to expand our offer of healthy, plant-based menu items; reformulate menus to be low carbon and switch towards more plant-based proteins; increase share of locally and seasonal sourced products.</td>
</tr>
<tr>
<td><strong>Investment in innovation (M/L)</strong></td>
<td>More resilient supply chain resulting in higher availability of products, cost reductions, and reputational benefits resulting in increased demand for goods/services.</td>
<td>Allocation of funding to regenerative agriculture products, vertical farming and hydroponics; transitioning farmers from traditional farming.</td>
</tr>
</tbody>
</table>
Scenario analysis
Based on the insights from this qualitative risk assessment, the physical impacts of climate change and the impacts of stringent climate policies were assessed under three climate scenarios, consistent with the recommendations of the TCFD: one physical climate impact scenario (RCP8.5) and two low-carbon transition scenarios (RCP2.6 and RCP1.9).

Scope and assumptions
Time horizon
For the purposes of scenario analysis, the medium-term (2030) has been considered as climate-related issues often manifest themselves over the medium to longer-terms. There is a trade-off involved when choosing the appropriate time horizon. If it is too short, developments may not be sufficiently differentiated, whereas if it is too long, uncertainties may overwhelm useful analysis. A medium-term horizon allows for the outcomes of the scenario analysis to be built into our strategic planning, and therefore forms the basis of this year’s disclosures.

<table>
<thead>
<tr>
<th>Risk scenario</th>
<th>Key risk attributes</th>
<th>Focus areas</th>
<th>Rationale and considerations</th>
<th>Pathway to cost increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business as usual RCP8.5 (4°C)</td>
<td>Acute climate change: Increased severity of extreme weather events such as heatwaves, floods, cyclones, forest fires, pests and diseases.</td>
<td>Animal protein, vegetables and fruit.</td>
<td>The most material physical risks for Compass food sourcing locations were assessed for which climate data from credible sources was available.</td>
<td>Loss in production leads to higher procurement costs (due to costs involved in switching sourcing). No carbon tax.</td>
</tr>
<tr>
<td></td>
<td>Chronic climate change: Changes in precipitation patterns and extreme variability in weather patterns, rising mean temperatures, rising sea levels.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low-carbon transition RCP2.6 (2°C) (very stringent)</td>
<td>Policy and legal: Carbon taxation on agricultural and freight emissions (scope 3).</td>
<td>Animal protein, vegetables and fruit.</td>
<td>The implications and financial costs of mandatory farm standards would vary significantly across farms, whereas a carbon tax will have a material impact on all farms and food producers. This was therefore selected as a likely policy implication to be considered for the scenario analysis modelling.</td>
<td>Increase in sourcing costs due to carbon pricing on agricultural (farm to farm gate) and freight emissions.</td>
</tr>
<tr>
<td>Low-carbon transition RCP1.9 (1.5°C) (goal of Paris Agreement)</td>
<td>Policy and legal: Carbon taxation on emissions (scopes 1 and 2).</td>
<td>Emissions.</td>
<td>A carbon tax was found to be most material.</td>
<td>Increase in sourcing costs due to carbon pricing on agricultural (farm to farm gate) and freight emissions.</td>
</tr>
<tr>
<td>Low-carbon transition</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Summary of scenario analysis findings

The most significant impact is that arising from carbon taxes on animal protein under RCP1.9 (1.5°C rise), which could result in annual cost increases in the range of 5.0-7.5% of the total spend on all food categories in scope. While the results refer to this scope only and, as such, cannot be extrapolated, the estimated percentage cost increase gives a preliminary indication of the potential impact of climate risk before any business levers are applied. If we apply the business levers at hand in our operational model, the financial impact can be reduced substantially. The way we do this is described in the resilience section below.

Our first scenario analysis indicates that carbon tax on our scope 3 GHG emissions is the key risk to mitigate. Hence this is the focus of our current efforts and is highlighted under Metrics and Targets below.

Future roadmap on scenario analysis

The first scenario analysis conducted this year has provided insights on both methodology and climate risk that we will build on. We plan to increase the scope of our work including consideration of additional geographies, timeframes and risk attributes to enhance our risk management and climate change decision-making processes, and inform our future strategy and financial planning. To accomplish these goals, we are building a roadmap for additional scenario analysis for the next two years.

The resilience of the Group strategy

The Group benefits from a wide range of strategic and operational processes already in place, that can be flexed to address changing market dynamics, including recent inflationary pressures and climate change. These processes include a combination of operational mitigation measures and strategic business model levers, which are summarised below. The selected levers are those primarily relevant to scope 3 GHG emissions, as this is our key risk area. In addition, scope 1 and 2 are also considered.

The table below links scenarios, risk, impact, resilience, metrics and targets.

<table>
<thead>
<tr>
<th>Metric (Unit)</th>
<th>Target 2030</th>
<th>Target 2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHG emissions scope 3 (tCO2e)</td>
<td>28% reduction</td>
<td>Climate net zero</td>
</tr>
<tr>
<td>Food waste (kg)</td>
<td>50% reduction</td>
<td>To be determined</td>
</tr>
<tr>
<td>GHG emissions scopes 1 and 2 (tCO2e absolute; norm by revenue)</td>
<td>46% reduction; carbon neutral</td>
<td>Climate net zero</td>
</tr>
</tbody>
</table>

Potential annual food cost increase in 2030 (%)

| < 2.5% | 2.5-5.0% | 5.0-7.5% |

1. The gross cost impact column indicates the unmitigated annual food cost increase percentage in 2030 of the products in scope for each risk scenario.
2. The net cost impact column reflects that value, less the effect of having applied the business levers Compass has available within its regular course of business.
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 Major Risk Assessment (MRA) process. The MRA is the cornerstone of our risk management framework and it is a structured biannual bottom-up and top-down risk review completed by all countries that considers the key risks facing the Group. The process of identifying climate-related risks and opportunities is undertaken via qualitative and quantitative risk assessment exercises including scenario analyses to identify the climate-related physical and transition risks and opportunities that are material to Compass. The process involves both country leadership teams and central functions, e.g. finance, risk management, legal and sustainability.

As part of the assessment process, each identified risk is assessed against potential impact, probability and exposure with each risk being given an overall risk rating. Risks are identified and assessed within each country and region, and the Group risks are assessed biannually by the Board.

As per our risk management framework, we assess the key risks and opportunities, including climate-related risks and opportunities that have a substantive financial or strategic impact if there is a one-off or recurring annual profit impact of more than 4% of our profit before interest and tax (PBIT). More information about the risk management framework can be found on pages 22 and 23.

Processes for managing climate-related risks

At the Executive Committee level, the regional managing directors are responsible for managing climate change risks and opportunities for their respective regions. At the country level responsibility sits with the country managing director. To increase ownership of climate risks across the business, a cross-functional steering group has also been established. Climate risks and mitigations are monitored throughout the year by the Executive Committee, as part of the biannual MRA process.

A few examples of how this process has helped inform our mitigation efforts are found in the table on page 45 for the identified climate-related risks, and include robust plant-forward training for our chefs, utilising technology and consumer apps to display carbon labelling, and working with our suppliers on new plant-forward menus and reduced-carbon ingredients.

Climate-related risk processes are integrated into overall risk management

The Board continues to take a proactive approach to risk management, with the aim of protecting the Group’s employees, clients and consumers and safeguarding the interests of the Company and its shareholders in what is a constantly changing environment.

The identification of risks and opportunities, the development of action plans to manage the 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, namely GHG emissions and food waste measurements in line with our strategy and the conclusions of our scenario analysis.

Risks and the corresponding controls and mitigations are reviewed by country and regional leadership teams on an ongoing basis. Risk updates form an integral part of periodic management reviews and are also reviewed regularly by the Regional Governance Committees and biannually by the Executive Committee and Board. More information about the risk management framework can be found on page 22.

As noted on page 29 the Group’s principal risks are all considered as part of the Group’s strategic planning process and viability statement assessment. In addition, we note on page 136 how this risk has been considered in the basis of preparation of the Group’s consolidated financial statements.
METRICS AND TARGETS

Metrics and targets focus on food waste and GHG emissions in line with our strategy

In line with our commitment to the Paris Agreement and our sustainability strategy, which includes climate action, we have established climate-related targets and 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 food and drink purchased 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

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.

Food waste

Given that every year one-third of food produced for human consumption is lost or wasted globally, we see targeting a 50% reduction in food waste as our most immediate contribution to reducing GHG emissions. In 2021, Compass’ range of food waste management systems tracked waste in kitchens across 26 countries, leading to a 28% reduction in food waste. The continued global expansion will see food waste technology made available across all of 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. Compass’ efforts will include the expansion of its game-changing Waste Not 2.0 system: a state-of-the-art tablet-based waste tracking programme, built by chefs for chefs. We actively manage and report on our strategy to reduce food waste in our annual Sustainability Report.

Scope 1 and scope 2 GHG emissions

We report our energy usage and scope 1 and 2 GHG emissions annually (see page 40). In 2022, we monitored the energy usage and GHG emissions of our owned and operated sites across 29 countries (2021: 29) which represent 98% of underlying revenue (2021: 98%). This year, we have also calculated our scope 2 GHG emissions using market-based methodology to recognise the purchasing of low-carbon energy. We also disclose our scope 1 and 2 GHG emissions normalised by revenue (see page 40).
In 2021 we calculated our scope 3 emissions related to 2019 in line with the GHG Protocol Corporate Standard and the UK Government GHG Conversion Factors for Company Reporting 2020. BEIS 2019 emissions factors were applied where relevant.

Calculations of scope 3 emissions going forward
In 2021, we established our scope 3 GHG emissions baseline with 2019 data through a rigorous global data-gathering exercise and set our global 2050 climate net zero target. Our baseline 2019 total scope 3 emissions amounted to 12,176,517 tCO2e as reported in our Sustainability Report 2021 (available with scope 3 category data on www.compass-group.com). In order to monitor our progress in reaching our science-based targets, we will measure and disclose our relevant scope 3 emissions annually starting in 2023.

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 price of carbon-offsets going forward. We therefore continue to assess how to introduce an internal carbon pricing method as a matter of priority.

Remuneration
To further strengthen our targets and commitments, the Remuneration Committee will introduce a new ESG incentive for 2022-2023 to support our sustainability priorities. This will focus on further reducing food waste across our operations, targeting an annual increase in the number of sites recording food waste using industry leading technology. We will prioritise deployment of this technology in our largest sites where we can have the most material impact.

Work on other metric categories
As we recognise the importance of measurement and follow-up to drive change, we have considered the seven metric categories in the TCFD recommendations. In addition to GHG emissions, internal carbon prices and remuneration 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 committed to working with external experts on broadening the scope of our efforts in this area and further improving our TCFD disclosures. Based on today’s predictions and our scenario analysis, the greatest financial risk to our 2030 targets arises from carbon taxation within the low-carbon transition scenario. However, we are confident in our ability to manage the financial risk under this scenario and expect the net impact to be immaterial to the Group.